

BASE PROSPECTUS

AKBANK

AKBANK T.A.Ş.

a Turkish banking institution organised as a joint stock company

€1,000,000,000 Covered Bond Programme

Under this €1,000,000,000 Covered Bond Programme (the **Programme**), Akbank T.A.Ş., a Turkish banking institution organised as a public joint stock company (the **Issuer**) may from time to time issue covered bonds (**Covered Bonds**) issued in accordance with Article 59 of Capital Markets Law No. 6362, published in the Official Gazette dated 30 December 2012 and numbered 28513 (the **CML**), and Communiqué No. III-59.1 on covered bonds, published on the Official Gazette dated 21 January 2014 and numbered 28889 (as amended by the Communiqué No.III-59.1a published on the Official Gazette dated 5 September 2014 and numbered 29110), (the **Communiqué on Covered Bonds** and, together with the CML, the **Turkish Covered Bond Legislation**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Covered Bonds may be issued in bearer form (**Bearer Covered Bonds**) or registered form (**Registered Covered Bonds**).

The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €1,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein) subject to increase as described herein. The payment of all amounts due in respect of the Covered Bonds will constitute direct, unconditional and unsubordinated obligations of the Issuer, secured by the statutory pledge provided by the Turkish Covered Bond Legislation and Covered Bondholders will have recourse to assets forming part of the cover pool (the **Cover Pool**).

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

An investment in Covered Bonds issued under the Programme involves certain risks. For discussion of these risks, see “Risk Factors”.

The Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or any U.S. State securities laws and may not be offered or sold in the United States to, or for the account or the benefit of, U.S. persons, as defined in Regulation S under the Securities Act (**U.S. person**) unless an exemption from the registration requirements of the Securities Act is available. See “*Form of the Covered Bonds*” for a description of the manner in which Covered Bonds will be issued.

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (the **Prospectus Directive**). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (EU) law pursuant to the Prospectus Directive. Such approval relates only to Covered Bonds that are to be admitted to trading on the regulated market of the Irish Stock Exchange (the **Main Securities Market**) or on another regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**) and/or that are to be offered to the public in any member state of the European Economic Area in circumstances that require the publication of a prospectus. Application has been made to the Irish Stock Exchange for Covered Bonds issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to its official list (the **Official List**) and trading on the Main Securities Market. References in this Base Prospectus to the Covered Bonds being **listed** (and all related references) shall mean that, unless otherwise specified in the applicable Final Terms, the Covered Bonds have been admitted to the Official List and trading on the Main Securities Market.

Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and certain other information which is applicable to each Tranche (as defined under “*Terms and Conditions of the Covered Bonds*”) of Covered Bonds will be set forth in a Final Terms document (**Final Terms**) which, with respect to Covered Bonds to be listed on the Irish Stock Exchange, will be filed with the Central Bank of Ireland. Copies of the Base Prospectus and of Final Terms in relation to Covered Bonds to be listed on the Irish Stock Exchange will also be published on (i) the website of the Irish Stock Exchange (www.ise.ie) and on the Central Bank of Ireland’s website (www.centralbank.ie) or (ii) the Issuer’s website.

The Programme provides that Covered Bonds may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any market. The Issuer may also issue Covered Bonds within Turkey, with such securities clearing through Takasbank (the **Domestic Covered Bonds**). Such Domestic Covered Bonds will not be offered pursuant to this Base Prospectus.

Application has been made to the Capital Markets Board of Turkey (the **CMB**) in its capacity as competent authority under the CML of the Republic of Turkey (**Turkey**) relating to capital markets, for the issuance and sale of the Covered Bonds by the Issuer outside Turkey. No Tranche (as defined in “*Terms and Conditions of the Covered Bonds*”) of Covered Bonds can be sold before the necessary approval (the **CMB Approval**) and an approved issuance certificate in respect of such Tranche are obtained from the CMB. The CMB Approval relating to the issuance of Covered Bonds based upon which any offering of the Covered Bonds under this Programme will be conducted was obtained from the CMB on 18 December 2014 and an approved issuance certificate in respect of a Tranche of Covered Bonds will be obtained from the CMB before any sale and issuance of any Covered Bonds under the Programme.

Under current Turkish tax law, withholding tax may apply to payments of interest on the Covered Bonds. See “*Taxation – Certain Turkish Tax Considerations*”.

The rating of certain Series of Covered Bonds to be issued under the Programme will be specified in the applicable Final Terms, and will not necessarily be the same as the rating assigned to any prior issued Covered Bonds. Whether or not each credit rating applied for in relation to a relevant Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under Regulation (EU) No 1060/2009 (the **CRA Regulation**) will also be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. The Covered Bonds issued under the Programme will have the rating set out in the applicable Final Terms by Moody’s Investors Service Limited or its successor (**Moody’s**). However, the Issuer may also issue Covered Bonds which are unrated or rated by another rating agency. 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 date of this Base Prospectus is 23 December 2014.

Arrangers

Barclays

HSBC

Natixis

Dealers

Barclays

HSBC

Natixis

**Société Générale Corporate & Investment
Banking**

UniCredit Bank

This Base Prospectus constitutes a base prospectus for the purposes of the Prospectus Directive.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Covered Bonds issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

To the fullest extent permitted by law, none of the Dealers accepts any responsibility, or makes any representation, warranty or undertaking, express or implied, for the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or for any statement inconsistent with this Base Prospectus made, or purported to be made, by a Dealer or on its behalf in connection with the Programme. Each Dealer 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 statement.

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

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Covered Bonds (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 Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Covered Bonds should purchase any Covered Bonds. Each investor contemplating purchasing any Covered Bonds should determine for itself the relevance of the information contained or incorporated in this Base 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 Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Covered Bonds constitutes an offer or invitation by or on behalf of the Issuer, any of the Dealers or the Arrangers to any person to subscribe for or to purchase any Covered Bonds.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Covered Bonds shall in any circumstance 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 Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Covered Bonds of any information coming to their attention.

The distribution of this Base Prospectus and the offer or sale of Covered Bonds may be restricted by law in certain jurisdictions. Neither the Issuer nor the Dealers represents that this Base Prospectus may be lawfully distributed, or that any Covered Bonds 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 permit a public offering of any Covered Bonds or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Covered Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Covered Bonds. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Covered Bonds in Turkey, the United States, the European Economic Area (including the United Kingdom) and Japan (see “*Subscription and Sale*” below).

This Base Prospectus has been prepared on a basis that would permit an offer of Covered Bonds with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Covered Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly any person making or intending to make an offer of Covered Bonds in that Relevant Member State may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Covered Bonds being offered, including the merits and risks involved. The Covered Bonds 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 CMB 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 Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.

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

The Covered Bonds may not be a suitable investment for all investors. Each potential investor in the Covered Bonds 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 relevant Covered Bonds, the merits and risks of investing in the relevant Covered Bonds and the

information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Covered Bonds and the impact the Covered Bonds 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 Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understands thoroughly the terms of the relevant Covered Bonds and is familiar with the behaviour of any 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.

Some Covered Bonds are complex financial instruments and such instruments may be purchased by potential investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds which are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of such Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal 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 (i) Covered Bonds are legal investments for it, (ii) Covered Bonds can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk based capital or similar rules.

The Issuer has obtained the CMB Approval required for the issuance of Covered Bonds under the Programme. In addition to the CMB Approval, an issuance certificate in respect of each Tranche of Covered Bonds shall also be obtained by the Issuer prior to the issue date of such Tranche of Covered Bonds. The Issuer shall obtain all authorisations and approvals of the CMB necessary for the offer, sale and issue of each Tranche of Covered Bonds under the Programme, prior to such issue. The scope of the above-mentioned CMB Approval may be amended and/or new approvals from the CMB and/or the Banking Regulation and Supervision Agency (the BRSA) may be obtained from time to time. Pursuant to the CMB Approval, the offer, sale and issue of Covered Bonds under the Programme 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 numbered 5411 (the Banking Law) and its related legislation, the CML, the Communiqué on Covered Bonds and Communiqué II 31.1 on Debt Instruments (the Communiqué on Debt Instruments) or its related regulation.

Covered Bonds (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the CMB Approval. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Covered Bonds on the condition that no sale or offering of Covered Bonds (or beneficial interests therein) may be made by way of public offering or

private placement in Turkey. For more information, see “*Subscription and Sale—Selling Restrictions—Turkey*”.

STABILISATION

In connection with the issue of any Tranche of Covered Bonds, one or more relevant Dealers named as stabilisation manager (each, a Stabilisation Manager) in the applicable Final Terms (or persons acting on behalf of any Stabilisation Manager) may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. Any stabilisation action or over-allotment may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted 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.

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RISK FACTORS

The Issuer believes that the following factors may affect its ability and, where appropriate, the sufficiency of the Cover Pool to fulfil its obligations under Covered Bonds issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below.

Any investment in the Covered Bonds issued under the Programme will involve risks including those described in this section. All principal or material risks in relation to the Issuer and any investment in the Covered Bonds are included in this section. The risks and uncertainties described below are not the only ones that may affect the Issuer and the Cover Pool. Additional risks and uncertainties that the Issuer is unaware of, or that it currently deems to be immaterial, may also become important risk factors that affect it and/or the Cover Pool. Prospective investors should carefully consider the following discussion of the risk factors and the other detailed information set out in this Base Prospectus and reach their own views before deciding whether an investment in the Covered Bonds is suitable for them.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Covered Bonds issued under the Programme, but (i) the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Covered Bonds and (ii) moneys received under or recoverable from the Cover Pool may not be sufficient to pay amounts due on the Covered Bonds, in each case, for other reasons which may not be considered significant risks by the Issuer based on information currently available to it and which it may not currently be able to anticipate.

1. RISKS RELATED TO AKBANK

The Issuer'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.

The Issuer's business is significantly dependent upon its customers' ability to make payments and meet their other obligations, which in turn are materially affected by the strength of the Turkish economy.

The Issuer's loans and receivables constituted 60.8% of its total assets, or TL126.9 billion, on a consolidated basis as of 30 June 2014. Approximately 96.4% of these assets were located in Turkey. The Issuer's deposits from customers constituted 63.1% of its total liabilities, or TL116.3 billion, as of 30 June 2014, almost all of which were located in Turkey. In addition, 21.2% of the Issuer's total assets were invested in Turkish government (**Turkish Government**) securities as of 30 June 2014.

The global financial crisis and related economic slowdown between 2008 and 2009 affected the Turkish economy and economies that include the principal external markets for Turkish goods and services. Turkey's GDP declined by 4.8% in 2009 because of the global economic slowdown and during that period Turkey suffered reduced domestic consumption and investment and a sharp decline in exports, which led to an increase in unemployment levels. Following the implementation of fiscal and monetary measures during 2009, the Turkish economy began to recover in the fourth quarter of 2009. Turkey's GDP grew by 8.8% in 2011, 2.1% in 2012, and 4.0% in 2013, with the inflation rates being 10.5%, 6.2%, and 7.4%

for the same periods, according to Turkstat. In the first quarter of 2014, Turkey's GDP grew by 4.3%, which was slightly above expectations. Although there are persistent uncertainties (including potential increase of policy rates in the U.S. and resulting effect on global liquidity), Turkey's growth, as at the date of this Base Prospectus, is expected to continue its recovery in 2014 along with strengthening of Turkey's net exports as a result of depreciation of Turkish Lira in 2013 and increasing external demand from Europe. In October 2013, the Turkish Government announced a new three-year-medium term economic programme from 2014 to 2016. Under this medium-term projected economic programme, the Turkish Government set growth targets of 4.0% for 2014, 5.0% for 2015 and 5.0% for 2016, as well as a gradual decrease in the net public debt to GDP ratio (*Source: State Planning Organization (DPT)*). However, there can be no assurance that the Turkish Government will continue to implement its current and proposed economic and fiscal policies successfully. Even if the Turkish Government continues to implement these policies successfully, there can be no assurance that the strong economic growth achieved in recent years will continue in light of potential external and internal shocks, including the Central Bank's efforts to curtail inflation and the current account deficit (see "*The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects*") and macroeconomic and political factors, such as oil price rises and terrorist activity. Although EU-defined Turkish Government debt levels decreased considerably from 77.9% of GDP in 2001 to 35% of GDP in 2013, one or more such developments within the wider Turkish economic or political system could impair the Issuer's business strategies and have a material adverse effect on its business, financial condition, results of operations and prospects.

According to official statistics released by Turkstat, the unemployment rate in Turkey was 9.1% as at 4 April 2014, significantly lower than its peak of 16.1% in February 2009. However, there can be no assurance that the unemployment rate will improve, or that it will not increase in the future. Continuing high levels of unemployment may affect the Issuer's customers, which could impair its business strategies and have a material adverse effect on its business, financial condition, results of operations and prospects.

There is no assurance that Turkey will continue its current fiscal policy and remain economically stable. Future negative developments in the Turkish economy could impair the Issuer's business strategies and have a material adverse effect on its business, financial condition, results of operations and prospects.

The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Central Bank has revised reserve requirement ratios for different assets from time to time; it monitors the markets closely and may adjust reserve requirement ratios further (or take other steps) to slow credit supply in order to curb inflationary pressures or imbalances or other macroeconomic concerns. The Turkish Lira reserve requirement for deposits, which was formerly a blanket 6%, was increased in 2011 and in 2013 on a tiered basis so that it ranges from 11.50% for deposits of immediately available funds, through to 5% for deposits with maturities of more than a year. In addition, the reserve requirement ratios for foreign currency deposits were also increased in 2012, 2013 and the first half of 2014 on a tiered basis so that they range from 13% for deposits of immediately available funds, 9% for deposits with maturities of between one year or longer and 6% for other foreign currency liabilities with maturities longer than three years. Further increases in reserve requirements could have an adverse impact on Akbank's net interest income, thereby exerting downward pressure on Akbank's net interest margins. In addition, the increases in reserve requirement

ratios could also limit or reduce the growth of the Turkish economy and demand for Akbank's products and services.

In addition to statutory reserves, the Central Bank also required Akbank to maintain additional reserves of an average amount of U.S.\$742 million for 3.5 years from the first half of 2011 until the second half of 2014. On 30 January 2014, Akbank met this reserve requirement in full. The Central Bank imposed this requirement on Akbank based on its finding that the loan documentation relating to its syndicated loans through its Malta branch were signed in Turkey. Akbank filed a lawsuit for the cancellation of the Central Bank's decision in conjunction with a motion for stay of execution. Although the 10th Division of the Administrative Court of Ankara rejected the motion for stay of execution, it is continuing to hear the case on its merits. As at 30 June 2014, apart from statutory requirements, Akbank had no additional reserve requirements. See also "*The review report in relation to the Akbank 2014 BRSA Financial Statements and the audit report for the Akbank 2013 BRSA Financial Statements include a qualification*" below.

The increase in reserve requirements ratios has been combined with changes in the Central Bank's interest rate policies. The Central Bank's one-week repo rate was reduced from 7.0% to 6.5% on 17 December 2010, and then was reduced to 6.25% on 21 January 2011, 5.75% on 5 August 2011, 5.50% on 19 December 2012, 5.00% on 17 April 2013 and 4.50% on 17 May 2013. However, on 29 January 2014 the Central Bank's one-week repo rate increased substantially to 10% because of a sharp increase in volatility in emerging markets due to expected tightening of the U.S. monetary policy, political uncertainties in Turkey and rising inflation in Turkey which reached 7.4% in December 2013. After four months of extraordinarily tight monetary policy, the Central Bank started to decrease the policy rate again along with the decrease in global risk premia. The Central Bank reduced the one-week repo rate from 10% to 9.5% on 22 May 2014, from 9.5% to 8.75% on 24 June 2014 and from 8.75% to 8.25% on 17 July 2014. In an attempt to combat inflation expectations and an accelerated decline in the value of the Turkish Lira, in June 2013 the Central Bank adopted a policy of eliminating the availability of Turkish Lira funding via one-week repo auctions on certain "extraordinary days". The upper limits for one-week repo auctions and one-month repo auctions were removed effective 24 July 2013, and the lower limit for daily funding via one-week repo auctions was lowered to TL 0.2 billion from TL 0.5 billion and remains unchanged since then. In addition, the overnight borrowing rate was reduced from 5.75% to 1.75% on 12 November 2010, was reduced again to 1.5% on 17 December 2010, and then was raised to 5.0% on 5 August 2011. Subsequently, it was reduced to 4.75% on 23 January 2013, 4.5% on 20 February 2013, 4.0% on 17 April 2013 and to 3.5% on 17 May 2013. Overnight borrowing rate was increased to 8.0% on 29 January 2014 and then reduced to 7.5% on 18 July 2014. The overnight lending rate was increased from 8.75% to 9.0% on 17 December 2010, increased again to 12.5% on 21 October 2011, and then was reduced to 11.5% on 22 February 2012, 10.0% on 19 September 2012, 9.5% on 19 October 2012 and 9.0% on 21 November 2012. It was further reduced to 8.75% on 23 January 2013, 8.5% on 20 February 2013, 7.5% on 27 March 2013, 7.0% on 17 April 2013 and 6.5% on 17 May 2013. The overnight lending rate was then increased to 7.25% on 24 July 2013 and to 7.75% on 21 August 2013 and to 12% on 29 January 2014 in reaction to depreciation of the Turkish Lira following political uncertainties in Turkey and volatility across emerging markets given expected tightening of the U.S. monetary policy. The overnight lending rate was kept stable at 12.0% on 29 January 2014 and reduced to 11.25% on 28 August 2014. There have been no further increases in the overnight lending rate in the first half of 2014.

Any failure by, or limitation on, Akbank to adequately respond to these or other future changes in Turkish monetary policy could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects.

The Issuer is a highly regulated entity and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on the Issuer's business, financial condition, results of operations and prospects.

Akbank is subject to a number of banking and other regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These regulations include Turkish laws and regulations (and in particular those of the BRSA), as well as laws and regulations of certain other countries where Akbank and its subsidiaries conduct business.

New laws and regulations may increase Akbank's cost of doing business or limit its current or future potential activities. For instance, the Central Bank significantly increased reserve requirement ratios in 2011 in order to slow down domestic demand and discourage loan growth. See "*—The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects*". Additionally, over the past few years a Resource Utilisation Support Fund Levy has been applied on consumer loans at a rate of 15%, mortgage loan-to-value ratios have been limited to 75%, 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 specifically designed to curb consumer lending. The amendments require 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. The maximum maturity on general purpose loans was reduced from 48 months to 36 months and credit cards' maximum instalments were reduced in order to curb excessive consumer spending.

The Central Bank also reduced the cap on monthly individual credit card interest rates from 2.34% in 2012 to 2.22% as of 1 April 2013, to 2.12% as of 1 July 2013 and further to 2.02% as of 1 October 2013. On 5 August 2013, the Central Bank introduced caps on monthly commercial credit card interest rates in line with the caps on individual cards accordingly the ceiling for contractual interest rates for commercial cards was set at 2.02%. On 27 May 2013, the Central Bank also amended the Communiqué on Interest Rates of Deposits and Loans and Other Benefits from Lending Transactions, introducing an interest rate cap on overdraft loans. Accordingly, the maximum interest rates charged on overdraft accounts cannot exceed that of credit cards. Moreover, on 7 November 2013, the Grand National Assembly (the **GNA**) enacted a new consumer protection law, Consumer Protection Law No. 6502 (**New Consumer Protection Law**), which was published in the Official Gazette dated 28 November 2013 and numbered 28835. The New Consumer Protection Law came into force six months after its publication in the Official Gazette, on 28 May 2014, and replaced the previous Consumer Protection Law No. 4077. The New Consumer Protection Law's main aims are to set out a framework to govern the imposition of fees by banks on customers and to increase transparency and comparability between banks so that customers can make more informed decisions. Pursuant to this or other regulations, the Turkish Government may impose limits or prohibitions on interest rates, fees and/or commissions charged to customers, including fees associated with credit cards, or otherwise affect payments received by Akbank

from its customers. As a result of these new laws and regulations, Akbank may need to alter the scope, or otherwise limit certain of its existing or planned business lines, or its products or services, which could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects.

As some of the new capital markets laws, banking laws and regulations issued by regulatory institutions have only recently been adopted, the manner in which those laws and regulations are applied to the operations of financial institutions is still evolving. Moreover, in light of such new laws and regulations, additional regulatory proceedings or actions may be commenced by the BRSA and other regulators against Turkish banks to seek to reduce fees and /or impose additional fines or penalties, which could be material. Further new laws or regulations might be adopted, enforced or interpreted in a manner that could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects. Any future failure to adopt adequate responses to such changes in the regulatory framework may have a material adverse effect on Akbank's business, financial condition, results of operations and prospects. Finally, non-compliance with regulatory guidelines could expose Akbank to potential liabilities and fines.

The BRSA continuously conducts examinations of all banks operating in Turkey. Even small credit deterioration is closely monitored by the BRSA. Financial information, total capital ratio, open positions, liquidity, interest rate risk and credit portfolio are followed up in detail at frequent intervals. Although Akbank has implemented procedures to monitor these issues, there can be no assurance that Akbank will not breach the ratios and limits set by the regulator.

Changes in the Turkish banking regulatory framework may require Akbank to increase the level of capital that it holds to meet revised capital adequacy standards, which it may not be able to do on acceptable terms or at all.

Basel II was implemented in Turkey in stages and was fully adopted during the second half of 2012. Akbank began reporting under Basel II in July 2012. The Basel Committee recently adopted further revisions (**Basel III**), which are expected to be implemented between 2014 and 2019. Basel III regulations mainly include requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. The BRSA issued regulations for the implementation of capital standards and leverage ratio which came into force on 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance, which will enter into effect on 1 January 2015). However, any other potential changes relating to Basel III or any other capital adequacy related revisions may impact the manner in which Akbank calculates its capital ratios and may even impose higher capital requirements, which, in turn, could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects.

Customers may bring claims (including in a class action) against Akbank seeking damages in relation to violations of competition and antitrust laws of Turkey.

Akbank is subject to competition and antitrust laws as applicable to all other enterprises in Turkey. In November 2011, the Turkish Competition Board resolved to initiate an investigation against twelve banks, and two subsidiaries of one of the banks that is under investigation, operating in Turkey to determine whether they have violated Turkish competition laws in respect of interest rates and fees on products, loans (including mortgages) and credit card services. On 8 March 2013, the Competition Board announced its fines, with Akbank being fined TL172,165,155 in connection with this investigation. Akbank paid three quarters of this administrative penalty (i.e. TL129 million) in accordance with the provisions

of a law permitting a 25% reduction in an administrative penalty if paid within 30 days after Akbank's receipt of the final decision. Akbank appealed the fine following its receipt of the detailed decision of the Turkish Competition Board. The litigation process is currently pending. While there is no precedent Turkish court decision approving the legal validity of any such claims by customers and there are not any resolved cases opened by any customers against Akbank in this respect, under articles 57 and 58 of the Law on the Protection of Competition customers may be able to bring claims (including in a class action) against Akbank seeking damages, which, in turn, could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects. See also "*Information about the Issuer—Business—Competition Board Investigations*".

Credit risks, including risks arising from exposure to clients and the Turkish Government, have materially adversely affected and could continue to have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Issuer's business, financial condition, results of operations and prospects have been affected and will likely continue to be affected by credit risks, particularly if economic conditions in Turkey deteriorate. As a large and diverse financial organisation, the Issuer is subject to a broad range of general credit risks, including with respect to its retail, corporate and commercial customers and other third parties with obligations to the Issuer. These parties include borrowers of loans from the Issuer, issuers, including the Turkish Government whose securities are held by the Issuer, trading and hedging counterparties, customers of letters of credit provided by the Issuer and other financial counterparties of the Issuer, any of which might default in their obligations to the Issuer due to bankruptcy, lack of liquidity, economic downturns, operational failures or other reasons.

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

The Issuer's core banking businesses have historically been, and are expected to continue to be, loans to retail, small and medium enterprises (SMEs) and corporate clients. As at 31 December 2013, such loans constituted 60.8% of the Issuer's total assets, and the proportion of loans to non-corporate customers has been increasing. As at 30 June 2014, 34.3% of the Issuer's loan portfolio consisted of commercial loans to SMEs (both Turkish Lira and foreign currency) compared to 32.0% as at 31 December 2013. SMEs, which typically have less financial strength than large companies, are a key component of the Issuer's current business and growth strategy. The availability of accurate and comprehensive financial information and general credit information on which to base credit decisions is more limited for SMEs than is the case for large corporate clients. Therefore, notwithstanding the credit risk determination procedures that the Issuer has in place, the Issuer may be unable to evaluate correctly the current financial condition of each prospective borrower and to determine their long-term financial viability.

The Issuer's non-performing loans (NPLs) at the end of the six months ended 30 June 2014 and at the end of the years ending 31 December 2013, 2012 and 2011 were 1.6%, 1.4%, 1.2% and 1.7%, respectively.

The Issuer's NPLs for commercial loans to SMEs at the end of the six months ended 30 June 2014 and at the end of the years ending 31 December 2013, 2012 and 2011 were 1.4%, 1.3%, 1.6%, and 2.9%, respectively. It is generally accepted that lending to the SME segment represents a relatively higher degree of risk than comparable lending to other groups, and there can be no guarantee that the Issuer's NPLs from the SME segment will not materially increase in the near to medium term, in particular if there is a further deterioration in the macroeconomic conditions in Turkey or if the Issuer is unable to accurately model the risk

associated with SME or other borrowers to which it extends credit (see “—*The Issuer’s risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks*”).

Many factors affect customers’ ability to repay their loans or other obligations to the Issuer. Some of these factors, including adverse changes in consumer confidence levels due to local, national and global factors, consumer spending, bankruptcy rates, and increased market volatility, may be difficult to anticipate and completely outside of the Issuer’s control. Other factors are dependent upon the Issuer’s strategy of loan growth (including sector focus) and the viability of the Issuer’s internal credit application and monitoring systems (see “—*the Issuer’s risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks*”). All of the aforementioned risks could have a material adverse impact on the Issuer’s ability to meet its obligations under the Covered Bonds and could have a material adverse effect on the Issuer’s business, financial condition, results of operations and prospects.

The rapid growth of the Issuer’s loan portfolio subjects it to the risk that it may not be able to maintain asset quality.

Growth in the Issuer’s loan portfolio is due to increasing loan demand and the Issuer’s strategy to change its asset mix from securities to loans, which may lead to deterioration in the underlying asset quality and an increase in loan to deposit ratios, due to a relatively slower growth in deposits.

The Issuer’s loan portfolio growth rate for the six months ended 30 June 2014 and for the years ended 31 December 2013, 2012 and 2011 was 7.5%, 27.8%, 24.2%, and 28.8%, respectively.

The significant and rapid increase in the Issuer’s loan portfolio (including a significant portion of unseasoned loans) has increased the Issuer’s credit exposure and requires continued and improved monitoring by the Issuer’s management of its lending policies, credit quality and adequacy of provisioning levels through the Issuer’s risk management programme. The Issuer’s total performing loans were TL126.8 billion as at 30 June 2014 compared to TL117.9 billion as at 31 December 2013 and TL92.3 billion as at 31 December 2012 and TL74.3 billion as at 31 December 2011. Its NPLs as at 30 June 2014, 31 December 2013, 31 December 2012 and 31 December 2011 were 1.6%, 1.4%, 1.2%, and 1.7%, respectively. Its NPLs coverage through specific provisioning as at 30 June 2014, 31 December 2013, 31 December 2012 and 31 December 2011 was 92.5%, 94.5%, 91.7% and 92.6%, respectively. The Issuer further expects to increase its loan portfolio, particularly with SMEs, and any such increase could further increase the credit risk faced by the Issuer. Negative developments in the Turkish economy could affect these borrowers more than large companies, resulting in higher levels of NPLs and, as a result, higher levels of provisioning. Any failure by the Issuer 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 the Issuer’s business, financial condition, results of operations and prospects.

A significant portion of the Issuer’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 the Issuer in addition to a severe impact on the Turkish economy.

The Issuer, like other Turkish banks, has historically invested a significant portion of its assets and almost its entire securities portfolio in securities issued by the Turkish Government. As at 30 June 2014, 28.1% of the Issuer’s total consolidated assets were

invested in securities issued by the Turkish Government (21.6% as at 31 December 2013). A significant portion of such Turkish Government securities are inflation-linked, which have historically contributed to the Issuer's net income, as yields on inflation linked securities have been attractive relative to lending activity, particularly given higher inflation rates. A prolonged period of low or negative inflation will have a material impact on the income received from such securities. In addition to any direct losses that the Issuer might incur, a default by the Turkish Government in making payments on its treasury bills would have a significant negative impact on the Turkish economy and the Turkish banking system generally and thus would significantly negatively affect the Issuer's business, financial condition, results of operations and prospects.

Security interests or loan guarantees provided in favour of the Issuer may not be sufficient to cover any losses in the event of defaults by debtors and may entail long and costly enforcement proceedings.

The Issuer may have difficulty foreclosing on collateral or enforcing guarantees or other third party credit support arrangements when debtors default on their loans and would likely face further difficulties if any of the Issuer's key customers were to default on their loans. In addition, the time and costs associated with enforcing security interests in Turkey may make it uneconomical for the Issuer to pursue such proceedings, adversely affecting the Issuer's ability to recover its loan losses.

Any decline in the value or liquidity of such collateral may prevent the Issuer from foreclosing on such collateral for its full value or at all, in the event that a borrower becomes insolvent and enters bankruptcy, and could thereby adversely affect the Issuer's ability to recover any loan losses.

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

The Issuer's results of operations depend upon the level of its net interest income, which is the difference between interest income the Issuer receives from interest-earning assets and interest expense on interest-bearing liabilities. The difference between average interest income and average interest expense is net interest margin. Net interest income contributed 88.9%, 84.0%, 78.3% and 72.6% of gross income for the six months ended 30 June 2014 and for the years ended 31 December 2013, 2012 and 2011 respectively, and net interest margin (excluding time deposit placements) was 3.5%, 3.7%, 3.7% and 3.3% over the same periods.

Interest rates are highly sensitive to many factors beyond the Issuer's control, including monetary policies pursued by the Turkish Government, domestic and international economic and political conditions and other factors, and the Issuer may be unable to take action to mitigate any adverse effects of interest rate movements. Income from financial operations is particularly vulnerable to interest rate volatility, as further illustrated below (see “—*The Central Bank's policy on reserve requirements and interest rates could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects*”).

Changes in market interest rates could affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and thereby affect results of operations. An increase in interest rates, for instance, could cause interest expense on deposits (which for Turkish banks are typically short-term and reset frequently) to increase more significantly and quickly than interest income from loans (which are short, medium and long-term), resulting in a reduction in net interest income. Moreover, an increase in interest

rates could reduce demand for the Issuer's loans, resulting in a further reduction in net interest income. In addition, a significant fall in average interest rates charged on loans to customers that is not fully matched by a decrease in interest rates on funding sources, or a significant rise in interest rates on funding sources that is not fully matched by a rise in interest rates charged, to the extent such exposures are not hedged, could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

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

The Issuer faces intense competition in the Turkish banking sector from both private banks and government-owned financial institutions, which may result in reduced net interest margins and fee income and may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Turkish banking sector is highly competitive and has in recent years undergone a period of consolidation. As at 30 June 2014, there was a total of 46 banks (excluding the Central Bank and participation banks) licensed to operate in Turkey (*Source: BRSA*). As at 31 December 2013, there were 45 banks (excluding the Central Bank, and participation banks) licensed to operate in Turkey (*Source: BRSA*). A small number of these banks dominate the industry. According to The Banks Association of Turkey, as at 31 March 2014, the top five banks in Turkey (including the Issuer) held approximately 56% of the banking sector's total loan portfolio and approximately 58% of the total bank assets in Turkey (excluding participation banks) (*Source: The Banks Association of Turkey*). The banking industry in Turkey is highly competitive across each banking segment and sector. The intense competition may increase the pressure for the Issuer to expand the range and sophistication of its products and services currently offered, as well as reducing its margins. Increased competition may affect the Issuer's loan growth, reduce the average interest rates that the Issuer can charge its customers, increase cost of deposits and reduce the interest rates that the Issuer earns on its interest earning assets. Any reduction in interest rates, that the Issuer charges its customers or earns on its interest earning assets without a corresponding reduction in the interest rates that it pays on its interest-bearing liabilities may affect the Issuer's net interest margin (which is its net interest income divided by its total average assets) and may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects. Increased pricing competition in the Turkish banking markets through the offer of products at significantly lower prices may also impact customer behavioural patterns and loyalty. Public banks have continued to focus on the private sector (including retail and SMEs), leading to increased competition and pressure on margins. Any failure to maintain customer loyalty or to offer customers a wide range of high quality, competitive products with consistently high levels of service could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

International banks have shown an increased interest in the banking sector in Turkey. See "*Information about the Issuer—Business—Competition*". The entry of foreign-owned companies into the sector, either directly or in collaboration with existing Turkish banks, may increase the already significant competition in the market.

The Issuer's increased exposure to intense competition in each of its key areas of operation may, among other things, limit the Issuer's ability to increase its client base and expand its

operations, reduce its asset growth rate and profit margins on services it provides and increase competition for investment opportunities. There can be no assurance, therefore, that the continuation of existing levels of competition or increased competition will not have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Due to the level of competition outlined in the paragraphs above, the Issuer may not be able to originate in a sufficient quantity loans which meet the eligibility criteria set out in the Turkish Covered Bond Legislation. This may impact the ability of the Issuer to continue to comply with the requirements of the Turkish Covered Bond Legislation.

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

The Sabancı family and the Sabancı Group (the **Controlling Shareholders**) owned 48.88% of the outstanding share capital of the Issuer as at 30 June 2014. The Controlling Shareholders have the power to elect all of the Issuer's directors and to determine the outcome of most matters to be decided by a vote of shareholders of the Issuer. There can be no guarantee that the interests of the Controlling Shareholders will coincide with those of the Covered Bondholders.

Although it is the Issuer's policy that transactions with parties related to, or affiliated with, its Controlling Shareholders are priced at market rates, are otherwise undertaken on an arm's length basis, are in compliance with applicable Turkish legislation and are subject to the same loan or account approval procedures and limits as applied by the Issuer to transactions with parties not related to or affiliated with the Issuer, there can be no assurance that such transactions with parties related to, or affiliated with, the Issuer's Controlling Shareholders have been or will be extended on the above basis and terms. Moreover, although the Issuer has not experienced pressure from its Controlling Shareholders to date to conduct transactions upon more favourable terms with parties related to, or affiliated with, such Controlling Shareholders, or to deviate from its credit and lending policies and procedures, there is no guarantee that the Issuer may not come under pressure to enter into investments with a lower profit margin than it would otherwise pursue, or to provide financing to certain companies or entities on favourable or non-market terms, in the future. Such activities, which are not permitted by BRSA and CMB rules and tax rules, could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Issuer has incurred, and continues to incur, a risk of counterparty default that arises, for example, from entering into swaps or other derivative contracts under which counterparties have financial obligations to make payments to the Issuer.

The Issuer routinely executes transactions with counterparties in the financial services industry, including commercial banks, investment banks, central banks and other institutional clients, resulting in a significant credit concentration. A significant portion of the Issuer's hedging and derivative transactions are entered into with non-Turkish financial institutions. The Issuer is exposed to counterparty risks which were increased as a result of financial institution failures and nationalisations during the global financial crisis and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. In addition, the Issuer's credit risk would be exacerbated if the collateral it holds cannot be realised at, or is liquidated at, prices that are not sufficient to recover the full amount of the loan or derivative exposure it is intended to secure. In addition, a default by, or even concerns about the financial resilience of, one or more financial services institutions could lead to further significant systemic liquidity problems, or losses or defaults

by other financial institutions, which could have a material and adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Issuer will enter into swaps in order to hedge currency, interest rate and other risk connected to specific Series of Covered Bonds issued by the Issuer from time to time. See further "*Risks relating to Covered Bonds generally*".

The Issuer'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.

Liquidity risk comprises uncertainties in relation to the Issuer's ability, under adverse conditions, to access funding necessary to cover obligations to customers, meet the maturity of liabilities and to satisfy capital requirements. It includes both the risk of unexpected increases in the cost of financing and the risk of not being able to structure the maturity dates of the Issuer's liabilities reasonably in line with assets, as well as the risk of not being able to meet payment obligations on time at a reasonable price due to liquidity pressures. The Issuer's inability to meet its net funding requirements due to inadequate liquidity could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Issuer primarily relies on short-term liabilities in the form of deposits (typically, term deposits with terms of 30 days to three months) as its source of funding and has a mix of short-, medium- and long-term assets in the form of retail, consumer and corporate loans, mortgages and credit cards, which may result in asset-liability maturity gaps and ultimately liquidity problems.

Since 31 December 2011, the rate of growth of loans and receivables to the Issuer's customers has outpaced the rate of growth of deposits from the Issuer's customers, leading to an increase in loan to deposit ratios from 92.1% as at 31 December 2011, to 101.8% as at 31 December 2012, to 104.9% as at 31 December 2013 and to 109.1% as at 30 June 2014. Accordingly, as the growth in loans has outpaced deposit growth, the Issuer has funded this through the sale of securities and the use of borrowing facilities in addition to deposits and it may need to do so in the future.

If deposit growth does not keep close to loan and asset growth (for example due to competition), then the Issuer would be increasingly dependent upon other sources of financing. The need to rely upon shorter-term funds or the inability to raise financing via the capital or loan markets, may adversely affect the Issuer's liquidity profile and could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

There can be no assurance that depositors will not withdraw their funds at a rate faster than the rate at which borrowers repay. Furthermore, the Central Bank's recent policies have raised Turkish banks' reserve requirements for Turkish Lira deposits which have limited Turkish Lira liquidity. An inability on the Issuer's part to access funds or to access the markets from which it raises funds may put the Issuer's positions in liquid assets at risk and lead the Issuer to be unable to finance its operations and growth plans adequately. The Issuer may be unable to secure funding in the international capital markets if conditions in these markets, or its credit ratings, were to deteriorate.

A rising interest rate environment could compound the risk of the Issuer not being able to access funds at favourable rates. These and other factors could lead creditors to form a negative view of the Issuer's liquidity, which could result in less favourable credit ratings,

higher borrowing costs and less accessible funds. In addition, the Issuer's ability to raise or access funds may be impaired by factors that are not specific to its operations, such as general market conditions, severe disruption of the financial markets or negative views about the prospects of the sectors to which the Issuer provides its loans. While the Issuer aims to maintain at any given time an adequate level of liquidity reserves, strains on liquidity caused by any of these factors or otherwise could adversely affect the Issuer's business, financial condition, results of operations and prospects.

Despite the Issuer's liquidity policies, there can be no assurance that the Issuer will not experience liquidity issues in the future. The implementation of Basel III in Turkey may also lead to increased pressure on liquidity (see "*Changes in the Turkish banking regulatory framework may require Akbank to increase the level of capital that it holds to meet revised capital adequacy standards, which it may not be able to do on acceptable terms or at all*"). In the event that the Issuer experiences liquidity issues, market disruptions and credit downgrades may cause certain sources of funding to become unavailable. For example, in the case of a liquidity crisis, wholesale funding becomes increasingly costly and more difficult to obtain which may adversely affect borrowing using certain capital market instruments including asset-backed securities and Eurobonds. It is possible that the Issuer would not be able to obtain additional funding on commercially reasonable terms as and when required, or at all. The Issuer's inability to refinance or replace deposits and devalued assets with alternative funding could result in its failure to service its debt, fulfil loan commitments or meet other on- or off-balance sheet payment obligations on specific dates, which could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

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

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

As at 30 June 2014 and 31 December 2013, 89.0% and 88.9%, respectively, of the Issuer'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, the Issuer had a negative cumulative repricing gap (more short-term liabilities than short-term assets) of TL15.1 billion and TL12.4 billion, respectively.

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

Market risks arising from open positions in interest rate, currency and equity products could affect the Issuer, particularly if economic conditions deteriorate.

The Issuer is exposed to market risk because of its asset and liability management of its overall financial position, including its trading portfolio. Therefore, the Issuer is exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates and, to a lesser extent, commodity and equity prices. If the Issuer were to suffer substantial losses due to any such market volatility, it would adversely affect the Issuer's business, financial condition, results of operations and prospects.

Fluctuations in foreign currency exchange rates, to the extent they are not adequately hedged against, may adversely affect the Issuer's financial position and cash flows.

The Issuer is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. A portion of the Issuer's financial assets and liabilities is denominated in, or indexed to, foreign currencies, primarily U.S. Dollars and Euro. As at 30 June 2014, 38.0% of the Issuer's total loans and receivables to customers and banks (of which 25.8% were in U.S. Dollars and 12.2% in Euro) and 45.3% (of which 25.4% were in U.S. Dollars and 16.9% in Euro) of the Issuer's total deposits were denominated in foreign currencies. The Issuer has a policy of not carrying foreign currency risk and holds foreign currency asset and liability items together with derivatives to hedge against the foreign currency risk. The Issuer manages foreign currency risk by using natural hedges that arise from offsetting foreign currency-denominated assets and liabilities. The remaining open foreign exchange exposures are hedged on a portfolio basis with derivative financial instruments that include primarily forward foreign exchange contracts and currency swaps. There is also a risk that hedging counterparties may default. The Board of Directors, taking into account the recommendations from the Executive Risk Committee (**ERC**), sets limits in relation to the size of foreign exchange exposure, which are closely monitored by the Assets and Liabilities Committee (the **ALCO**). However, the Issuer's future exposure to foreign currency risks could lead to a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

If applicable, the Issuer will enter into swaps in order to hedge the currency, interest and other risks it faces in respect of Covered Bonds issued by it. See further "*Risks relating to Covered Bonds generally- Risks related to hedging arrangements*" below.

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

There can be no assurance that the Issuer's risk management and internal control policies and procedures will adequately control or protect the Issuer against all credit, liquidity, market and other risks. In addition, certain risks could be greater than the Issuer's empirical data would otherwise indicate.

The Issuer significantly revised its procedures for risk management in 2009 and in January 2011, it substantially revised its approach to monitoring interest rate risk, and adopted a system based on the anticipated net effect on the economic value of its exposures rather than primarily limiting their maturity mismatch day count. This revised approach mirrors policies adopted by the Issuer's principal domestic competitors and the Turkish banking sector generally (see "*Information about the Issuer—Risk Management—Interest Rate Risk*"). In September 2011, the Issuer started to modify its Enterprise Risk Management (**ERM**) Framework with a project to implement a new ERM platform using software developed by Algorithmics, which is now owned by IBM. The project includes implementation of separate modules for each of credit risk, market risk, asset and liability management, liquidity risk,

operational risk, risk integration and risk panel. As of 31 August 2014, six modules have been implemented and the remaining two are expected to be implemented by the end of 2014. During implementation, the existing processes will continue to run in parallel to benchmark the accuracy and reliability of the new system. These risk management procedures may not yet be fully effective or consistently implemented in mitigating the Issuer's exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Issuer's methods of managing risk are based upon its use of historical market behaviour, which, as evidenced by the recent global financial crisis, may not always accurately predict future risk exposures that could be significantly greater than historical measures indicate. In addition, the credit bureaus responsible for surveying the credit histories of prospective Akbank clients may not have access to, and may not accurately profile, such persons' credit histories. As a result, the behavioural scorecards that are used to appraise the credit risk of prospective bank clients may not serve to adequately measure that risk. It is also possible that certain of Akbank's valuation models, including assets such as derivative contracts that are not publicly traded, may incorrectly value the Issuer's assets, resulting in unanticipated losses if such assets are discovered to be incorrectly valued.

Other risk management practices, including "know-your-client" practices, depend upon evaluation of information regarding the markets in which the Issuer operates, its clients or other matters that are publicly available or information otherwise accessible to the Issuer. As such practices are less developed in Turkey than they are in other, non-emerging markets, and may not have been consistently and thoroughly implemented in the past, this information may not be accurate, complete, up to date or properly evaluated in all cases. See also "*—The Issuer may not be able to fully comply with anti-money laundering regulations, which could result in governmental fines and reputational damage*" below.

The Issuer also cannot give assurances that all of its staff have adhered or will adhere to its policies and procedures. The Issuer is susceptible to, amongst other things, failure of internal processes or systems, unauthorised transactions by employees and operational errors, including clerical or record-keeping errors or errors resulting from faulty computer or telecommunications systems, and fraud by employees or outsiders (see "*—The Issuer's banking business entails operational risks*"). The Issuer's risk management and internal control capabilities are also limited by the information tools and technologies available to it.

Any material deficiency in the Issuer's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with debt securities admitted to the Official List.

Any failure or interruption in or breach of the Issuer's information systems, and any failure to update such systems, may result in lost business and other losses.

The Issuer relies heavily on information systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in its risk management, general ledger, deposit servicing and/or loan origination systems. Although the Issuer has developed back-up systems and business continuity plans for cases of emergency, if the Issuer's information systems were to fail, even for a short period of time, it could be unable to serve some customers' needs on a timely basis and could thus lose their business. Likewise, a temporary shutdown of the Issuer's information systems could result in costs that are required for information retrieval and verification. No assurance can be given that such failures or interruptions will not occur or that the Issuer will adequately address them if they do occur. Accordingly, the occurrence of such failures or interruptions could

have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with debt securities admitted to the Official List.

The Issuer's banking business entails operational risks.

The Issuer is exposed to operational risk, which is the risk of loss resulting from inadequacy or failure of internal processes or systems or from external events. The Issuer is susceptible to, among other things, fraud by employees or outsiders, including unauthorised transactions and operational errors, clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems. Given the Issuer's high volume of transactions, fraud or errors may be repeated or compounded before they are discovered and rectified. An operational risk management framework is in place to ensure that operational risks within the Issuer are properly identified, monitored, managed and reported in a structured, systematic and consistent manner. Key elements of this Framework include risk control points, continuous risk monitoring, internal loss data collection and internal audit. Moreover, a set of risk limits have been established to ensure the safety and soundness of the operating environment. The Issuer also seeks to mitigate operational risk through the "bankers blanket bond" insurance policy. However, there can be no assurance that the Issuer will not suffer losses from any failure of these controls to detect or contain operational risk in the future. Consequently, any inadequacy of the Issuer's internal processes or systems in detecting or containing such risks could result in unauthorised transactions and errors, which may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with debt securities admitted to the Official List.

The Issuer's planned expansion may lead to increased wage and other operating expenses and the Issuer may have difficulty in hiring and retaining qualified personnel.

The Issuer's planned expansion of its branch network may lead to an increase in its operating expenses as a result of increased rent payments and an increase in wage and salary costs due to the increase in the number of employees. The Issuer's ability to successfully implement its strategy also depends upon its ability to recruit and maintain suitably qualified and capable employees. Even though its human resources policy is aimed at achieving these goals, it is not possible to guarantee that constraints in this area will not arise in the future. An inability to attract and retain qualified and capable employees for each position may limit or delay the execution of the Issuer's strategy, and could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Labour disputes or other industrial actions could disrupt operations or make them more costly to run.

Labour disputes or work stoppages could disrupt operations or make them more costly to run. The Issuer is exposed to the risk of labour disputes and work stoppages. As at 30 June 2014, approximately 45.8% of the Issuer's employees were members of labour unions, and although Turkish Law No. 2822 makes strikes and lockouts illegal in the banking sector and the Issuer has not experienced any work stoppages or labour disputes in the past, there can be no assurance that work stoppages or labour disputes will not occur in the future. Any such action could disrupt operations, possibly for a significant period of time, result in increased wages and benefits or otherwise have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Turkish corporate governance standards differ from those of more developed countries.

The standards of corporate governance under Turkish law or regulation may not be as high (or cover the same areas) as those set out by the rules of other jurisdictions (such as the United States or the United Kingdom) and are subject to change. On 30 December 2011, the Communiqué on the Determination and Implementation of Corporate Governance Principles Series: IV, No: 56, as amended (the **Former Corporate Governance Communiqué**) was published and entered into force, providing certain compulsory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on the Borsa Istanbul A.Ş. (**Borsa Istanbul**), including the Issuer. The Former Corporate Governance Communiqué was designed to implement certain enhancements to Turkish corporate governance standards, including a requirement that at least one third of board members be independent. The Corporate Governance Communiqué became applicable to banks on 30 December 2012, however, on 3 January 2014, a new Corporate Governance Communiqué was published by the CMB and entered into force in accordance with the requirements of the CML, providing certain compulsory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on the Borsa Istanbul, including Akbank.

Disclosure requirements for banks in Turkey may differ from those in other countries.

Historically, the reporting, accounting and financial practices of Turkish banks have differed in certain respects from those applicable to similar banks in the EU or in other developed economies. There is less publicly available information on businesses in Turkey than is regularly published by similar businesses in the EU or in other developed markets and any information that is published may only be presented in Turkish. In recent years, Turkish banks have applied IAS and IFRS in accounting and reporting, which are similar to BRSA regulations, except in certain respects, such as provision requirements for loans. The BRSA rules require Turkish banks to publish their financial reports on their websites and their annual financial reports in the Official Gazette (*Resmi Gazete*) in Turkey. Annual financial reports comprise audited financial statements and activity reports, and quarterly financial reports comprise reviewed financial statements and interim management reports. Quarterly financial statements are generally available first under BRSA Principles, and only subsequently made available in IFRS statements. Most Turkish banks, like the Issuer, have English versions of their financial statements available on their websites. In addition, banks that are listed on the Borsa Istanbul are also required to publish their financial statements on a quarterly basis and those banks are required to disclose any significant development that is likely to have an impact on investors' decisions. The Issuer maintains its accounting systems and prepares its accounts and publishes quarterly financial results in accordance with BRSA Principles. These accounts are not prepared on a basis consistent with IFRS as applied in preparing the Issuer's IFRS financial statements. The Issuer is not required by law to prepare its accounts under any accounting standards other than BRSA and only the Issuer's annual and semi-annually published financial statements are prepared in accordance with IFRS. There are differences between the Issuer's BRSA financial statements and its IFRS financial statements. For a discussion of the differences between BRSA Principles and IFRS, see "*Appendix 1—Overview of Significant Differences between IFRS and BRSA Accounting Principles*". There can be no assurance that investors who are unfamiliar with the Turkish banking system will have the same level of access to relevant information as that of a similar bank in the EU.

The review report in relation to the Akbank 2014 BRSA Unaudited Interim Financial Statements and the audit report for the Akbank 2013 BRSA Annual Financial Statements include a qualification.

The review report on the Issuer's 2014 BRSA Unaudited Interim Financial Statements and the audit report for the 2013 BRSA Annual Financial Statements included a qualification about a free provision allocated by the Issuer's management for the possible results of the circumstances that may arise from any changes in economic or market conditions. The free provision as of 31 December 2013 amounted to TL270 million and was recorded under "Provision for losses and other receivables" in the year ended 31 December 2013, while in the six months ended 30 June 2014, Akbank reversed TL70 million of such free provision (this was recorded under "Other Operating Income"), and as of 30 June 2014, the remaining amount of such free provision amounted to TL200 million. Akbank may have similar qualifications in the future. The auditor's statements on such qualification can be found in its letters attached to the Akbank 2014 BRSA Unaudited Interim Financial Statements and 2013 BRSA Annual Financial Statements, each incorporated by reference herein. This provision might be reversed or re-allocated by the Issuer in future periods, which may cause the Issuer's net profit to be higher in future periods than it otherwise would be in the absence of such reversal or re-allocation. Provisions of this type do not currently impact the Issuer's level of tax or its capitalisation ratios, although implementation of Basel III capital standards may lead to a negative impact on capital ratios. See "*—Changes in the Turkish banking regulatory framework may require Akbank to increase the level of capital that it holds to meet revised capital adequacy standards, which it may not be able to do on acceptable terms or at all*".

Akbank BRSA Financial Statements may not provide investors with the same information as financial statements prepared under IFRS

Akbank has prepared its financial statements in accordance with BRSA principles. Akbank BRSA Financial Statements may not provide investors with the information they would have received if the financial statements were prepared under IFRS. BRSA Principles differ in certain significant respects from IFRS. Potential investors should consult their own professional advisors for an understanding of the difference between IFRS and BRSA Principles and how these differences might affect the financial information in this Base Prospectus. For more information, see "*Appendix 1—Overview of Significant Differences Between IFRS and BRSA Accounting Principles*".

Future events may be different than those reflected in the management assumptions and estimates used in the preparation of the Issuer's financial statements, which may cause unexpected reductions in profitability or losses in the future.

The Issuer is required to use certain estimates in preparing its financial statements, including accounting estimates to determine loan loss reserves and the fair value of certain assets and liabilities, among other items. Should the estimated values for such items prove substantially inaccurate, particularly because of significant and unexpected market movements, or if the methods by which such values were determined are revised in future BRSA rules or interpretations, the Issuer may experience unexpected reductions in profitability or losses.

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

Although the Issuer has implemented comprehensive anti-money laundering (AML) and "know your customer" (KYC) policies and procedures and seeks to adhere to all requirements under Turkish legislation aimed at preventing it being used as a vehicle for money laundering, there can be no assurance that these policies and procedures will be completely effective.

Moreover, to a certain extent the Issuer must rely upon correspondent banks to maintain and properly apply their own appropriate AML and KYC policies and procedures. In the past, the Issuer has failed to comply with certain AML and KYC policies and procedures, as a result of which a number of administrative fines were imposed on the Issuer. If the Issuer in the future fails to comply with timely reporting requirements or other AML or KYC regulations and/or is associated with money laundering and/or terrorist financing, its reputation, business, financial condition, results of operations and prospects could be adversely affected. In addition, involvement in such activities may carry criminal or regulatory fines and sanctions.

2. GENERAL RISKS

Risks Related to Turkey and Other Related Risks

Any claims against the Issuer under the Covered Bonds (to the extent such claims are not satisfied from the Cover Pool) and the Agreements will be unsecured claims payable from, among other sources, the Issuer's funds in Turkey. The ability of the Issuer to make any such payments from Turkey will depend, among other factors, upon the Turkish Government not having imposed any prohibitive foreign exchange controls, its ability to obtain the Specified Currency (if other than Turkish Lira) in Turkey and its ability to secure any applicable necessary approval from the relevant authority, which could be affected by the circumstances described below. Any such restrictions or failure to obtain the necessary approval could affect the Issuer's ability to make payment of interest and principal under the Covered Bonds. Notwithstanding the above, under the Turkish Covered Bond Legislation, Covered Bondholders have a preferential legal claim over the Cover Pool.

The Issuer is predominantly engaged in business in Turkey and its results of operations and financial condition are to a large extent dependent upon the overall level of economic activity and political stability in Turkey. Even though in recent years Turkey has undergone significant political and economic transformation which has resulted in increased stability and economic growth, Turkey has been affected by the global financial crisis and is still generally considered by international investors to be an emerging market.

In general, investing in the securities of issuers that have operations primarily in emerging markets like Turkey involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the EU or other similar jurisdictions. Summarised below are a number of risks relating to operating in Turkey and other emerging markets.

Difficult macroeconomic and financial market conditions affected and could continue to have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Disruptions in global capital and credit markets, coupled with the re-pricing of credit risk created difficult conditions in financial markets. These conditions have resulted in historically high levels of volatility across many markets (including capital markets), volatile commodity prices, decreased or no liquidity, widening of credit spreads, lack of price transparency in certain markets and the failure of a number of financial institutions in the United States and Europe.

In response to the global financial crisis, the government of the United States, a number of European governments and international monetary organisations have taken steps intended to help stabilise the financial system and increase the flow of credit in their respective economies and globally. There can be no assurance as to the actual impact that these measures and related actions will have on the financial markets and consumer and corporate

confidence generally and on the Issuer specifically, including the levels of volatility and limited credit availability in wholesale markets that have recently characterised the financial markets. The failure of these measures and related actions to help stabilise the financial markets and a continuation or worsening of current financial market conditions could lead to further decreases in investor and consumer confidence, further market volatility and decline, further economic disruption and, as a result, could have an adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Turkey is located in a region that has been subject to on-going political and security concerns, especially in recent years. Since December 2010, political instability has increased markedly in a number of countries in the Middle East, North Africa, and Eastern Europe such as Ukraine, Tunisia, Egypt, Jordan, Yemen, Bahrain, Libya and Syria. Global tensions with Iran have increased substantially as a result of concerns regarding Iran's nuclear programme.

In addition, there have been military and civilian hostilities in both directions across the Syrian-Turkish border, and representatives of each country have made statements that do not rule out escalated military conflict. The political and military tensions between Syria and Turkey have not yet normalised and the tensions in the Middle East region have in general increased, including escalation of tensions between Israel and Palestine. Unrest in those countries may affect Turkey's relationships with its neighbours, have political implications in Turkey or otherwise have a negative impact on the Turkish economy including through both financial markets and the real economy or negatively affect market sentiment towards securities originating in Turkey. There can be no assurance that such disturbances will not have political repercussions within Turkey. Such disturbances may also have a negative impact on the Turkish economy that could in turn adversely affect the Issuer's business, financial condition, results of operations and prospects. See also "*—Conflict and terrorism in Turkey or conflict and terrorism in neighbouring and nearby countries may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects*" below.

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 Eurozone economic conditions, particularly the instability of numerous European banks and concerns regarding the ability of certain EU Member States, including Cyprus, Greece, Spain, Portugal, Italy and Ireland, to service their sovereign debt obligations, questions regarding the continuation and effectiveness of bailout and support packages as well as concerns regarding the risk of contagion to other, more stable, countries. Although there have been indications that the global economy has begun to recover from the economic deterioration of recent years, the recovery may not continue. A relapse in the global economy or continued uncertainty around the potential for such a relapse 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.

Economic instability in Turkey could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Since the early-1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a more open market system. Although the Turkish economy has generally responded well to this transformation, it has continued to experience severe macroeconomic imbalances, including significant balance of payment deficits, substantial budget deficits, high rates of inflation, high rates of interest (which are nominal rates adjusted to remove the effects of inflation) and a considerable level of unemployment.

In spite of its economic development since 2001, Turkey has experienced recent economic difficulties and remains vulnerable to both external and internal shocks, including potential domestic political uncertainty and changing investor sentiment due to monetary policy changes in developed countries, particularly in the USA. A substantial current account deficit may also contribute to economic vulnerability. See “—*Turkey's high current account deficit may result in Turkish Government policies that negatively affect the Issuer's business*”. Turkey was also negatively affected by the global economic downturn, which resulted in a negative GDP growth rate of 4.8% in 2009. Following the decline in 2009, however, Turkey had a GDP growth rate of 9.2% in 2010, 8.8% in 2011, 2.2% in 2012 and 4.0% in 2013 (Source: Turkstat). In addition, Turkey's GDP grew by 4.3% in the first quarter of 2014.

There can be no assurance that Turkey will be able to remain economically stable during any periods of renewed global economic weakness. Future negative developments in the Turkish economy could impair the Issuer's business strategies and have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Turkey's high current account deficit may result in Turkish Government policies that negatively affect the Issuer's business.

In 2011 and 2010, Turkey's current account deficit widened significantly to U.S.\$75.1 billion and U.S.\$45.4 billion, respectively, from U.S.\$12.2 billion in 2009. The rapid acceleration in the current account deficit raised concerns regarding financial stability in Turkey, and the Central Bank, the BRSA and the Ministry of Finance initiated coordinated measures to lengthen the maturity of deposits, reduce short-term capital inflows and curb domestic demand. The main aim of these measures was to slow down the current account deficit by controlling the rate of loan growth. These measures, combined with the overall slowdown of economic growth in Turkey, resulted in a decrease in the current account deficit. According to the Central Bank, as of 31 December 2013, the current account deficit was U.S.\$65.1 billion and is expected to be at around U.S.\$50 billion (6.1% of GDP) in 2014. According to new three-year medium-term economic programme, this ratio is aimed to be reduced to 5.9% in 2015 and 5.5% in 2016. It is unclear whether Turkey's current account deficit will continue to decrease or whether these or other measures might be needed to curtail domestic consumption. Any related reduction in economic growth could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Although Turkey's growth dynamics depend to some extent upon domestic demand, Turkey is also dependent upon trade with Europe. While the EU is recovering from recession and its growth is expected to accelerate in following years, a significant decline in the EU's economic growth could affect Turkey's exports negatively and result in an increase in Turkey's current account deficit. To a lesser extent Turkey also exports to markets in the Middle East, and the continuing political turmoil in certain of those markets could lead to a decline in demand for Turkish exports, with a similar negative effect on Turkish economic growth and Turkey's current account deficit as described immediately above.

Turkey is an energy-dependent country and recorded U.S.\$ 57.2 billion of energy imports in 2013. It should be noted that in 2013 Turkey's current account deficit reached U.S.\$ 65.0 billion and, as such, energy imports represented approximately 88% of the country's current account deficit during the period. As a result, any geopolitical development concerning energy security could have a material impact on Turkey's current account balance. With regard to this, the efforts in northern Iraq to export its oil reserves via Turkish territory might improve Turkey's energy bill; however, in order to export its oil reserves, the regional government in northern Iraq will need to reach an agreement with Iraq's central government. Recently, a conflict has arisen between Turkey and Iraq due to the sale of Iraqi oil by the Kurdistan Regional Government of Northern Iraq to Turkey. This led Iraq's Ministry of Oil to file a request for arbitration before the International Chamber of Commerce against Turkey and BOTAS (a state-owned petroleum enterprise) on 23 May 2014. Turkey might also be able to diversify its energy suppliers and lower its energy cost as a result of the interim arrangement between the P5+1 countries and Iran. Nonetheless, both of these approaches are subject to significant political and other risks and might not result in reduced energy costs to Turkey – in fact, increased tensions with Iran could result in an increase in global energy prices and thus have a negative impact on Turkey's current account deficit.

The decline in the current account deficit experienced in 2012 came to an end in early 2013 with the current account deficit increasing to U.S.\$65.1 billion as of 31 December 2013. While some of the decrease in the value of the Turkish Lira is likely due to domestic economic conditions, it also reflects changes in the global flow of funds caused by the expected reduction by the U.S. Federal Reserve in its expansionary monetary policy. As an increase in the current account deficit might erode financial stability in Turkey, the Central Bank has recently taken certain actions to restrain domestic consumption and inflation. For example, in July and August 2013, the Central Bank increased the upper band of the interest rate corridor (the lending rate) from 6.5% to 7.25% and then to 7.75%, announced plans to close the repo window for dealers when market conditions warrant (meaning that dealers would need to obtain funds through the more expensive lending rate) and indicated that it would otherwise seek to restrain domestic consumption. In January 2014, as the previous tightening attempts did not sufficiently mitigate the pressure in the financial markets, the Central Bank increased its one-week repo rate to 10% and its lending rate to 12%. As global risk premia began to decline along with receding inflationary pressures, the Central Bank decreased its one-week repo rate to 8.25% in July 2014. Such actions by the Central Bank and similar or other actions that it might take in the future might not be successful or have a limited effect on reducing the current account deficit.

Financing the high current account deficit might be difficult in the event of a global liquidity crisis and/or declining interest of foreign investors in Turkey. Any such difficulties may lead the Turkish Government to seek to raise additional revenue to finance the current account deficit or to seek to stabilize the Turkish financial system, and any such measures might adversely affect the Issuer's business, financial condition, results of operations and prospects.

Recent measures for consumer loans and credit cards taken by the public authorities to maintain financial stability may curb domestic demand. These measures are also likely to reduce economic growth and might adversely affect the Issuer's business, financial condition, results of operations and prospects. There can be no assurance that any future regulations introduced by the Turkish Government, BRSA or the Central Bank with respect to loan growth ratios would not have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The government's influence over the Turkish economy could negatively impact the Issuer's business.

The Turkish Government has traditionally exercised, and continues to exercise, significant influence over many aspects of the Turkish economy. The Turkish Government is also directly involved in the Turkish economy through its ownership and administration of State Economic Enterprises (SEEs) which, despite the divestments undertaken in the Turkish Government's privatisation programme, continue to represent a significant portion of the Turkish economy. SEEs and other such public enterprises operate in business segments in which the Issuer is active or may be active in the future, including businesses in the financial services sector. Accordingly, any decisions taken by the Turkish Government with respect to SEEs and other such public enterprises may significantly impact the Turkish economy, which could in turn have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

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

Turkey has been a parliamentary democracy since 1923, although the military has in the past played a significant role in politics and the government, intervening in the political process through coups in 1960, 1971 and 1980. Unstable coalition governments have been common, and in the 90 years since its formation, the Republic of Turkey has had 61 governments with political controversies frequently resulting in early elections. Furthermore, the Turkish military establishment has historically played a significant role in Turkish Government and politics, intervening in the political process. Today the role of the Turkish military has been diminished compared to its political and social role in the past. However, any potential military or other intervention in the political process in the future may adversely affect the stability of the Turkish economy and, in turn, the Issuer's business, financial condition, results of operations and prospects.

Turkey has, both historically and recently, experienced controversies between the Turkish Government and the military. In 2007, the Turkish Government commenced an investigation whose scope included military officers, scholars, journalists and others based on allegations that a coup was being planned. On 21 September 2012, the Istanbul 10th High Criminal Court announced its verdict as to the so-called Sledgehammer trial that was on-going since 2010, and 300 defendants out of the 365 military-related suspects, including generals, received sentences of between 16 and 20 years' imprisonment.

Protests starting in May 2013 in Istanbul, and spreading to Ankara and other major cities in Turkey, against plans to replace Gezi Park, an urban park in Istanbul's central Taksim Square, with a commercial development, and resulting confrontations among protestors and security forces, have partly contributed to significant increase in the volatility of Turkish financial markets. While the Issuer's management does not believe that these conflicts will have a material long-term negative impact on Turkey's economy or the Issuer's business, financial condition or results of operation; it is possible that these (or other) protests and related circumstances could have such an impact and/or a negative impact on investors' perception of Turkey and/or the value of the Covered Bonds issued under the Programme.

Since late 2013, Turkish politics have been particularly volatile, commencing with a series of arrests of prominent businessmen and family members of some cabinet ministers (who have since resigned) on suspicions of corruption. While the causes of these events are uncertain, there is speculation that it reflects a division among important elements of the Turkish government, police and judiciary system. The Turkish government's responses to these events have included the removal of certain prosecutors and police from their offices and proposals

to change the manner in which the police and judicial authorities are supervised by the national government, which has led to concerns about the separation of powers. The government has also sought to impose limits on certain social media, such as Twitter and YouTube in connection with privacy allegations against its users in Turkey. These events, as well as the concerns over the U.S. Federal Reserve's possibly starting to gradually reduce its quantitative easing policy have contributed to significant declines in the value of the Turkish stock market and the Turkish Lira.

Despite the occurrence of these events, Turkey's ruling party, the AKP, has emerged with approximately 45% votes from the local elections held on 30 March 2014. The main opposition party, CHP, has received 28% of the votes. Turkish stock market rallied following local elections and the Turkish Lira also strengthened against the U.S. Dollar and the euro.

However, there can be no assurance that the political environment will not deteriorate following the Presidential elections in August 2014 and in anticipation of general elections scheduled for the beginning of 2015. Any significant changes in the government or political environment, including the failure of the Turkish Government to devise or implement required or appropriate economic programmes, may adversely affect the stability of the Turkish economy and, in turn, the Issuer's business, financial condition, results of operations and prospects.

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

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price inflation rates as high as 69.7% in the early 2000s; however, weak domestic demand and declining energy prices in 2009 caused the domestic year-over-year consumer price index to decrease to 6.5% at the end of 2009, the lowest level in many years. Consumer price inflation was 10.4%, 6.2%, 7.4% and 9.2% in 2011, 2012, 2013 and 30 June 2014, respectively. Producer price inflation was 13.3%, 2.5% and 7.0% in 2011, 2012 and 2013, respectively. Significant global price increases in major commodities such as oil, cotton, corn and wheat would be likely to increase supply side inflation pressures throughout the world. These inflationary pressures and any further depreciation of the Turkish Lira may result in Turkish inflation exceeding the Central Bank's inflation target, which may cause the Central Bank to modify its monetary policy. Inflation-related measures that may be taken by the Turkish government in response to increases in inflation could have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to fluctuate or increase significantly, then this could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The market for Turkish securities is subject to a high degree of volatility due to developments and perceptions of risks in other countries.

The market for securities issued by Turkish companies is influenced by economic and market conditions in Turkey, as well as, to varying degrees, market conditions in other emerging market countries, the EU and the United States. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investments in Turkey. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers, including the Issuer's, which could adversely affect the market price of the Issuer's securities.

Moreover, financial turmoil in any emerging market country tends to adversely affect the prices of equity and debt securities of issuers in other emerging market countries, as investors may move their investments to more stable, developed markets. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Turkey and adversely affect the Turkish economy. There can be no assurance that investors' interest in Turkey will not be negatively affected by events in other emerging markets or the global economy in general.

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

Turkey has had a long relationship with the EU, but has not yet been granted membership and there is no clear timetable for joining. In 1963, Turkey signed an association agreement with the EU and a supplementary agreement was signed in 1970 providing for a transitional second stage of Turkey's integration into the EU. Turkey has been a candidate country for EU membership since the Helsinki European Council of December 1999. The EU resolved on 17 December 2004 to commence accession negotiations with Turkey and affirmed that Turkey's candidacy will be judged by the same 28 criteria (or **Chapters**) applied to other candidates. These criteria require a range of political, legislative and economic reforms to be implemented. Among these legislative reforms are three new major laws: the CML, Turkish Commercial Code and Code of Obligations which replaced the former Capital Markets Law No 2499, Turkish Commercial Code No. 6762 and Code of Obligations No. 818, respectively.

Although Turkey has implemented various reforms and continued with its efforts towards harmonisation with the EU, the relationship between the EU and Turkey has at times been strained. Negotiations for Turkey's accession to the EU commenced on 3 October 2005 and negotiations concerning the Chapters relating to "Science and Research", "Free Circulation of Capital", "Taxation", "Environment", "Intellectual Property", "Group Law", "Statistic", "Financial Audit", "Information Society and Media", "Protection of Consumers", "Enterprise and Industrial Policy", "Trans-European Networks" and "Food Safety, Veterinary Medicine and Plant Health" are still in progress.

During 2006, the EU issued several warnings in connection with Turkey's undertakings under the additional protocol (the **Additional Protocol**) dated July 2005 relating to the Customs Union and to recognise Northern Cyprus. In December 2006, the EU Council passed a resolution setting forth that the negotiations concerning eight of the Chapters be suspended and that none of the Chapters be closed until the EU Commission verifies that Turkey has fulfilled its commitments related to the Additional Protocol and that Turkey be closely monitored for a period of three years. In November 2013, the negotiations on Chapters and Turkey's accession to the EU were recommenced. There can be no assurances that the EU or Turkey will continue to maintain an open approach to Turkey's EU membership or that Turkey will be able to meet all the criteria applicable to becoming an EU Member State, including the new Chapters applicable from 2009 relating to taxation and the environment. In the event of a loss of market confidence as a result of deterioration in Turkey's EU accession discussions or any other international relations involving Turkey, the Turkish economy may be adversely affected, which could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects. On the other hand, there can be no assurances that any future accession by Turkey to the EU would have the expected benefits for the Turkish economy.

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

Turkey is located in a region that has been subject to ongoing political and security concerns, especially in recent years. Political uncertainty within Turkey and in certain neighbouring and nearby countries, such as Iran, Iraq, Georgia, Cyprus, Egypt, Tunisia, Armenia and Syria has historically been one of the potential risks associated with an investment in Turkish securities. Political instability in the Middle East has increased since the terrorist attacks in the United States of 11 September 2001. The period since the commencement of military action by the United States and its allies in March 2003 has been characterised by frequent incidents of violence and sectarian conflict in Iraq and the heightened risk of terrorist acts against both the United States and its allies. Frequent incidents of violence and sectarian conflict in Iraq, the recent uprisings in a number of countries near Turkey and growing global tensions with Iran have increased concern about the stability of the region. The conflict in Syria has gained increased international attention recently, including calls by several Western nations for military intervention. While such calls have been subject to broad international opposition, the continuing conflict is inherently volatile and its impact and resolution is difficult to predict.

In the last 10 years, there have been bombings in several Turkish cities, including in Istanbul, Ankara and Diyarbakır and in the coastal holiday resorts of Antalya, Marmaris, Mersin, Çeşme and Kuşadası. In addition, there have been several terrorist attacks against the Turkish armed forces in the southeast of Turkey. As a result, on 17 October 2007, the GNA granted authority to the Turkish Government, limited to a period of one year, permitting the Turkish armed forces to organize armed attacks against terrorist groups located in Northern Iraq. Beginning from December 2007 and until early 2008, Turkish armed forces organized several armed attacks against the terrorist groups located in Northern Iraq. On 21 February 2008, Turkey launched a new military operation in Northern Iraq and sent approximately 10,000 troops on an eight-day offensive targeting Kurdistan Workers' Party settlements. In connection with this operation, the Turkish Chief of Staff declared that the operations would continue as long as necessary to defend Turkey. The terrorist attacks against the Turkish armed forces in several parts of Turkey continue, including in Istanbul in June 2010 when four people were killed by an explosive targeting a military bus. In September 2010, a landmine in Hakkari province in south-eastern Turkey exploded, killing nine people. In October 2010, a suicide bomber attacked a police bus in Taksim Square in Istanbul. In October 2011, a terrorist group attacked military stations in Çukurca province in the eastern Turkey, killing 24 soldiers. In August 2012, a bomb in Gaziantep province in south-eastern Turkey exploded, killing nine people. In September 2012, a suicide bomber attacked a police station in Istanbul, killing one person. Also in September 2012, a landmine in Bingöl province in the eastern Turkey exploded, killing nine police officers.

In addition, there have been recent military and civilian hostilities in both directions across the Syrian-Turkish border, and representatives of each country have made statements that do not rule out escalated military conflict. As a result of the unrest in Syria, thousands of Syrian refugees have fled to Turkey and more are expected to cross the Turkish-Syrian border if the unrest in Syria escalates. In early October 2012, Turkish territory was hit by shells launched from Syria, some of which killed Turkish civilians. On 4 October 2012, the Turkish Parliament authorised the government for one year to send and assign military forces in foreign countries should such action be considered appropriate by the government and on 3 October 2013, the authorisation was extended for one year. On 1 February 2013, a suicide bomber attacked the U.S. Embassy in Ankara killing himself and others.

On 11 May 2013, two car bombs were detonated in Reyhanli in Hatay province, which is close to the Syrian border, killing fifty-one civilians and injuring more than one hundred people. The political and military tensions between Syria and Turkey have not yet normalised and may escalate in the future. Since January 2011, there have also been varying degrees of political instability and public protests within certain Middle Eastern and Northern African countries, including Bahrain, Egypt, Iran, Libya and Tunisia. Although such instances of instability have not so far materially affected Turkey's financial or political situation, there can be no assurances that such instability will not escalate in the future, that such instability will not spread to additional countries in the Middle East or North Africa, that governments in the Middle East and North Africa will be successful in maintaining domestic order and stability or that Turkey's financial or political situation will not consequently be affected.

In response to growing regional instability over the Iraqi and Syrian border, the Turkish Parliament authorised deployment of Turkish Armed Forces for cross-border operations or for intervention in foreign countries and deployment of foreign troops in Turkey on 2 October 2014.

In early 2014, political unrest and demonstrations in Ukraine led to a change in the national government. While the United States and the EU recognized the new government, Russia claimed that that new government was illegitimate and was violating the rights of ethnic Russians living in the Crimean peninsula and elsewhere in Ukraine. Escalating military activities in Ukraine and on its borders, including Russia effectively taking control of Crimea (and Crimea's independence vote and absorption by Russia), have combined with Ukraine's very weak economic conditions to create great uncertainty in Ukraine and the global markets. The actions in Crimea have prompted condemnation from the international community and combined with the continuing political and economic uncertainties in Ukraine have had an adverse effect on the Ukrainian economy, and may adversely affect the Russian economy. In April 2014, the United States Office for Foreign Assets Control (**OFAC**) added certain individuals and entities to its list of Specially Designated Nationals. On 16 July 2014, the OFAC created the Sectoral Sanctions Identification List (**SSI List**) and imposed limited, specific sanctions on certain Russian entities in energy, defence and financial sectors (including four Russian state-owned banks). In addition, in July 2014 the EU imposed similar sanctions on five Russian banks in which the Russian state holds a majority stake. Among other things, the sanctions effectively restrict access for such Russian legal entities to the U.S. and EU capital markets by prohibiting purchasing, selling, brokering or assistance in issuance of their debt securities with maturity exceeding 90 days. Separate sanctions were also imposed by Canada, Japan and most recently Switzerland. The tensions in Ukraine further escalated following the alleged destruction of a civilian airliner by Ukrainian separatists on 17 July 2014. Resolution of Ukraine's political and economic conditions will likely not be obtained for some time, and the situation could even degenerate into increased violence and/or economic collapse. While not directly impacting Turkey's territory, the disputes in Ukraine could materially negatively affect Turkey's economy, including through its impact on the global economy and the impact it might have on Turkey's access to Russian energy supplies, which, in turn, could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Furthermore, a terrorist organisation in Iraq and Syria, the Islamic State of Iraq and the Levant (ISIS), is aiming to take control of Iraq and has seized the Turkish consulate in Mosul, Iraq taking 49 people as hostages including the Consul and other diplomats in June 2014. The unrest escalated further in the recent months with ISIS obtaining control over additional territories in Iraq and changing its name to the Islamic State (IS). In August 2014, the U.S. military began an anti-IS aerial campaign in northern Iraq. Any further escalation of such unrest, or heightened tensions between Iraq and Turkey and/or organisations in Turkey, could

impact the Turkish economy leading to decrease in exports, increase in risk premium and higher oil prices.

Almost all of Turkey is classified by seismologists as being in a high-risk earthquake zone. On 17 August 1999, an earthquake measuring 7.4 on the Richter scale struck the area surrounding İzmit. On 12 November 1999, another earthquake occurred in the city of Düzce, between Ankara and İstanbul, resulting in significant financial costs to Turkey. More recently, on 8 March 2010, an earthquake measuring 6.0 on the Richter scale struck the eastern province of Elazığ, and in October 2011 an earthquake measuring 7.2 on the Richter scale struck the eastern part of the country causing significant property damage and loss of life. A significant portion of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone (the zone with the highest level of risk of damage from earthquakes). A number of the Issuer's properties and business operations in Turkey are located in earthquake risk zones.

Akbank maintains earthquake insurance but does not have additional business interruption insurance or insurance for loss of profits, as such, insurance is not generally available in Turkey. The occurrence of a severe earthquake could adversely affect one or more of the Issuer's facilities, therefore causing an interruption in, and an adverse effect on, the Issuer's business. In addition, a severe earthquake could harm the Turkish economy in general, which could adversely affect the Akbank's business, financial condition, results of operations and prospects.

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

Credit ratings affect the cost and other terms upon which the Issuer is able to obtain funding. Rating agencies regularly evaluate the Issuer and their ratings of the Issuer's long-term debt are based on a number of factors, including the Issuer's financial strength as well as conditions affecting the financial services or financial leasing industries generally, as applicable. One or more independent credit rating agencies may also assign credit ratings to the Covered Bonds issued by the Issuer. Any ratings of either the Issuer or the Covered Bonds issued by the Issuer may not reflect the potential impact of all risks related to the Covered Bonds' structure, the global financial market and the Turkish banking sector, additional factors described in this "Risk Factors" section and any other factors that may affect the value of the Covered Bonds. In light of the difficulties in the financial markets, there can also be no assurance that the rating agencies will maintain the Issuer's current ratings or outlooks, which could have a material adverse effect on the trading value of the Covered Bonds issued by the Issuer and the Issuer's ability to finance its operations, which could in turn have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects. A downgrade or potential downgrade of the Turkish sovereign rating could negatively affect the perception these agencies have of the Issuer's rating. Investors should be aware that a credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by its assigning rating agency at any time.

Additionally, the Rating Agency will take into account, among other things, the credit ratings of the Issuer when assessing the credit ratings of the Covered Bonds. For risks associated with Covered Bond ratings see "*Credit Ratings – Credit ratings assigned to the Issuer or any Covered Bonds may not reflect all risks associated with an investment in those Covered Bonds*".

3. **FACTORS MATERIAL FOR ASSESSING MARKET RISKS ASSOCIATED WITH THE COVERED BONDS UNDER THE PROGRAMME**

Risks relating to the Turkish Covered Bond Legislation and Turkish law generally

Covered Bonds are obligations of the Issuer only

The Covered Bonds will constitute direct, unconditional and unsubordinated obligations of the Issuer, secured by the statutory pledge provided under the Turkish Covered Bond Legislation in respect of the Cover Pool. An investment in the Covered Bonds involves a reliance on the creditworthiness of the Issuer, as to which, see “*Risks related to Akbank*” above and a reliance on the credit quality of the Cover Pool and the Issuer’s ability to maintain the Cover Pool. The Covered Bonds are not guaranteed by any member of the Issuer’s Group or any other person (although the CMB in its discretion may in the future require that the Covered Bonds are guaranteed). In addition, an investment in the Covered Bonds involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value of the relevant Covered Bonds. There can be no assurance that the Issuer will in the future be able to make payments in respect of the Covered Bonds or that the Cover Pool will be sufficient to pay in full the amounts payable under the Covered Bonds.

The requirement to transfer cash collections to a separate bank account from the Issuer’s general account only arises upon breach of the Cover Matching Principles and/or payment default by the Issuer

Under the Turkish Covered Bond Legislation, the Issuer is required to comply with certain tests and criteria to, among other things, ensure a minimum level of overcollateralisation of the Cover Pool (calculated by reference to the liabilities of the Issuer in respect of payments of interest and repayments of principal on the Covered Bonds, and payments to covered bond swap providers (the **Covered Bond Swap Providers**) in relation to hedges entered into in relation to the Covered Bonds) and that the cover assets included in the Cover Pool meet certain statutory criteria (the **Cover Matching Principles**). The Cover Matching Principles are designed to help ensure that the Issuer can meet its payment obligations under the Covered Bonds. If the Issuer fails to comply with any of the Cover Matching Principles, the Issuer is required to promptly take any necessary measures, including restructuring the Cover Pool, upon becoming aware of such breach or potential breach. In addition, as soon as the cover pool monitor (the **Cover Monitor**) becomes aware of any payment default and/or a breach of the Cover Matching Principles and/or breach of the overcollateralisation ratio covenant under Condition 3.4 of the Terms and Conditions of the Covered Bonds (the **Overcollateralisation Ratio Covenant**), and until the relevant default and/or breach is cured, cash generated from the cover assets included in the Cover Pool must be deposited in a separate bank account separate from the Issuer’s general account. Until such time, cash generated by the Cover Assets will be deposited in Akbank’s general account and may be used by Akbank in its ordinary course of business. Therefore, upon becoming aware of a breach, there may be a delay in identifying the relevant funds to be deposited in the separate bank account, which could result in a delay to payments due to Covered Bondholders.

Overcollateralisation

Under the Turkish Covered Bond Legislation, the Issuer shall ensure that the net present value of the Cover Pool exceeds at all times, by at least 2 per cent., the net present value of the liabilities of the Issuer under the Covered Bonds and the derivatives contracts in the Cover Pool. See “*Summary of Turkish Legislation relating to Covered Bonds*”. In addition, under Condition 3.4 of the Terms and Conditions of the Covered Bonds, the Issuer has agreed that it

will ensure that the nominal value of the Cover Pool (as determined in accordance with the Turkish Covered Bond Legislation) will, at all times, equal or exceed the product of (A) the Turkish Lira equivalent of the aggregate nominal value of all Covered Bonds outstanding and (B) one plus the Programme Overcollateralisation Percentage (being the percentage figure as selected by the Issuer from time to time and notified to Moody's and the Fiscal Agent equal to the highest Series Overcollateralisation Percentage for all Series of Covered Bonds at such time outstanding). However, the ability of the Issuer to maintain the overcollateralised portion of the Cover Pool may be dependent on factors which are beyond the control of the Issuer, for example, the performance of the Turkish housing market.

The Programme Overcollateralisation Percentage may be varied by the Issuer and the Issuer is not required to provide additional overcollateralisation to maintain the ratings of the Covered Bonds.

The Issuer has, pursuant to the Terms and Conditions of the Covered Bonds, agreed to provide a certain amount of additional overcollateralisation (in excess of that required by the Turkish Covered Bond Legislation) in an amount determined by reference to the Programme Overcollateralisation Percentage (as described above under "Overcollateralisation").

While the Issuer has the ability to nominate a different Programme Overcollateralisation Percentage from time to time, subject to notification to Moody's, the proposed change in the Programme Overcollateralisation Percentage cannot result in a downgrade of the then current ratings of the Covered Bonds. However, it is possible for the Issuer to nominate a lower Programme Overcollateralisation Percentage where this would not reduce the then current rating of the Covered Bonds. Covered Bondholders should be aware that any downward movement in the Programme Overcollateralisation Percentage would reduce the amount of credit enhancement provided by the Cover Pool and cover assets held in the Cover Pool, even where this does not result in a reduction in the then current rating, which could have an adverse effect the Cover Pool's ability to pay amounts due on the Covered Bonds in the future.

In addition, the Issuer is under no obligation to increase the Programme Overcollateralisation Percentage to provide additional overcollateralisation where this would be required to maintain the then current rating of the Covered Bonds. Covered Bondholders should be aware that any decision by the Issuer not to increase the Programme Overcollateralisation Percentage to reflect the additional overcollateralisation requirements of the Rating Agency could have an adverse effect on the rating of the Covered Bonds, which could have an impact on the market value of the Covered Bonds.

In certain circumstances, the CMB may appoint an administrator to manage the Cover Pool and make payments under the Covered Bonds, and such administrator has wide powers, including the ability to redeem the Covered Bonds early if it determines, in its discretion, that early redemption is in the best interests of the Covered Bondholders

Under the Turkish Covered Bond Legislation, if any of the following events occurs, the CMB may appoint a cover pool administrator:

- the management and control of the Issuer is transferred to the SDIF;
- the banking licence of the Issuer is revoked; or
- the Issuer is found bankrupt by a competent authority.

The administrator's role would be to manage the Cover Pool and make payments under the Covered Bonds to discharge the Total Liabilities to the extent the cash income generated from the Cover Pool is sufficient to do so.

To that end, the administrator is authorised to sell or purchase assets in the Cover Pool, obtain loans or enter into repo transactions. The administrator may transfer all or some only of the cover assets included in the Cover Pool and the Total Liabilities (as defined under “*Summary of Turkish Legislation relating to Covered Bonds*”) to a different bank or mortgage finance institution (the **New Issuer**) following the consent of the CMB. Upon such transfer, the ownership of the cover assets in the Cover Pool would be deemed to have passed to the New Issuer and the Issuer shall be discharged from the Total Liabilities, which shall also be assumed by the New Issuer.

The administrator shall continue to manage the Cover Pool if no New Issuer is available. If the amount generated from the cover assets in the Cover Pool is not sufficient to discharge the Total Liabilities, the administrator may determine that it would be in the best interest of Covered Bondholders to redeem the Covered Bonds early. Following the CMB's approval, the administrator may implement the early redemption of the Covered Bonds and accordingly dispose of the cover assets in the Cover Pool. The Covered Bondholders and the Covered Bond Swap Providers, by virtue of the statutory pledge under the Turkish Covered Bond Legislation, have a *pari passu* claim against the Cover Pool. The Covered Bondholders and the Covered Bond Swap Providers will have a residual claim against the Issuer in respect of its remaining assets, which will rank *pari passu* with the other unsecured creditors of the Issuer, to the extent the claims of the Covered Bondholders and the Covered Bond Swap Providers are not met out of the Cover Pool.

Turkish bankruptcy laws stipulate that all debts and liabilities of a bankrupt person shall become due and payable, but Covered Bondholders may not be able to accelerate their Covered Bonds, upon the bankruptcy of the Issuer under the Events of Default

Under Turkish law, banks are heavily regulated institutions and subject to a special insolvency regime. In the event of insolvency of a bank, the BRSA may transfer the control and management of the bank to the SDIF or revoke its banking licence. If the BRSA revokes a bank's banking licence, the control and management of the bank is automatically transferred to the SDIF. In such circumstances, all execution and bankruptcy proceedings initiated against the bank cease and the SDIF, at that stage, would be entitled to initiate bankruptcy proceedings against the bank.

The aim of the Turkish Covered Bond Legislation is to ensure continuity of payments to the Covered Bondholders and Covered Bond Swap Providers even in the event of bankruptcy of the Issuer, and therefore bankruptcy of the Issuer does not constitute an Event of Default under the Terms and Conditions of the Covered Bonds. There is a potential conflict between the Turkish Covered Bond Legislation and Turkish insolvency law, in that Turkish insolvency law stipulates that, in the event of bankruptcy of any person, all debts and liabilities of such person shall become due and payable by operation of law. Therefore, although Turkish insolvency laws state that all debts and liabilities of a bankrupt person shall become due and payable, Covered Bondholders may not be able to accelerate their Covered Bonds upon the bankruptcy of the Issuer, under the Events of Default.

Conflicting interests of other creditors

The Cover Pool is a segregated pool of assets ring-fenced for the benefit of, amongst others, the Covered Bondholders and the Covered Bond Swap Providers. The Cover Pool provides the Covered Bondholders and the Covered Bond Swap Providers with a preferential legal

claim in respect of the Cover Pool. The fees of any administrator of the Issuer shall also rank *pari passu* with the Covered Bondholders and the Covered Bond Swap Providers. Under the Turkish Covered Bond Legislation, the fees of the Cover Monitor, any security trustee, any third party bank account provider, Fiscal Agent and any other paying agents and other relevant third parties will only be paid from the income generated from the cover assets to the extent that there are additional Cover Assets included for this purpose in the Cover Pool to meet these payments and where this is not the case, such third parties will rank *pari passu* with the other unsecured creditors of the Issuer. However, the CMB may determine that such third parties have a *pari passu* claim over the portion of the cover assets which have been included to comply with the contractual overcollateralisation test (as further described above under “*Overcollateralisation*”), in which case, such third parties would be able to claim alongside Covered Bondholders and Covered Bond Swap Providers in respect of such additional contractual overcollateralisation. The cover assets included in the Cover Pool for the purpose of covering third parties’ fee payments are not taken into account for the purposes of the Cover Matching Principles. To the extent that the claims of Covered Bondholders, the Covered Bond Swap Providers, any administrator of the Issuer and such third parties are not met out of the Cover Pool, such parties will have a residual claim in respect of the other assets of the Issuer that will rank *pari passu* with the other unsecured creditors of the Issuer. Therefore other creditors of the Issuer may also wish to claim against the Issuer, alongside the Covered Bondholders and Covered Bond Swap Providers. See “*Summary of Turkish Legislation relating to Covered Bonds*”.

No direct security interest in favour of Covered Bondholders

The Turkish Covered Bond Legislation does not confer a direct security interest in favour of the Covered Bondholders over the Cover Pool such as an in rem security interest. Therefore, the Covered Bondholders are not entitled to any direct remedy, such as enforcing the Cover Pool, if the Issuer defaults in payment obligations under the Covered Bonds. Where this is the case, the CMB may appoint an administrator to take the necessary actions pursuant to the Turkish Covered Bond Legislation for the benefit of the Covered Bondholders (as described above, under “In certain circumstances, the CMB may appoint an administrator to manage the Cover Pool and make payments under the Covered Bonds, and such administrator has wide powers, including the ability to redeem the Covered Bonds early if it determines, in its discretion, that early redemption is in the best interests of the Covered Bondholders”). See “*Summary of Turkish Legislation relating to Covered Bonds*”.

Remedial regulatory measures

In addition to the specific measures under the Turkish Covered Bond Legislation, pursuant to the Banking Law No. 5411, the BRSA shall require the Issuer to take necessary measures to ensure its continuous operation as a banking institution, if (i) it is likely that the assets of the Issuer will not meet its obligations in terms of maturity; (ii) the Issuer does not comply with the liquidity requirements set out under the Turkish banking legislation; (iii) the profitability of the Issuer becomes insufficient for the safe performance of its activities, as a result of impaired balance between its revenues and obligations; (iv) the Issuer’s shareholders equity is inadequate under the capital adequacy regulations, or such case is likely to occur; (v) the quality of assets of the Issuer has deteriorated to adversely impact the financial structure of the Issuer; (vi) the Issuer breaches the Turkish banking legislation or the resolutions of the BRSA; (vii) the Issuer cannot establish its internal audit, internal control and risk management systems, or cannot operate these systems efficiently, or there is any factor that impedes supervision of the BRSA; or (viii) due to the imprudence of the management of the Issuer, the risks addressed under the Turkish banking legislation have increased remarkably or have concentrated to adversely impact the financial structure of the Issuer. However, there

can be no assurance that such measures would be sufficient to ensure the Issuer's continuous operation, and, to the extent that such measures are insufficient, this may result in a breach of the Cover Matching Principles which may have an adverse effect on the Covered Bonds.

Limited events of default

The Terms and Conditions of the Covered Bonds include a very limited list of events of default relating to the Issuer, the occurrence of which would entitle Covered Bondholders to accelerate the Covered Bonds. The events of default consist of (i) default by the Issuer in the payment of principal on the Extended Maturity Date (where an Extended Maturity Date is applicable to a Series of Covered Bonds), (ii) default by the Issuer in the payment of principal on the Maturity Date (where an Extended Maturity Date is not applicable to a Series of Covered Bonds) and (iii) default by the Issuer in the payment of interest, in each case, subject to the applicable grace periods. In addition, under the Turkish Covered Bond Legislation, the administrator, if appointed, has wide discretions, including the ability to redeem the Covered Bonds early, upon approval from the CMB, as described above under *"In certain circumstances, the CMB may appoint an administrator to manage the Cover Pool and make payments under the Covered Bonds, and such administrator has wide powers, including the ability to redeem the Covered Bonds early if it determines, in its discretion, that early redemption is in the best interests of the Covered Bondholders"*. Covered Bondholders will therefore only be able to accelerate their Covered Bonds in the very limited circumstances described above.

The concept of Covered Bonds issued under and governed by foreign law was adopted by the Turkish Covered Bond Legislation only recently and it is not certain how the Turkish Covered Bond Legislation and the relevant provisions of the Turkish insolvency law will be interpreted in judicial, administrative or other relevant practice following the date of issue of the Covered Bonds.

The Turkish Covered Bond Legislation is new legislation in Turkey and, for this reason, there is no relevant case law available. It is uncertain how the Turkish Covered Bond Legislation will be interpreted or whether further changes or amendments will be made to it which will affect Covered Bonds issued under the Programme. Therefore, no assurance can be given as to the impact of any possible judicial decision or change to Turkish law (including the Turkish Covered Bond Legislation and the New Consumer Protection Law) or administrative or other relevant practice after the date of issue of the relevant Covered Bonds.

Additionally, the interpretation of certain provisions of Turkish law, in particular commercial, financial and insolvency laws, is not well established due to little precedent in respect of sophisticated commercial and financial transactions between private parties. Furthermore, these laws are subject to changes which cannot be currently foreseen or anticipated. Such changes may affect the rights and obligations of the Issuer and the Covered Bondholders arising in connection with the Covered Bonds.

In addition, any change in legislation or in practice in Turkey, Ireland, the United Kingdom or in any other relevant jurisdiction could adversely impact: (i) the ability of the Issuer to service the Covered Bonds; and (ii) the market value of the Covered Bonds.

See also *"Enforcement of Judgments – investors may have difficulty enforcing foreign judgments against the Issuer or their respective management"*.

Possible delay in discovering breach by the Issuer of the Turkish Covered Bond Legislation

Under the Turkish Covered Bond Legislation, the Issuer is required to comply with certain criteria in respect of the assets included in the Cover Pool from time to time. While the Turkish Covered Bond Legislation requires the Issuer to provide the Cover Monitor with certain information about the assets included in the Cover Pool from time to time and the calculations performed in respect thereof (including the source of the numbers used in such calculations), the Cover Monitor is only required to monitor certain aspects of the Issuer's compliance with the Turkish Covered Bond Legislation (see further "*Summary of Turkish Legislation relating to Covered Bonds*"). The Cover Monitor is required to provide such information to the CMB and to notify the CMB if it becomes aware of a breach by the Issuer of the requirements of the Turkish Covered Bond Legislation. However, the ability of the Cover Monitor to monitor the Issuer's compliance with the Turkish Covered Bond Legislation is dependent upon the Issuer providing such information to the Cover Monitor on a timely basis and the Cover Monitor adequately performing its role. No other party will be appointed to monitor the performance of the Issuer and its compliance with the Turkish Covered Bond Legislation. Accordingly, time may pass between the actual occurrence of a breach by the Issuer of the Turkish Covered Bond Legislation and the Cover Monitor and/or the CMB becoming aware of such breach, and requiring the Issuer to remedy such breach. In addition, any delay in the appointment of an administrator may result in further delays in the relation to the maintenance of the Cover Pool and monitoring compliance by the Issuer with the Cover Matching Principles.

Risks related to the Cover Pool

The Issuer faces competition in the Turkish residential mortgage market

The Issuer faces intense competition in the residential mortgage market in Turkey, primarily from financial institutions and other mortgage financing companies based in Turkey. Certain of the Issuer's competitors may be larger and better capitalised than the Issuer. The Issuer may face pricing pressures in certain areas of its operations in the future as competitors seek to increase market share by reducing prices or offering new services at low prices. The Turkish banking market in particular has witnessed intensifying competition, which has resulted in narrower lending spreads and could make it more difficult for the Issuer to originate or expand new residential Housing Finance Loans (as defined under "*Summary of Turkish Legislation relating to Covered Bonds*") that meet the eligibility criteria under the Turkish Covered Bond Legislation. There can be no assurance that existing or increased competition in the Turkish banking sector will not adversely affect the Issuer's ability to perform its obligations under the Covered Bonds such as assigning new assets into the Cover Pool.

Insurance

As a matter of Turkish law, each borrower is required to obtain and maintain earthquake insurance (*DASK*) for the residential properties they own in Turkey (subject to a maximum claim amount of TL 150,000) and at their option, enter into life insurance policies, with the Issuer as the primary loss payee, to secure their obligations under the relevant mortgage loans. Due to the specified maximum claim amount under Turkish law, even if the amount of the mortgage loan is more than TL 150,000, the recovery amount allocated to the Cover Pool will be limited to the TL 150,000 under the earthquake insurance.

The Cover Pool consists of limited assets

The Cover Pool consists of (i) Housing Finance Loans which are secured by eligible security interests in favour of the Issuer over the relevant property, (ii) claims which the Issuer holds, or may acquire, against Covered Bond Swap Providers and (iii) certain substitute assets. All assets in the Cover Pool must comply with the terms of the Turkish Covered Bond Legislation. All of the properties securing Housing Finance Loans in the Cover Pool should be in Turkey by law. The value of the Cover Pool may therefore decline in the event of a general downturn in the value of property in Turkey or could be adversely affected by any impact on the value of property in a specific area or region in Turkey, which could adversely affect the Issuer's ability to perform its obligations under the Covered Bonds.

Although the Issuer complies with the Cover Matching Principles and the Overcollateralisation Ratio Covenant in respect of the Cover Pool, the mortgaged property value might reduce over time causing the value of the Housing Finance Loans to become insufficient to comply with the relevant Cover Matching Principles and the Overcollateralisation Ratio Covenant and provide cover for the issued and outstanding Covered Bonds.

Under the Turkish Covered Bond Legislation there is a loan-to-value ratio limit of 75% of the value of the security in the residential mortgages. In addition, the Issuer covenants pursuant to the Terms and Conditions of the Covered Bonds, to comply with the Overcollateralisation Ratio Covenant. See also “*The Programme Overcollateralisation Percentage can be varied by the Issuer and the Issuer is not required to provide additional overcollateralisation to maintain the ratings of the Covered Bonds*” above.

Under the Turkish Covered Bond Legislation, the Issuer is required to monitor the general changes in the property prices and determine the ratio of such change (**Property Price Change Ratio**) annually at the end of each calendar year based on a generally accepted index, if available. This index will be property price index (*Konut Fiyat Endeksi*) (the **PPI**) released by the Central Bank of the Republic of Turkey on a monthly basis. The calculation of the PPI is based on the price data of all the properties sold in Turkey irrespective of the construction year of the properties. The price data is obtained from the valuation reports prepared for the purpose of evaluating the mortgage loan applications made to Turkish banks by the customers. If the Issuer identifies a decline in the property prices within a specific geographical region or in general in Turkey, it must reduce the value of the relevant property by applying the Property Price Change Ratio while determining if the relevant assets included in the Cover Pool comply with the requirements of the Turkish Covered Bond Legislation. However, the Turkish Covered Bond Legislation is silent as to the impact on the valuations should the relevant price data increase at a future date. Accordingly, to the extent the CMB confirms that the Issuer may do so, then the Issuer may apply a higher valuation at a future date (provided that the selected index demonstrates an increase in prices). The application of such an increase in value would allow the Issuer to include fewer assets in the Cover Pool than were previously included or issue more Covered Bonds against the value of such Cover Pool assets. However, a reduction in the secured property value over time as a result of falling property prices, and if the Issuer cannot add new eligible replacement assets, the value of the Housing Finance Loans to become insufficient to comply with the relevant Cover Matching Principles and Overcollateralisation Ratio Covenant and provide cover for the issued and outstanding Covered Bonds.

Geographic concentration risks

Certain geographic regions of Turkey from time to time will experience weaker regional economic conditions and housing markets or be directly or indirectly affected by natural

disasters or civil disturbances, particularly earthquakes. Housing Finance Loans in the Cover Pool in such areas will experience higher rates of loss and delinquency than other Housing Finance Loans in the Cover Pool.

The ability of borrowers to make payments on the Housing Finance Loans in the Cover Pool may also be affected by factors which do not necessarily affect property values, such as adverse economic conditions generally in particular geographic areas or industries, or affecting particular segments of the borrowing community (such as borrowers relying on commission income and self-employed borrowers). Such occurrences may accordingly affect the actual rates of delinquencies, foreclosures and losses with respect to the Housing Finance Loans in the Cover Pool.

The Housing Finance Loans underlying certain series of Covered Bonds may be concentrated in certain regions. Such concentration may present the risk considerations described above in addition to those generally present for similar securities without such concentration.

The Housing Finance Loans in the Cover Pool were originated by the Issuer, in each case pursuant to certain established underwriting guidelines and, in certain cases, based on exceptions to those guidelines.

Although these guidelines have been designed to identify and appropriately assess the repayment risks associated with the origination of the Housing Finance Loans in the Cover Pool, it cannot be ensured in all cases that the interest and principal payments due on a Housing Finance Loan in the Cover Pool will be paid or repaid when due, or at all, or whether the value of the property securing the relevant Housing Finance Loan will be sufficient to otherwise provide for recovery of such amounts. To the extent exceptions were made to an originator's underwriting guidelines in originating a Housing Finance Loan, those exceptions may increase the risk that principal and interest amounts may not be received or recovered and compensating factors, if any, which may have formed the basis for making an exception to the underwriting guidelines, may not in fact compensate for any additional risk. If the Issuer lowers the standards it currently uses for granting Housing Finance Loans, then this may have a negative effect on the quality of the Cover Assets.

Any increased risk that principal and interest amounts may not be received or recovered in respect of the Housing Finance Loans in the Cover Pool could have a material adverse effect on the Issuer's business, financial condition and results of operations and its ability to perform its obligations under the Covered Bond.

Limited description of the Cover Pool

Covered Bondholders will not receive detailed statistics or information in relation to the assets contained or to be contained in the Cover Pool, as it is expected that the constitution of the Cover Pool may change from time to time. However, the Cover Monitor appointed under the Turkish Covered Bond Legislation shall monitor the Issuer's compliance with the requirements of the Turkish Covered Bond Legislation. See "*Summary of Turkish Legislation relating to Covered Bonds*".

Dependence upon information technology Systems – the Issuer's operations are highly dependent upon its information technology systems, including to collect information on the Cover Pool and monitor compliance with the Cover Matching Principles

The Issuer's business, financial performance, and ability to collect information on, and continuously monitor, the Cover Pool depend to a significant extent upon the functionality of its information technology (IT) systems and its ability to increase systems capacity. The

proper functioning of the Issuer's financial control, risk management, credit analysis and reporting, accounting, customer service, cover register and other IT systems as well as the communications networks between its branches and the main data processing centres, are critical to the Issuer's business and its ability to compete. For example, the Issuer's ability to process credit card and other electronic transactions for its customers is an essential element of its business.

Any failure, interruption or breach in security of the Issuer's IT systems could result in failures or interruptions in the Issuer's risk management, general ledger, deposit servicing, loan organisation and/or other important operations, such as its collection of information on, and monitoring of, the Cover Pool. Although the Issuer has back-up systems in place and may continue some of its operations through its branches in case of emergency, if the Issuer's IT systems failed, even for a short period of time, then it could be unable to serve some or all of its customers' needs on a timely basis and could thus lose business or result in an inability or delay in collecting certain amounts due in respect of the underlying loans in the Cover Pool. Likewise, a temporary shutdown of the Issuer's IT systems could result in delays in the checks and regular reviews of the cover register that the Issuer and the Cover Monitor are required to conduct and therefore may result in a delay in detection of any breach or potential breach of the Cover Matching Principles. This may also cause the Issuer to incur costs that are required for information retrieval and verification. In addition, the Issuer's failure to update and develop its existing IT systems as effectively as its competitors may result in a loss of the competitive advantages that the Issuer believes its IT systems provide. Such failures or interruptions may occur and/or the Issuer may not adequately address them if they do occur. A disruption (even short-term) to the functionality of the Issuer's IT systems, delays or other problems in increasing capacity of the Issuer's IT systems or increased costs associated with such systems could have an adverse effect on the Issuer's business, financial condition and/or results of operations, the management and monitoring of the Cover Pool and the ability of the Issuer to make payments when due under the Covered Bonds.

Borrowers' set-off rights may decrease the value of the Cover Pool

To the extent that any borrowers have any receivables due and payable *vis-à-vis* the Issuer arising either from the deposits they hold with the Issuer or for any other reason, as a matter of Turkish law, such borrowers may claim set-off in respect of the portions of their receivables against the Issuer. This may have an adverse impact on income streams available under the Cover Pool, the value of the Cover Pool from time to time and the ability of the Issuer to make payments when due under the Covered Bonds.

The rights of the security trustee in respect of the Offshore Account(s) may be subject to certain preferential creditors

Prior to the first issue of Covered Bonds under the Programme denominated in a currency other than Turkish Lira, the Issuer will be required to open one or more bank accounts (the **Offshore Account(s)**). The purpose of the Offshore Account(s) will be to provide certain payments to be made by the Covered Bond Swap Providers (whether in respect of on-going payments under the relevant Covered Bond Swap Agreements or payments of collateral) to be paid into the relevant Offshore Account in the specified currency of the relevant Covered Bonds. The Offshore Account(s) will be held in the United Kingdom, pursuant to the terms of a bank account agreement to be entered into on or prior to the date of the first issuance of Covered Bonds denominated in a currency other than Turkish Lira. If required, security will be granted over the Offshore Account(s) by the Issuer pursuant to the terms of a deed of charge in favour of the security trustee, as trustee for the benefit of the Covered Bondholders and the Covered Bond Swap Providers in respect of the Covered Bond Swap Agreements. Such Offshore Account(s) will also be registered in, and form part of, the Cover Pool.

The Issuer may become subject to certain insolvency proceedings in the United Kingdom, in particular where the Issuer has certain operations within the United Kingdom at the time of the insolvency proceedings. In addition, although any security to be granted over the Offshore Account(s) is purported to be a fixed charge, it is likely that due to the lack of day to day control by the security trustee, the security will take effect as a floating security and will therefore be subject to certain prior ranking preferential creditors, including the costs of any liquidator appointed in respect of the Issuer in England and Wales and certain employee costs. In addition, though section 251 of the Enterprise Act 2002 abolishes Crown Preference in relation to all insolvencies (and thus reduces the categories of preferential debts that are to be paid in priority to debts due to the holder of a floating charge) section 176A of the Insolvency Act 1986 requires a “prescribed part” (up to a maximum amount of £600,000) of the floating charge realisations available for distribution to be set aside to satisfy the claims of unsecured creditors. This means that the expenses of any liquidation, the claims of preferential creditors and the beneficiaries of the prescribed part will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to Covered Bondholders and the Covered Bond Swap Providers.

The rights of the security trustee in respect of the Offshore Account(s) may be affected by any exchange controls in Turkey

The purpose of the Covered Bond Swap Agreements and the Offshore Account(s) structure are to ensure that whilst the Covered Bond Swap Providers continue to receive money from the Issuer in Turkish Lira, they have a requirement to pay amounts to the Issuer either directly by paying such amounts due on the Covered Bonds to the Fiscal Agent (at the direction of the Issuer) or otherwise into the relevant Offshore Account for onward payment to the Covered Bondholders, or, if applicable, to collateralise the obligation of the relevant Covered Bond Swap Provider under the Covered Bond Swap Agreement(s). Should exchange controls be introduced in Turkey, no assurance can be given that the impact of any such exchange controls would not seek to limit the effectiveness of the account arrangements and any direction by the Issuer to the relevant Covered Bond Swap Provider to pay amounts in a currency other than Turkish Lira directly to the Covered Bondholders. Any action taken to limit the effectiveness of the Offshore Account(s) structure and the Covered Bond Swap Agreement(s) could, whether or not ultimately successful, have an impact on the receipt by the Covered Bondholders of all amounts due in respect of the Covered Bonds.

4. RISKS RELATING TO COVERED BONDS GENERALLY

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

An optional redemption feature is likely to limit the market value of Covered Bonds. During any period when the Issuer may elect to redeem Covered Bonds, the market value of such Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This may be similarly true prior to any redemption period.

The Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Inverse Floating Rate Covered Bonds

Inverse Floating Rate Covered Bonds have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR or EURIBOR. The market values of such Covered Bonds typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Covered Bonds are more volatile because an increase in the reference rate not only decreases the interest rate of the Covered Bonds, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Covered Bonds.

Interest rate risks – The value of Fixed Rate Covered Bonds and Floating Rate Covered Bonds may be adversely affected by movements in market interest rates.

Interest rate risk occurs when the interest rates payable on assets and liabilities for a fixed period do not coincide. Investment in Fixed Rate Covered Bonds involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Covered Bonds, this may adversely affect the value of the Fixed Rate Covered Bonds. Investments in Floating Rate Covered Bonds involve the risk of adverse changes in the interest rate payable on the Floating Rate Covered Bonds.

Change of interest basis – If the Issuer has the right to convert the interest rate on any Covered Bonds from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Covered Bonds concerned.

Fixed/Floating Rate Covered Bonds may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this may affect the secondary market and the market value of such Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than the prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates on its Covered Bonds.

Settlement Currency – In certain circumstances, investors may need to open a bank account in the Specified Currency or payment may be made in a currency other than as elected by a Covered Bondholder or the currency in which payment is made may affect the value of the Covered Bonds or such payment to the relevant Covered Bondholder.

In the case of Turkish Lira denominated Covered Bonds, unless an election to receive payments in U.S. Dollars as provided in Condition 5.8 of the “*Terms and Conditions of the Covered Bonds*” is made, holders of such Covered Bonds may need to open and maintain a Turkish Lira denominated bank account, and no assurance can be given that Covered Bondholders will be able to do so either in or outside of Turkey. For so long as such Covered Bonds are in global form, any Covered Bondholder who does not maintain such a bank account will be unable to transfer Turkish Lira funds (whether from payments on, or the proceeds of any sale of, such Covered Bonds) from its account at Euroclear or Clearstream, Luxembourg to which any such payment is made.

Under Condition 5.8 of the “*Terms and Conditions of the Covered Bonds*”, if the Fiscal Agent receives cleared funds in respect of Turkish Lira denominated Covered Bonds from the Issuer

after the relevant time on the Relevant Payment Date, then the Fiscal Agent will use reasonable efforts to pay any U.S. Dollar amounts Covered Bondholders have elected to receive in respect of such funds as soon as reasonably practicable thereafter. If it is not possible for the Fiscal Agent to purchase U.S. Dollars with any Turkish Lira funds received, the relevant payments in respect of the Covered Bonds will be made in Turkish Lira.

As any currency election in respect of any payment to be made under such Turkish Lira denominated Covered Bonds for the purposes of Condition 5.8 of the “*Terms and Conditions of the Covered Bonds*” is irrevocable: (a) its exercise may (at least temporarily) affect the liquidity of the applicable Covered Bonds, (b) a Covered Bondholder would not be permitted to change its election notwithstanding changes in exchange rates or other market conditions, and (c) if the Fiscal Agent cannot, for any reason, effect the conversion of the amount paid by the Issuer in Turkish Lira, Covered Bondholders will receive the relevant amount in Turkish Lira.

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

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

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

The Maturity Date may be delayed to the Extended Maturity Date applicable to the Covered Bonds

The applicable Final Terms may provide that an Extended Maturity Date (as defined below) is applicable to a Series of Covered Bonds.

If the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date the maturity of the principal amount outstanding of the Covered Bonds not redeemed will be extended to such other date as specified in the applicable Final Terms (the **Extended Maturity Date**). In that event, the Issuer (or the institution appointed by the CMB, as the case may be) may (including with the use of the cash generated by the Cover Pool) redeem all or part of the principal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date, up to and including the Extended Maturity Date. In that event also, the Covered Bonds will bear interest on the principal amount outstanding of the Covered Bonds in accordance with the applicable Final Terms, save in respect of Zero Coupon Covered Bonds.

The extension of the maturity of the principal amount outstanding of the Covered Bonds from the Maturity Date to the Extended Maturity Date will not result in any right of the Covered Bondholders to accelerate payments or take action against the Issuer or the Cover Pool, and no payment will be payable to the Covered Bondholders in that event other than as set out in the Terms and Conditions of the Covered Bonds. In addition, the extension of the Maturity Date will not result in any enforcement action being taken in respect of any cover assets in the Cover Pool.

The Cover Pool is shared by all Covered Bondholders. This means that if an “Extended Maturity Date” is specified as applicable in respect of a particular Series of Covered Bonds, there is a risk that, in the event that the Issuer was in financial difficulty, the Covered Bondholders in relation to such Series of Covered Bonds would not be paid as quickly as Covered Bondholders in respect of a similar Series without an Extended Maturity Date as other Series of Covered Bonds might be paid by the Issuer on the Maturity Date of the Covered Bonds before any financial difficulty or increased financial difficulty were obvious. After an Event of Default, the Covered Bonds could be accelerated by the Covered Bondholders, in which case, Covered Bondholders would seek to recover payments in respect of principal and interest from the Cover Pool which it shares with all other Covered Bondholders. Under the Turkish Covered Bond Legislation, the administrator, if appointed, has wide discretions, including the ability to redeem the Covered Bonds early, upon approval from the CMB, as described above under “*In certain circumstances, the CMB may appoint an administrator to manage the Cover Pool and make payments under the Covered Bonds, and such administrator has wide powers, including the ability to redeem the Covered Bonds early if it determines, in its discretion, that early redemption is in the best interests of the Covered Bondholders*”.

Redemption for Taxation Reasons – The Issuer will have the right to redeem the Covered Bonds upon the occurrence of certain changes requiring it to pay withholding taxes in excess of current levels, if any, applicable to such Covered Bonds

The withholding tax rate on interest payments in respect of bonds issued by Turkish legal entities outside of Turkey varies depending upon the original maturity of such bonds as specified under Decree 2009/14592 dated 12 January 2009 which has been amended by Decree No. 2010/1182 dated 20 December 2010 and Decree No. 2011/1854 dated 26 April 2011 (together, the **Tax Decrees**). Pursuant to the Tax Decrees: (a) with respect to bonds with a maturity of less than one year, the withholding tax rate on interest is 10%, (b) with respect to bonds with a maturity of at least one and less than three years, the withholding tax rate on interest is 7%, (c) with respect to bonds with a maturity of at least three and less than five years, the withholding tax rate on interest is 3%, and (d) with respect to bonds with a maturity of five years or more the withholding tax rate is 0%. The Issuer will have the right to redeem the Covered Bonds, at any time (including in the case of Floating Rate Covered Bonds) prior to the maturity date, if (a) upon the occurrence of such change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7.1), or (b) upon any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction which change or amendment becomes effective after the date on which agreement is reached to issue the first Tranche of the relevant Series of Covered Bonds, on the next Interest Payment Date, the Issuer would be required: (i) to pay additional amounts in respect of such Series of Covered Bonds as provided or referred to in Condition 7 on account of any Taxes (as defined in Condition 7.1); and (ii) to 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 the date on which agreement is reached to issue the first Tranche of the relevant Series of Covered Bonds, and such requirement cannot be avoided by the Issuer taking reasonable measures available to it. Upon such a redemption

investors in such Series of Covered Bonds might not be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Covered Bonds and, in the case of any Floating Rate Covered Bonds, the redemption could take place on any relevant date during an Interest Period.

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

Risks related to hedging arrangements

The Issuer may enter into currency swaps and/or interest rate swaps in order to hedge certain risks that exist in respect of the Cover Pool and the Covered Bonds.

If either the Issuer or a Covered Bond Swap Provider fails to make timely payments of amounts due under the relevant Covered Bond Swap Agreement in respect of a Series of Covered Bonds, or certain other events occur in relation to either the Issuer or a Covered Bond Swap Provider and any applicable grace period expires, then a termination event will occur under the relevant Covered Bond Swap Agreement. If the Issuer and the Cover Pool defaults under a Covered Bond Swap Agreement due to non-payment, the relevant Covered Bond Swap Provider will not be obliged to make further payments under that swap (unless the Issuer or Cover Pool has satisfied in full all its payment obligations under the relevant Covered Bond Swap Agreement). If a Covered Bond Swap Agreement is terminated for any reason, the Issuer may be exposed to changes in currency exchange rates and/or interest rates. Unless a replacement swap is entered into, the Issuer may have insufficient funds to perform its obligations under the Covered Bonds. In the event that a Series of Covered Bond is downgraded due to, *inter alia*, termination of the relevant Covered Bond Swap Agreement, this may result in other outstanding Series of Covered Bonds being downgraded.

In addition, under certain circumstances the Issuer may have difficulty finding a new or replacement Covered Bond Swap Provider, in particular a swap provider that will maintain the credit ratings of the Covered Bonds, which may have an adverse effect on the outstanding Covered Bonds. Further, if at some point in the future the Issuer introduces deferral of payment mechanics into the swaps and the substitute assets available to the Issuer on a payment date are insufficient to make the payment ordinarily required in full under one or more swap agreements, the payment obligations of both the Issuer and the Covered Bond Swap Provider on that payment date may be reduced accordingly and will be deferred.

Reliance on interest rate swaps

In order to hedge the Issuer's interest rate risks in Turkish Lira and/or other currencies, to the extent that these have not already been hedged by a currency swap, the Issuer may enter into interest rate swaps. If the Issuer fails to make timely payments of amounts due or certain other events occur in relation to the Issuer under an interest rate swap and any applicable grace period has expired, then the Issuer will have defaulted under that interest rate swap. If the Issuer defaults under an interest rate swap due to non-payment or otherwise, the relevant interest rate swap provider will not be obliged to make further payments under that interest rate swap (unless the Issuer has satisfied in full all its payment or delivery obligations under the relevant interest rate swap). If an interest rate swap provider is not obliged to make payments, exercises any right of termination it may have under the relevant interest rate swap agreement, or if it defaults in its obligations to make payments under an interest rate swap, the Issuer will be exposed to changes in interest rates.

Termination payments for swaps

If any of the Covered Bond Swap Agreements are terminated as described above, the Issuer may, as a result, be obliged to make a termination payment to the relevant Covered Bond Swap Provider. The amount of the termination payment will be based on the cost of entering into replacement interest rate swaps and/or currency swaps, as the case may be. There can be no assurance that the Issuer will have sufficient funds available to make such termination payment. So long as such swaps are registered in the Cover Pool, any termination payment to be made by the Issuer to a Covered Bond Swap Provider will rank *pari passu* with payments due to the Covered Bondholders and could have an adverse effect on the amounts available to pay to the Covered Bondholders.

Differences in timings of obligations of the Issuer and the Covered Bond Swap Providers under the Covered Bond Swaps Agreements

With respect to each of the Covered Bond Swap Agreements, the Issuer (or the servicer on its behalf) will, periodically, pay or provide for payment of an amount to each corresponding Covered Bond Swap Provider based on TL for TL deposits for the agreed period. The Covered Bond Swap Provider may not be obliged to make corresponding swap payments to the Issuer under a Covered Bond Swap Agreement until amounts are due and payable by the Issuer under the Covered Bonds. If a Covered Bond Swap Provider does not meet its payment obligations to the Issuer under the relevant Covered Bond Swap Agreement or such Covered Bond Swap Provider does not make a termination payment that has become due from it to the Issuer under the Covered Bond Swap Agreement, the Issuer may have a larger shortfall in funds with which to make payments under the Covered Bonds than if the Covered Bond Swap Provider's payment obligations coincided with Issuer's payment obligations under the Covered Bond Swap Agreements. Hence, the difference in timing between the obligations of the Issuer and the obligations of the Covered Bond Swap Provider(s) under the Covered Bond Swap Agreements may affect the Issuer's ability to make payments with respect to the Covered Bonds. A Covered Bond Swap Provider may be required, pursuant to the terms of the relevant Covered Bond Swap Agreement, to post collateral with the Issuer if the relevant rating of the Covered Bond Swap Provider is downgraded by the Rating Agency below the rating specified in the relevant Covered Bond Swap Agreement. The collateral may be provided under a security or title transfer basis as agreed with the relevant Covered Bond Swap Provider and may be provided to the relevant Offshore Account outside of Turkey. Such Offshore Account may be subject to a foreign law security arrangement in such jurisdiction granted in favour of the security trustee on behalf of the Covered Bondholders and the Covered Bond Swap Provider(s) pursuant to a deed of charge.

Change of counterparties

The parties to the Agreements who receive and hold moneys pursuant to the terms of such documents (such as any third party bank account provider and the Covered Bond Swap Provider(s)) are required to satisfy certain criteria in order that they can continue to receive and hold moneys.

These criteria include requirements in relation to the short-term, unguaranteed and unsecured credit ratings ascribed to such party by a rating agency. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive moneys on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Agreements.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Agreements may agree to amend or waive certain of the terms of such document, including the applicable criteria to the extent permitted by law or the CMB, in order to avoid the need for a replacement entity to be appointed. The consent of Covered Bondholders may not be required in relation to such amendments and/or waivers.

Transfer Restrictions – Transfers of Covered Bonds will be subject to certain restrictions and interests in Global Covered Bonds can only be held through Euroclear, Clearstream, Luxembourg and DTC

Although the Covered Bonds have been authorised by the CMB pursuant to Decree 32 regarding the Protection of the Value of the Turkish Currency and the CML and its related legislation as debt securities to be offered outside of Turkey, the Covered Bonds have not been and are not expected to be registered under any applicable state's or other jurisdiction's securities laws, or any applicable state's or other jurisdiction's regulatory authorities. The offering of the Covered Bonds (or beneficial interests therein) will be made outside of the United States pursuant to exemptions from the registration requirements of the Securities Act and from other securities laws. Accordingly, reoffers, resales, pledges and other transfers of investments in the Covered Bonds may be subject to certain transfer restrictions. Each investor is advised to consult its legal advisers in connection with any such reoffer, resale, pledge or other transfer.

Further to the Communiqué on Debt Instruments, the Covered Bonds are required under Turkish law to be issued in an electronically registered form in the Central Registry Agency (*Merkezi Kayıt Kuruluşu*) (the **CRA**) and the interests therein recorded in the CRA. However, upon the Issuer's request, the CMB may resolve to exempt the Covered Bonds from this requirement if the Covered Bonds are to be issued outside Turkey. The Issuer has obtained an exemption from this requirement from the CMB

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

Enforcement of Judgments - Investors may have difficulty enforcing foreign judgments against the Issuer or their respective management.

The Issuer is a public joint stock company organised under the laws of Turkey. Many of the Issuers' directors and executive officers are residents of Turkey and a substantial portion of the assets of the Issuer and such persons are located in Turkey. As a result, it may be difficult for investors to effect service of process upon the Issuer or such persons outside Turkey, or to enforce judgments or arbitral awards obtained against such parties outside Turkey.

Under the International Private and Procedure Law of the Republic of Turkey (Law No. 5718), a judgment of a court established in a country, other than the Republic of Turkey, may not be enforced in Turkish courts in certain circumstances. Although Turkish courts have recognised enforceable judgments of English courts on the basis that there is *de facto*

reciprocity between the United Kingdom and Turkey with respect to enforcement of judgments of their respective courts, there is no treaty between the United Kingdom and Turkey setting out the reciprocal enforcement of judgments expressly. For further information, see “*Enforcement of Judgments and Service of Process*”.

The Conditions of the Covered Bonds are governed by English law and the terms are specified with reference to that law as in effect as of the date of this Base Prospectus. Similarly, the enforcement rights of the Covered Bondholders against the Issuer and its assets in Turkey assume the application of Turkish law as presently in effect. Any possible judicial decision or change to English or Turkish law or administrative practice after the date of this Base Prospectus may impact the Covered Bonds.

The Global Covered Bonds are held by or on behalf of Euroclear, Clearstream, Luxembourg and DTC

The Covered Bonds will be represented by one or more Global Covered Bond, except in certain limited circumstances described in the Global Covered Bonds, that may be deposited with a common depositary for Euroclear, Clearstream, Luxembourg and DTC (as defined previously in this Base Prospectus). Except in the circumstances described in each Global Covered Bond, investors will not be entitled to receive Covered Bonds in definitive form. Each of Euroclear, Clearstream, Luxembourg and DTC and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Covered Bond held through it. While the Covered Bonds are represented by a Global Covered Bond, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

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

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

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

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

holding (should such Covered Bonds be printed) and would need to purchase a principal amount of Covered Bonds such that its holding amounts to a Specified Denomination.

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

Modification, waivers and substitution

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

General legal considerations – The value of the Covered Bonds could be adversely affected by a change in English law or administrative practice

The Terms and Conditions of the Covered Bonds are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus and any such change could have a material adverse effect on the value of any Covered Bonds affected by it.

Further Covered Bonds may be issued without the consent of Covered Bondholders

Save where to do so would reduce the credit rating of the then outstanding Covered Bonds or while an Issuer Event is occurring, the Issuer may from time to time create and issue further Covered Bonds without the consent of Covered Bondholders or Couponholders, subject to terms and conditions which are the same as those of existing Covered Bonds, or the same except for the amount and date of the first new payment of interest. Such new Covered Bonds may be consolidated and form a single series with outstanding Covered Bonds, provided, however, that such further notes will be fungible with the original Covered Bonds for U.S. federal income tax purposes.

EU Savings Directive – The Covered Bonds may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Covered Bonds

Under Council Directive 2003/48/EC on the taxation of savings income (**EU Savings Directive**), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest (or similar income) paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State. On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. The EU Savings Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some

cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the EU Savings Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for such a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. If a Paying Agent in a particular Member State would be obliged to withhold or deduct tax from a payment pursuant to the EU Savings Directive, the Issuer will be required to maintain a Paying Agent in a different Member State that will not be obliged to make such a withholding or deduction from that payment.

U.S. Foreign Account Tax Compliance Withholding

Whilst the Covered Bonds are in global form and held within Euroclear Bank SA/NV or Clearstream Banking, société anonyme (together the **ICSDs**), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (FATCA) will affect the amount of any payment received by the ICSDs (see “*Taxation - Reduced Withholding Tax Rates - U.S. Foreign Account Tax Compliance Act*”). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose their custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer’s obligations under the Covered Bonds are discharged once it has paid the Common Depositary for the ICSDs and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

5. RISKS RELATING TO THE MARKET GENERALLY

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

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

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

The market price of the Covered Bonds may be volatile.

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

Financial turmoil in emerging markets could cause the price of the Covered Bonds to suffer.

While in recent years Turkey has undergone significant political and economic reform, which has increased domestic political and economic stability and contributed to economic growth, Turkey is nonetheless considered by international investors to be an emerging market. In general, investing in the securities of issuers that have operations primarily in emerging markets, like Turkey, involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the EU or similar jurisdictions. The market price of the Covered Bonds is influenced by economic and market conditions in Turkey and, to a varying degree, economic and market conditions in both emerging market countries and more developed economies, including those in the EU and the United States. Financial turmoil in Turkey and emerging markets in the past have adversely affected market prices in the world's securities markets for companies that operate in developing economies. Even if the Turkish economy remains relatively stable, financial turmoil in these countries could have a material adverse effect on the market price of the Covered Bonds.

Exchange rate risks and exchange controls – If an investor holds Covered Bonds which are not denominated in the investor's home currency, he will be exposed to movements in

exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Covered Bonds could result in an investor not receiving payments on those Covered Bonds

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

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

Interest Rate Risk – The value of Fixed Rate Covered Bonds may be adversely affected by movements in market interest rates

Investment in Fixed Rate Covered Bonds involves the risk that if the market increases rates subsequently increase above the rate paid on the Fixed Rate Covered Bonds, this will adversely affect the value of the Fixed Rate Covered Bonds.

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

The ratings assigned to the Covered Bonds address, *inter alia*:

- the likelihood of full and timely payment to Covered Bondholders of all payments of interest on each Interest Payment Date; and
- the likelihood of ultimate payment of principal in relation to Covered Bonds on (a) the Final Maturity Date thereof, or (b) the Extended Maturity Date, if indicated as applying to a Series of Covered Bonds in the relevant Final Terms.

The expected ratings of the Covered Bonds are set out in the applicable Final Terms for each Series of Covered Bonds. Any Rating Agency may lower its rating or withdraw its rating if, in the sole judgement of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may reduce. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A credit rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Covered Bonds. Credit ratings assigned to the Covered Bonds do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the

assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Covered Bonds will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Covered Bonds. The ratings do not address the marketability of the Covered Bonds or any market price. Any change in the credit ratings of the Covered Bonds or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for the Covered Bonds. The significance of each rating should be analysed independently from any other rating. In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (ESMA) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

U.S. persons investing in the Covered Bonds may have indirect contact with countries sanctioned by the Office of Foreign Assets Control of the U.S. Department of Treasury as a result of the Issuer's investments in and business with countries on the sanctions list

The Office of Foreign Assets Control of the U.S. Department of Treasury (OFAC) administers regulations that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, certain countries, including Iran, Syria and Sudan, and specially designated nationals (together, **Sanction Targets**). As the Issuer is not a Sanction Target, OFAC regulations do not prohibit U.S. persons from investing in, or otherwise engaging in business with, the Issuer. However, to the extent that the Issuer invests in, or otherwise engages in business with, Sanction Targets, U.S. persons investing in the Issuer may incur the risk of indirect contact with Sanction Targets. The Issuer's current policy is not to engage in any business with Sanction Targets although it is not restricted from doing business in countries that are the subject of OFAC sanctions. In addition, the U.S. Department of State and other U.S. government entities, the United Nations, the European Union and other governments also administer and enforce sanctions against Iran and certain countries, persons and entities. Neither the Issuer nor any of its affiliates is currently the target of any such sanctions and the Issuer has adopted policies and procedures designed to comply with applicable sanctions regulations.

ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

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

- (a) there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments,
- (b) there is *de facto* enforcement in such country of judgments rendered by Turkish courts, or
- (c) there is a provision in the laws of such country that provides for the enforcement of judgments of Turkish courts.

There is no treaty between Turkey and the United Kingdom providing for reciprocal enforcement of judgments. Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between Turkey and the United Kingdom; however, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United Kingdom by Turkish courts. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based upon non-Turkish securities laws.

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

- (i) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed,
- (ii) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey,
- (iii) the judgment is incompatible with a judgment of a court in Turkey between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey,
- (iv) the judgment is not of a civil nature,
- (v) the judgment is clearly against public policy rules of Turkey,
- (vi) the judgment is not final and binding with no further recourse for appeal or similar revision process under the laws of the country where the judgment has been rendered, or
- (vii) the judgment was rendered by a foreign court that has deemed itself competent even though it has no actual relationship with the parties or the subject matter at hand.

Process may be served on the Issuer at Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX United Kingdom in relation to any proceedings in England in connection with any Covered Bonds issued under the Programme.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the convenience translation into English of the Akbank 2013 BRSA Financial Statements (including EY's audit report dated 5 February 2014 issued in respect thereof); <http://www.akbank.com/Documents/IR-Financials-Docs/BRSA/2013/Consolidated/4th-Quarter-Consolidated/AkbankENGKONSOLIDE31-12-2013.pdf>
- (b) the convenience translation into English of the Akbank 2012 BRSA Financial Statements (including EY's audit report dated 7 February 2013 issued in respect thereof); <http://www.akbank.com/Documents/IR-Financials-Docs/BRSA/2012/Consolidated/4th-Quarter-Consolidated/31122012BDDKKONSOLIDEENG.pdf>
- (c) the convenience translation into English of the Akbank BRSA Unaudited Interim Financial Statements (including EY's review report dated 23 July 2014 issued in respect thereof). http://www.akbank.com/Documents/IR-Financials-Docs/BRSA/2014/Second_Quarter_Consolidated/AkbankENGKONSOLIDE30-06-2014.pdf

save that no other part of the Issuer's website forms a part of, or is incorporated into, this Base Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

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

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

OVERVIEW OF AKBANK AND THE PROGRAMME

The following overview does not purport to be complete and is taken from, should be read in conjunction with, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms. Prospective investors should see “Risk Factors” below for a discussion of certain factors that should be considered in connection with an investment in the Covered Bonds (or beneficial interests therein).

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

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in “*Form of the Covered Bonds*” and “*Terms and Conditions of the Covered Bonds*” shall have the same meanings in this overview.

Overview of Akbank

The following overview should be read in conjunction with, and is qualified in its entirety by, the detailed information appearing elsewhere in this Base Prospectus, including “Information about Akbank” and the Akbank BRSA Financial Statements. Prospective investors should see “Risk Factors”, including “Risk Factors—I. Risks Related to Akbank” for a discussion of certain factors that should be considered in connection with an investment in the Covered Bonds (or beneficial interests therein).

Akbank T.A.Ş. is a Turkish banking institution organised as a joint stock company with registration number 90418. Founded as a local bank in Adana on 30 January 1948, it was originally established with the core objective of providing funding for local cotton producers. Its first branch was opened in the Sirkeci district of Istanbul on 14 July 1950. Akbank operates under the Turkish Commercial Code. 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 has an international presence through its subsidiaries in Germany (Akbank AG) and Dubai (Akbank (Dubai) Limited), and through a branch in Malta.

Akbank operates in five main business segments: (i) Consumer Banking; (ii) Corporate, Commercial and SME Banking; (iii) Treasury; (iv) Private Banking; and (v) International Banking. It offers a wide range of consumer, commercial and SME, corporate and private banking services as well as international trade financing. Non-banking financial services along with capital markets, brokerage and investment services are provided by Akbank’s subsidiaries including Ak Investment, Ak Asset Management and AKLease. Akbank does not have any subsidiaries that are not involved in financial services.

In addition to Akbank’s traditional delivery channels such as its branches, Akbank also serves its customers through its Consumer and Corporate Internet Branches, its Telephone Banking Center, ATMs and POS terminals, and the Akbank Banking Center, which commenced its services in 2010.

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 (*Source: Reuters*). Floated to the public in 1990, Akbank's shares began trading on international markets and as American Depositary Receipts (**ADRs**) after its secondary public offering in 1998.

Business Segments – Overview

Akbank operates in five main business segments: (i) Retail Banking; (ii) Corporate, Commercial and SME Banking; (iii) Treasury; (iv) Private Banking; and (v) International Banking. See “*Information about the Issuer—Business—Akbank’s Business Segments*”.

Retail Banking: includes retail services such as deposit accounts, consumer loans, credit cards, insurance products and wealth management services. Akbank's line of retail banking products and services also includes bankcards, mutual funds, bonds and T-bills brokerage, equity brokerage, automatic payment services, foreign currency trading, safe deposit box rentals, cheques, money transfers, ATM, telephone and internet banking.

Corporate, Commercial and SME Banking: provides financial solutions and banking services to large-scale and medium-sized corporate and commercial customers, including Turkish Lira and foreign currency denominated working capital loans, small business loans, medium-term financing for investments, foreign trade financing, letters of credit and guarantee, foreign currency trading, corporate finance services and cash and deposit management services. In addition, Akbank provides working capital management solutions for corporate customers, delivering tailored cash management services based on customers' requirements which include collection and payment services and liquidity and information management. Project finance loans are provided as part of Akbank's corporate and commercial banking activities.

Treasury: primarily manages Akbank's securities investment portfolio, asset-liability management activities and overall liquidity and provides treasury services to Akbank's retail and corporate customers.

Private Banking: includes products and services for individuals with assets under management with Akbank, such as investment, pension and insurance services.

International Banking: manages Akbank's international fund raising activities as well as correspondent banking relationships and sets credit limits and risk management policies for counterparty financial institutions and through its international business development activities offers a complementary service to its clients to support their business activities within its responsibility area and to originate proprietary deals for the benefit of Akbank.

Competitive Strengths

Akbank believes that it has the following competitive strengths:

- Strong and Well Known Turkish Franchise, Trusted Brand, Diversified Portfolio of Banking Assets,
- Robust Capital Structure, Conservative Liquidity and Funding Policy,
- Prudent and Effective Risk Management; High Asset Quality,
- Record of Innovation.

See “*Information about the Issuer—Business—Competitive Strengths*” for a more detailed discussion of Akbank's competitive strengths.

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 2014 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 Bank's output and cost efficiency;
 - Continue growth and increase market shares in high margin products and segments;
 - Increase the share of SME lending in total loans;
 - Diversify funding mix along with expanding 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.*

See "Information about the Issuer–Business–Strategy" for a more detailed discussion of Akbank's strategy.

Overview of the Programme

Words and expressions defined in "Form of the Covered Bonds" and "Terms and Conditions of the Covered Bonds" shall have the same meanings in this overview.

Information relating to the Issuer:

Description:

Akbank T.A.Ş. (the **Issuer** or **Akbank**).

Risk Factors:

There are certain factors that may affect the financial and operational position of the Issuer and the Covered Bondholders' ability to receive full and timely payments under the Covered Bonds issued under the Programme. For a discussion of certain risk factors relating to Turkey, the Issuer and the Covered Bonds that prospective investors should carefully consider prior to making an investment in the

Covered Bonds, see “*Risk Factors*”, which includes: (a) insolvency considerations, (b) risks relating to the Issuer’s ability to fulfil its obligations under the Covered Bonds, (c) risks relating to the Turkish mortgage market, (d) factors which are material for the purpose of assessing market risks, and (e) risks associated with any Covered Bonds and risks related to the market generally.

Structure overview:

Status and Regulatory Treatment of the Covered Bonds:

The Covered Bonds are mortgage covered bonds (*ITMK*) issued in accordance with the Turkish Covered Bond Legislation (as defined below). The Covered Bonds constitute direct, unconditional and unsubordinated obligations of the Issuer, secured by the statutory pledge provided by the Turkish Covered Bond Legislation and rank *pari passu* among themselves and with all other obligations of the Issuer that have been provided the same priority as debt instruments issued pursuant to Article 59 of the Capital Markets Law (No. 6362) (the **CML**)) published on the Official Gazette dated 30 December 2012 and numbered 28513 and the Communiqué No.III-59.1 dated 21 January 2014 and numbered 28889 (as amended by the Communiqué No.III-59.1a published on the Official Gazette dated 5 September 2014 and numbered 29110) (collectively, the **Turkish Covered Bond Legislation**).

By virtue of the priority established by the Turkish Covered Bond Legislation, the holders of the Covered Bonds and the relevant Covered Bond Swap Providers will have an exclusive, equal and *pro rata* preferential legal claim over the cover pool consisting of Housing Finance Loans, Substitute Assets and derivative contracts maintained in accordance with the Turkish Covered Bond Legislation (the **Cover Pool**). The priority claims in respect of the Cover Pool, together with the fees and expenses of the administrator, if appointed, will rank ahead of all other claims against the Issuer. Under the Turkish Covered Bond Legislation, the fees of the Cover Monitor, any third party bank account provider, Fiscal Agent and any other paying agents and other relevant third parties (including, if applicable, any security trustee) will only be paid from the income generated from the cover assets to the extent that there are additional cover assets included in the Cover Pool to meet these payments. Otherwise, such third parties will rank *pari passu* with the other unsecured creditors of the Issuer. However, the CMB may determine that such third parties have a *pari passu* claim over the portion of the cover assets which have been included to comply with the contractual overcollateralisation test, in which case, such third parties would be able to claim alongside Covered Bondholders and Covered Bond Swap Providers in respect of such cover assets. To the extent that claims in relation to the Covered Bonds and related derivative contracts are not met out of the cover assets

of the Issuer that comprise the Cover Pool, the Covered Bondholders, the Covered Bond Swap Providers, any administrator appointed in respect of the Issuer and the relevant third parties listed above will be entitled to residual claims (the **Residual Claims**) that will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer. In the event of the Issuer's bankruptcy, the costs of such bankruptcy may rank ahead of a claim for payment of the Covered Bonds. See also "*Summary of Turkish Legislation Relating to Covered Bonds*".

Assets included in the Cover Pool are, by operation of the Turkish Covered Bond Legislation, segregated from the other assets of the Issuer and cannot be used for any other purpose other than securing the Covered Bonds although cash generated from the Cover Pool will not be deposited in a separate bank account and may be used by the Issuer in its ordinary course of business unless and until there has been a breach of the Cover Matching Principles or a payment default. The Issuer cannot transfer, dispose of, pledge or otherwise encumber, or otherwise use the cover assets as security for anything other than the Covered Bonds and related derivatives. Further, the Cover Pool would, upon occurrence of any insolvency event of the Issuer, not fall into the Issuer's bankruptcy estate (*iflas masasi*).

Where collateral is provided as agreed with the relevant Covered Bond Swap Provider(s), in accordance with a deed of charge, security will be created for the benefit of the security trustee on behalf of the Covered Bondholders and the Covered Bond Swap Provider(s) in respect of the Covered Bond Swap Agreements, any other Agreements governed by English law and the Offshore Account(s).

Overcollateralisation:

The Turkish Covered Bond Legislation requires that the net present value of the Cover Pool (which must comprise some Substitute Assets) at all times equals or exceeds the net present value of the Covered Bonds together with the derivative contracts.

In addition, the Issuer has agreed to maintain a minimum amount of additional contractual overcollateralisation, whereby the nominal value of the Cover Pool, at all times, shall not be less than the product of (A) the Turkish Lira equivalent of the aggregate nominal amount of all Covered Bonds outstanding and (B) one plus the Programme Overcollateralisation Percentage (being the percentage figure as selected by the Issuer from time to time equal to the highest Series Overcollateralisation Percentage for all Series of Covered Bonds at such time outstanding), all as further described in the Terms and Conditions of the Covered Bonds.

See "*Cover Matching Principles*" below.

Covered Bond Swaps:	<p>The Issuer may, from time to time, enter into derivative transactions with various swap providers to hedge the following risks:</p> <ul style="list-style-type: none"> (a) Currency risk: the risk of fluctuations in relation to the exchange rate between: (i) amounts received by the Issuer in Turkish Lira (TL) in respect of the underlying mortgage loans; and (ii) the applicable currency of a series of Covered Bonds; and/or (b) Interest rate risk: the risk that the contractual interest rate on the underlying mortgage loans does not match that required by the Issuer in order to meet its funding obligations under the Covered Bonds.
Offshore Account(s):	<p>Prior to the first issuance of a Series of Covered Bonds denominated in a currency other than Turkish Lira under the Programme, the Issuer will enter into one or more bank account agreements with a third party bank account provider (the Bank Account Agreement). The offshore accounts, located outside Turkey (the Offshore Accounts) will either be in the name of the Issuer or such third party bank account provider, in each case, subject to prior confirmation from the Issuer or the Rating Agency that the entry into of such Bank Account Agreement(s) and/or opening of one or more Offshore Accounts will not result in any adverse effect on the then current rating of any outstanding Covered Bonds. Where the Offshore Account is not opened in the name of a third party account bank provider or custodian, security will be granted over the Offshore Account in accordance with the terms of a deed of charge in favour of the security trustee. Where the account is opened in the name of a third party bank account provider or custodian, amounts credited in such account will be used to pay amounts to the Covered Bondholders and Covered Bond Swap Providers.</p> <p>In the event that the relevant account bank with whom the Offshore Account(s) are held ceases to be an Eligible Institution, the Issuer will be obliged to transfer the Offshore Account(s), or direct that such Offshore Account(s) be transferred, to a credit institution with the appropriate minimum ratings.</p> <p>Eligible Institution means any bank whose unsecured, unsubordinated and unguaranteed debt obligations would not have an adverse effect on the then current ratings of the Covered Bonds then outstanding.</p>
Security Trustee:	<p>If applicable, a security trustee may be appointed to act as security trustee to hold the benefit of all security granted by the Issuer (on trust for, <i>inter alia</i>, the Covered Bondholders and the Covered Bond Swap Provider(s)) under a deed of charge.</p>

Modification and Consent of Covered Bondholders: The Fiscal Agent and the Issuer may agree, without the consent of the Covered Bondholders or Couponholders, to any modification of any of the Conditions or any 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 Covered Bondholders. In addition, provided that any arrangements would not have an adverse effect on the then current rating of the Covered Bonds then outstanding, the consent of Covered Bondholders will not be obtained prior to the Issuer opening the Offshore Account(s) pursuant to the Bank Account Agreement(s) and granting security pursuant to a deed of charge.

Information relating to the Covered Bond Programme:

Description: Under the terms of the Programme, the Issuer will issue Covered Bonds to the Covered Bondholders on each Issue Date.

Arrangers: Barclays Bank PLC
HSBC Bank plc
Natixis
or such other Arrangers as may be appointed from time to time pursuant to the Programme Agreement. Pursuant to the terms of the Programme Agreement, the Issuer may terminate the appointment of any Arranger or appoint additional Arrangers for the duration of the Programme.

Dealers: Barclays Bank PLC
HSBC Bank plc
HSBC France
Natixis
Société Générale
UniCredit Bank AG
or such other Dealers as may be appointed from time to time pursuant to the Programme Agreement. Pursuant to the terms of the Programme Agreement, the Issuer may terminate the appointment of any Dealer or appoint further Dealers for a particular Series of Covered Bonds.

Certain Restrictions:	<p>Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “<i>Subscription and Sale</i>”).</p> <p>Covered Bonds having a maturity of less than one year</p> <p>Covered Bonds having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (FSMA) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “<i>Subscription and Sale</i>”.</p>
Fiscal Agent, and Exchange Agent:	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent:	The Bank of New York Mellon (Luxembourg) S.A.
Listing Agent:	The Bank of New York Mellon SA/NV
Cover Monitor:	<p>KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik has been appointed as cover monitor (the Cover Monitor) pursuant to the Cover Monitor Agreement and under the terms of such agreement will act in accordance with the provisions of the Turkish Covered Bond Legislation, including, but not limited to, monitoring the ongoing compliance by the Issuer with the statutory tests under the Turkish Covered Bond Legislation (the Cover Matching Principles), as further described below.</p>
Cover Register:	<p>A register registering the cover assets (the Cover Register) and setting out certain information on the cover assets must be established and maintained in accordance with the Turkish Covered Bond Legislation.</p>
Ongoing Compliance/Reporting:	<p>The Issuer will monitor its compliance with the Cover Matching Principles at least once a month and, additionally, as and when any amendment is made to the Cover Register. The Cover Monitor will check the Issuer’s compliance with the Cover Matching Principles at least every six months and will notify the Issuer of the result of its checks no later than 20 business days following the relevant calculation period — see “<i>Summary of Turkish Legislation relating to Covered Bonds</i>”.</p>
Size:	<p>Up to €1,000,000,000 (or its equivalent in other currencies outstanding at any time.</p> <p>For the purpose of calculating the Euro equivalent of the aggregate principal amount of Covered Bonds issued under</p>

	<p>this Programme from time to time, the Euro equivalent of Covered Bonds denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the relevant Covered Bonds, described under “<i>Form of the Covered Bonds</i>”) shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Covered Bonds or on the preceding day on which commercial banks and foreign exchange markets are open for general business in London, in each case on the basis of the spot rate for the sale of Euros against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation.</p> <p>The Issuer may increase the amount of the Covered Bond Programme in accordance with the terms of the Programme Agreement subject to approval by the CMB and the BRSA.</p>
Distribution:	Covered Bonds may be distributed by way of private or (other than in the United States) public placement and, in each case, on a syndicated or non-syndicated basis.
Currencies:	<p>Covered Bonds may be denominated and payments in respect of the Covered Bonds may be made in Euro, U.S. dollars, Turkish Lira and, subject to any applicable legal or regulatory restrictions and any applicable reporting requirements, any other currency agreed between the Issuer and the relevant Dealer(s) as specified in the applicable Final Terms (each, a Specified Currency).</p> <p>If specified in the applicable Final Terms, payment in respect of Covered Bonds denominated in Turkish Lira may be made in U.S. Dollars under Condition 5.8 of the “<i>Terms and Conditions of the Covered Bonds</i>” if an irrevocable election to receive such payment in U.S. Dollars is made. See “<i>Terms and Conditions of the Covered Bonds— Condition 5.8</i>”.</p>
Issue Price:	Covered Bonds may be issued on a fully paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Covered Bonds:	<p>The Covered Bonds will be issued in bearer form or registered form, as described in “<i>Form of the Covered Bonds</i>”. Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and vice versa.</p> <p>Each Tranche of Covered Bonds issued in bearer form will be initially issued in the form of a temporary global covered bond, which will be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg.</p> <p>Each Tranche of Covered Bonds issued in registered form will be represented by either: (i) a Rule 144A Global Covered</p>

	<p>Bond, deposited with a custodian for DTC, and registered in the name of Cede & Co., a nominee of DTC; or (ii) a Regulation S Global Covered Bond, deposited with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of a common nominee of Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms.</p> <p>All amounts payable to DTC or its nominee as registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be: (i) paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency; or (ii) converted into U.S. dollars for payment through DTC, in each case in accordance with the provisions of the Agency Agreement.</p> <p>The Programme will have the flexibility to allow the Issuer to issue multiple Series of Covered Bonds, in each case, outside of Turkey.</p>
Clearing Systems:	DTC, Euroclear, Clearstream, Luxembourg, and/or, in relation to any Tranche of Covered Bonds, any other clearing system as may be specified in the applicable Final Terms.
Fixed Rate Covered Bonds:	Covered Bonds may provide for interest based on a fixed rate basis (Fixed Rate Covered Bonds). Interest will be payable on Fixed Rate Covered Bonds on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms), and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as specified in the applicable Final Terms).
Floating Rate Covered Bonds:	<p>Covered Bonds may provide for interest based on a floating rate (Floating Rate Covered Bonds). Floating Rate Covered Bonds will bear interest at a rate determined:</p> <ul style="list-style-type: none"> (a) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds of the relevant Series), as specified in the applicable Final Terms; or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service. <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s), and specified in the applicable Final Terms for each Series of</p>

	<p>Floating Rate Covered Bonds.</p> <p>Floating Rate Covered Bonds may also have a maximum interest rate, a minimum interest rate, or both (as indicated in the applicable Final Terms).</p> <p>Interest on Floating Rate Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms.</p>
Zero Coupon Covered Bonds:	<p>Covered Bonds may provide that no interest is payable (Zero Coupon Covered Bonds). Zero Coupon Covered Bonds will be offered and sold at a discount to their nominal amount and will not bear interest.</p>
Redemption:	<p>The applicable Final Terms will indicate the scheduled maturity date of such Covered Bonds (the Maturity Date) and will also indicate either that the Covered Bonds cannot be redeemed prior to their Maturity Date (other than for taxation reasons and illegality) or that such Covered Bonds will be redeemable at the option of the Issuer (Issuer Call), upon giving notice to the Covered Bondholders, on a date or dates specified in the applicable Final Terms prior to the Maturity Date and at a price or prices and on such terms as are indicated in the applicable Final Terms.</p>
Extended Maturity Date:	<p>The maturity of the Covered Bonds shall be specified in the applicable Final Terms. The applicable Final Terms will specify if an extended maturity date applies to a relevant Series of Covered Bonds (the Extended Maturity Date).</p> <p>In respect of Covered Bonds to which an Extended Maturity Date so applies, if the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date, the maturity of the principal amount outstanding of the Covered Bonds not redeemed will automatically extend to, but not later than, the Extended Maturity Date. In that event, the Issuer (or the institution appointed by the CMB, as the case may be) may (including with the use of the cash generated by the Cover Pool) redeem all or any part of the principal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date, as specified in the applicable Final Terms.</p> <p>As regards interest on Covered Bonds to which an Extended Maturity Date so applies, if the Issuer fails to redeem the relevant Covered Bonds in full on the Maturity Date, the Covered Bonds will bear interest on the principal amount outstanding of the Covered Bonds from (and including) the Maturity Date to (but excluding) the earlier of the Interest</p>

Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full or the Extended Maturity Date, and will be payable in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date in arrears or as otherwise provided for in the applicable Final Terms on each Interest Payment Date after the Maturity Date at the rate provided for in the applicable Final Terms.

In the case of a Series of Covered Bonds to which an Extended Maturity Date so applies, those Covered Bonds may, for the purposes of the Programme, be:

- (a) Fixed Rate Covered Bonds, Floating Rate Covered Bonds or Zero Coupon Covered Bonds in respect of the period from the Issue Date to (and including) the Maturity Date; and
- (b) Fixed Rate Covered Bonds or Floating Rate Covered Bonds, in respect of the period from (but excluding) the Maturity Date to (and including) the Extended Maturity Date, as specified in the applicable Final Terms.

In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date and for which an Extended Maturity Date is applicable, as specified in the applicable Final Terms, the principal amount outstanding on the Maturity Date for the above purposes shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with the Terms and Conditions of the Covered Bonds.

Denomination of Covered Bonds:

Covered Bonds will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms save that the minimum denomination of each Covered Bond admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive will be issued at a minimum of €100,000 and integral multiples of €1,000 thereafter (or, if the Covered Bonds are denominated in a currency other than Euro, the equivalent amount in such currency at the time of issue) or such other amount as may be allowed or required from time to time by the relevant regulatory authority or any laws or regulations applicable to the relevant Specified Currency.

Taxation:

All payments in respect of the Covered Bonds and Coupons by or on behalf of the Issuer will be made without deduction for, or on account of, any present or future duties, assessments, withholding taxes or governmental charges of whatever nature imposed or levied by or on behalf of Turkey, unless the withholding or deduction is required by law. In the

	<p>event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in the Terms and conditions of the Covered Bonds, be required to pay additional amounts to cover the amounts so deducted. See “<i>Taxation—Certain Turkish Tax Considerations</i>” and “<i>Terms and Conditions of the Covered Bonds—Condition 7</i>”.</p> <p>All payments made or collected through an EU Member State which has opted for a withholding system in implementing EC Council Directive 2003/48/EC on the taxation of savings income will be made subject to any such withholding and, in accordance with Condition 7.1 of the “<i>Terms and Conditions of the Covered Bonds</i>”, no additional amount will be payable by the Issuer, any Paying Agent, or any other person, in respect of any such withholding. If such a withholding tax is imposed on a payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.</p>
Negative Pledge:	The Covered Bonds will contain no negative pledge provision.
Certain Covenants:	The Issuer will agree to certain covenants, including covenants limiting transactions with affiliates and a covenant to comply with the Overcollateralisation Ratio Covenant, as described above under “ <i>Overcollateralisation</i> ”.
Issuer Events:	<p>Prior to or concurrent with the occurrence of an Event of Default (as defined below) if any of the following events (each, an Issuer Event) occurs, then no further Covered Bonds will be issued by the Issuer:</p> <ul style="list-style-type: none"> (a) default is made in the payment of any principal due in respect of the Covered Bonds or any of them on the Maturity Date and the default continues for a period of seven days; or (b) default is made by the Issuer in the payment of any interest due in respect of the Covered Bonds or any of them and the default continues for a period of 14 days; or (c) the Issuer fails to perform or observe (i) any of its other obligations (including, for the avoidance of doubt, undertakings, covenants and/or representations and warranties) under the Terms and Conditions of the Covered Bonds or (ii) any of its material obligations under any other Agreement to which the Issuer is a party and in each case (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 14 days following the service by any Covered Bondholder on the Issuer of notice requiring the same

to be remedied; or

- (d) (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment, subject to any applicable grace period; (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) a default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, subject to any applicable grace period; provided that the aggregate principal amount of such: (A) Indebtedness for Borrowed Money of the Issuer or such Material Subsidiary in the case of subparagraphs (i), (ii) and/or (iii) above, and/or (B) Indebtedness for Borrowed Money in relation to which such guarantee and/or indemnity of the Issuer or such Material Subsidiary has been given in the case of subparagraph (iv) above, exceeds U.S.\$75,000,000 (or its equivalent in other currencies); or
- (e) the Issuer is in breach of any of the Cover Matching Principles; or
- (f) (i) any order is made by any competent court or resolution is passed for the winding-up or dissolution of the Issuer or any of its Material Subsidiaries; or
- (ii) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved by an Extraordinary Resolution of Covered Bondholders, or the Issuer or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found by a competent authority to be bankrupt or insolvent; or
- (iii) the Issuer or any of its Material Subsidiaries commences negotiations with one or more of its creditors with a view to the general

readjustment or rescheduling of all or a substantial part of its indebtedness; or

- (iv) the Issuer or any of its Material Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) (in each case, save for those that are conducted while solvent upon terms approved by an Extraordinary Resolution of Covered Bondholders) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors)

save for, in each case in sub-paragraphs (i) to (iv) above, the solvent voluntary winding-up, dissolution or re-organisation of any Material Subsidiary in connection with any combination with, or the transfer of all or substantially all of its business and/or assets of any Material Subsidiary to, the Issuer or another Subsidiary of the Issuer; or

- (g) the banking licence of the Issuer is revoked or the management and control of the Issuer is transferred to the SDIF under the provisions of Banking Law

then the Issuer is not permitted to issue any further Covered Bonds under the Programme, until such event is cured (if it is possible to be cured).

For the avoidance of doubt, an Issuer Event will be deemed to have occurred when the Issuer fails to pay the principal amount outstanding of the Covered Bonds of any Series on the Maturity Date (subject to the applicable grace periods) where the relevant Series of Covered Bonds is subject to an Extended Maturity Date. This will not however constitute an Event of Default unless the Issuer fails to pay on any applicable Extended Maturity Date.

Events of Default:

If any of the following events (an **Event of Default**) occurs or is existing in respect of any series, then the holder of any Covered Bondholder may give notice to the Issuer that such Covered Bond is, and it shall forthwith become immediately due and payable:

- (a) where an Extended Maturity Date is applicable to a Series of Covered Bonds, as specified in the applicable Final Terms, default is made by the Issuer in the payment of any principal on the Extended Maturity Date and the default continues for a period

	<p>of seven days;</p> <p>(b) where an Extended Maturity Date is not applicable to a Series of Covered Bonds, as specified in the applicable Final Terms, default is made by the Issuer in the payment of any principal on the Maturity Date and the default continues for a period of seven days; or</p> <p>(c) default is made by the Issuer in the payment of any interest due in respect of the Covered Bonds or any of them and the default continues for a period of 14 days.</p>
Administrator:	<p>If any of the following events occurs, the CMB may appoint an administrator:</p> <p>(a) the banking licence of the Issuer revoked;</p> <p>(b) the management and control of the Issuer is transferred to the SDIF; or</p> <p>(c) the Issuer becomes bankrupt.</p> <p>The administrator would manage the Cover Pool and make payments to the discharge Total Liabilities to the extent cash income generated from the Cover Pool is sufficient.</p> <p>The administrator may transfer the Cover Assets and Total Liabilities to a different bank or mortgage finance institution (the New Issuer) with the consent of the CMB.</p> <p>The administrator will continue to manage the Cover Pool if no New Issuer is available. If the income generated from the cover assets in Cover Pool is not sufficient to discharge the Total Liabilities, the administrator may determine that it would be in the best interest of Covered Bondholders to redeem the Covered Bonds early. Following to the CMB's approval, the administrator may implement the early redemption of the Covered Bonds and accordingly dispose of the cover assets in the Cover Pool and redeem the Covered Bonds.</p>
Cover Pool:	<p>The following cover assets (Cover Assets) shall comprise the Cover Pool, subject to satisfying certain Cover Matching Principles as described below:</p> <p>(a) receivables of banks and financing companies (<i>finansman şirketleri</i>) arising from Housing Finance (Housing Finance Loans);</p> <p>(b) Substitute Assets; and</p> <p>(c) other assets specified by the CMB.</p>

Under the Turkish Covered Bond Legislation, Housing Finance Loans fall under the category of ‘Ordinary Cover Assets’ being Housing Finance Loans (i) secured by mortgages registered with the relevant land registry; or (ii) not secured by a mortgage but are secured by any other eligible security which the CMB deems appropriate. Under Turkish law, a mortgage over property can only be established if the property is fully constructed and duly registered with the land registry. However, pursuant to (ii) above, issuers will be able to include Housing Finance Loans in the Cover Pool even if the financed property is at the project stage and, therefore, are secured by such other eligible security rather than a mortgage. The CMB, however, has not yet published any guidance or taken any legislative action in relation to such eligible security interests, so guidance from the CMB would need to be sought prior to inclusion of such loans in the Cover Pool.

To the extent included in the Cover Pool, Housing Finance Receivables, Commercial Receivables and certain other assets specified by the CMB need to satisfy the following statutory eligibility criteria in order that they can be included in the Cover Pool:

- (A) the relevant loan must be classified as a Group I loan by the issuer in accordance with the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside (published in the Official Gazette dated 1 November 2006 and numbered 26333).
- (B) as of the date of registration in the Cover Register, no special loss provisioning has been made in respect of the relevant loan in accordance with the Regulation on Accounting Practices and Financial Statements of Finance Lease, Factoring and Financing Corporations (published in the Official Gazette dated 24 December 2013 and numbered 28861);
- (C) the mortgaged property securing the loans must be (i) located within the borders of the Republic of Turkey; and (ii) insured in accordance with the legal requirements of the mortgaged property so long as the

relevant Cover Asset remains registered in the Cover Register;

(D) the market value of the mortgaged property must have been determined by a valuation firm approved by the BRSA or the CMB during either the utilisation of the loan or the creation of the receivable; and

(E) in respect of ship finance, aircraft finance or motor vehicle finance related commercial loans, the hull and machinery insurance (*tekne ve makine sigortası*) must be obtained for vessels, the airframe insurance (*gövde sigortası*) must be obtained for aircrafts, and comprehensive insurance (*kasko sigortası*) must be obtained for motor vehicles. The relevant insurance coverage must be maintained by the borrower so long as the relevant cover asset remains registered in the Cover Register.

(ii) Substitute Assets (in Turkish, *ikame varlıklar*) consist of: (i) cash including those generated from the Cover Assets; (ii) short-term debt instruments issued by the Central Bank of The Republic of Turkey (**CBRT**) (*likidite senetleri*) (iii) the Undersecretariat of the Treasury (the **Treasury**)'s domestic and foreign debt instruments; (iv) lease certificates (*sukuk*) issued by asset lease companies established by the Treasury; (v) securities backed by Treasury guarantee falling within the scope of Law No: 4749 on Regulation of Public Finance and Debt Management; (vi) securities issued or guaranteed by governments or central banks of OECD member states; and (vii) other assets approved and disclosed to the public by the CMB ((i) to (viii) together, the **Substitute Assets**)

(iii) Derivatives (in Turkish, *türev araç*) consist of swaps, futures, forwards and options providing protection to the issuer against interest rate risks and currency risks associated with the Covered Bonds. Derivative contracts need to satisfy the following statutory eligibility criteria in order

to be eligible for inclusion in the Cover Pool:

- (A) the derivatives must be traded on an exchange or the derivative counterparty must be a bank, credit institution, insurance company or a central clearing agency and, further, be duly authorised by the competent authority in its home jurisdiction. Furthermore, the counterparty must be assigned, as at the date of the derivatives contract, an investment grade, long-term international credit rating by the credit rating agencies. If the counterparty is located in Turkey, its national credit rating will be taken into account in determining its eligibility. Irrespective of the country of origin, if the credit rating of the counterparty corresponds to the lowest notch within the investment grade scale of the relevant credit rating agency, then it must have been assigned a stable outlook.

If the relevant issuer is rated by more than one credit rating agency, the second highest credit rating must be taken into account for determining the credit rating of the relevant issuer.

- (B) the derivative contract cannot be terminated unilaterally by the counterparty, even in the event of the issuer's bankruptcy, until the Covered Bonds are fully redeemed;
- (C) the counterparty must consent to the registration of the derivative contract in the Cover Register; and
- (D) netting of derivative contracts registered with the Cover Register must be done separately from the netting of other derivative contracts between the issuer and the same counterparty which are not registered in the Cover Register.

Furthermore, the derivative contracts must (i) be executed on an arm's length basis; (ii) entered into on the basis of a fair consideration (determined on the basis of (a) and

(b) below); and(iii) be valued in accordance with reliable and verifiable methods taking into account the following principles:

- I. the valuation must not be based on the price quotations obtained from the counterparty only;
- II. the relevant derivative contract must either have a reliable and up-to-date market value, or in the absence of a reliable and up-to-date market value, its valuation must be based on an adequate and generally accepted pricing model; and
- III. provided that the verification of the valuation can be controlled by the issuer or the Cover Monitor on a frequent basis, the verification of the valuation must be made by an independent third party other than the counterparty or alternatively an internal unit of the issuer possessing the knowledge and infrastructure required to perform such task, which must be independent from the relevant units responsible for the management of the Cover Assets.

Cover Matching Principles:

The Issuer is required to maintain its Cover Pool in accordance with the following statutory requirements and tests, as follows:

- (a) **Nominal Value Matching (*nominal deger uyumu*)**
Test: the nominal value of the Cover Pool must not be less than nominal value of the Covered Bonds. The nominal value calculation is based on the sum of (i) the outstanding principal amounts of loans; (ii) the issue price of discounted debt securities; (iii) the nominal value of debt securities issued at a premium; and (iv) the mark-to-market value of the derivative contracts. For the avoidance of doubt, the contractual value of derivative contracts is not taken into account in this calculation.

- (b) **Cash Flow Matching (*nakit akımı uyumu*) Test:** The total interest, revenue or similar income expected to be generated from the assets included in the Cover Pool within one year following the calculation date must not be less than the similar payments expected to become due under the Covered Bonds during the same period.
- (c) **Net Present Value Matching (*net bugünkü değer uyumu*) Test:** The net present value of the Cover Pool must exceed the net present value of the Total Liabilities at a rate determined by the issuer at the outset which cannot be less than 2%. The net present value of the Cover Pool must be calculated taking into account the expected cash flows, predicted prepayment rates and predicted prepayment fees, if applicable. The calculation of net present values must be based on the accounting principles for financial instruments under the Turkish Accounting Standards, which are substantially similar to IFRS. The issuer or the servicer, as the case may be, shall inform the CMB and the Cover Monitor on the methods employed in calculating the prepayment rates. The Communiqué on Covered Bonds provides that the CMB may introduce different methods for the calculation of net present value.
- (d) **Stress Tests:** The sensitivity of net present value matching to potential changes in interest rates and exchange rates is measured by certain stress tests. The issuer shall perform stress tests, at least once a month and must maintain the overcollateralisation ratio determined by the Issuer at the outset which cannot be less than 2% in each of the stress test scenarios set out below.
- (i) In stress tests, expected cash flows from loans and receivables are discounted by using yield curves obtained from the relevant type of foreign currency swap rates. If there is no swap rate compatible with the maturity of a loan or receivable, interest rates are derived from using maturities having known interest rates coming prior to and after that maturity. The known interest rate of the latest maturity of loans and receivables will apply to loans and receivables with a longer maturity date that do not have a determinable interest rate.
- (ii) Expected cash flows are calculated taking into account the predicted prepayment rates and prepayment fees. Prepayment rates are calculated by using (i) the difference between

the interest rates of each loan and receivable and the market interest rate compatible with the maturity of such loan and receivable; and (ii) the relevant prepayment statistics of the similar assets for earlier periods. For calculation purposes, the interest rate of a floating rate loan or receivable, as of the calculation date, is assumed to be fixed throughout the life of such loan or receivable.

- (iii) To assess the impact of interest rate changes, the yield curves obtained from swap rates are shifted upwards and downwards in a parallel manner. This is achieved through reducing and increasing the relevant interest rates applicable for each maturity by 300 basis points for Turkish Lira interest rates and 150 basis points for foreign currency interest rates (the interest rate is deemed zero if the interest rates become negative after the shift).
- (iv) To assess the impact of currency changes upon the cash flows in foreign currencies, the benchmark currency buy rates announced by the CBRT are increased or decreased by 30%.
- (e) The following Cover Assets shall not be taken into account in calculations in respect of the Cover Matching Principles:
 - (i) any Housing Finance Receivables and Commercial Receivables which do not meet their statutory eligibility criteria;
 - (ii) the portion of each of the Housing Finance Receivables exceeding 75% of the value of the security collateral;
 - (iii) the portion of each of the Commercial Receivables exceeding 50% of the value of the security collateral;
 - (iv) the net present value of Commercial Receivables other than the loans and receivables arising from ship finance and aircraft finance transactions that are secured by mortgage which exceeds 15% of the total net present value of the Cover Assets; and,
 - (v) the net present value of Substitute Assets which exceeds 15% of the total net present value of the Cover Assets.

Approval, Listing and Admission to Application has been made to the Irish Stock Exchange for

Trading:	<p>Covered Bonds issued under the Programme during the period of 12 months from the date of the base prospectus to be admitted to its Official List and to trading on the Main Securities Market.</p> <p>The Covered Bonds issued under this Programme may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer(s) in relation to each Series. Covered Bonds which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Final Terms will state whether or not the relevant Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p> <p>This Base Prospectus and any supplement to this Base Prospectus will only be valid for listing Covered Bonds on the Irish Stock Exchange, or any other stock exchange in the European Economic Area, in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Covered Bonds previously or simultaneously issued under the Programme, does not exceed € 1,000,000,000 or its equivalent in other currencies.</p>
Governing Law:	<p>The Covered Bonds and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, English law, except that the provisions of the Covered Bonds under Condition 2 (“<i>Status of the Covered Bonds</i>”) shall be governed by, and construed in accordance with, Turkish law. The Covered Bonds and the Cover Pool will be subject to, and will benefit from the provisions of the Turkish Covered Bond Legislation, including the statutory Cover Matching Principles, and ring fencing of the Cover Pool. In addition Turkish bankruptcy laws and the Turkish banking insolvency legislation will apply to the Covered Bonds and the Cover Pool in the case of insolvency proceedings against the Issuer.</p>
Selling Restrictions:	<p>There are selling restrictions on the offer, sale and transfer of the Covered Bonds in the United States, France, Japan, the United Kingdom, Turkey and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Covered Bonds. See “<i>Subscription and Sale</i>”.</p>
United States Selling Restrictions:	<p>For United States securities law only, the Issuer is a Category 2 Issuer under Regulation S. Bearer Covered Bonds will be issued in compliance with (a) U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (the D Rules), or (b) U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (the C Rules), unless the Bearer Covered Bonds are issued in circumstances in which the Bearer Covered Bonds will not constitute “registration-required obligations” for U.S. federal income tax purposes,</p>

which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Presentation of Financial Information

The Issuer maintains its books of accounts and prepares its statutory financial statements in accordance with the prevailing accounting principles and standards set out as per Articles 37 and 38 of the Banking Law, the Turkish Commercial Code and Turkish tax legislation and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting and pronouncements made by the BRSA (collectively, the **BRSA Principles**). The Issuer's foreign affiliates maintain their books of account and prepare their financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries in which they operate.

The Issuer's audited consolidated statutory financial statements and related notes thereto for the financial year ended 31 December 2013 (the **Akbank 2013 BRSA Annual Financial Statements**), the Issuer's audited consolidated statutory financial statements and related notes thereto for the financial year ended 31 December 2012 (the **Akbank 2012 BRSA Annual Financial Statements**), the Issuer's audited consolidated statutory financial statements and related notes thereto for financial year ended 31 December 2011 (the **Akbank 2011 BRSA Annual Financial Statements**) and, together with the Akbank 2013 BRSA Annual Financial Statements and the Akbank 2012 BRSA Annual Financial Statements, the **Akbank BRSA Annual Financial Statements**, the Issuer's unaudited consolidated statutory financial statements and related notes thereto for the six month period ended 30 June 2014 (including comparative data for the six month period ended 30 June 2013) (the **Akbank BRSA Unaudited Interim Financial Statements** and, together with the Akbank BRSA Annual Financial Statements, the **Akbank BRSA Financial Statements**) and the Issuer's unaudited unconsolidated financial statements for the six month period ended 30 June 2014 have been prepared and presented in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006 by the BRSA, which refers to "Turkish Accounting Standards" and "Turkish Financial Reporting Standards" issued by the Public Oversight Accounting and Auditing Standards Authority and other decrees, notes and explanations related to the accounting and financial reporting principles(all **Turkish Accounting Standards**) published by the BRSA.

The Akbank BRSA Financial Statements are prepared on the historical cost basis except for financial assets and liabilities held for trading, available-for-sale assets, derivative financial instruments, equity participations quoted at the stock exchanges and assets held for resale, which are presented on a fair value basis if reliable measures are available. The Akbank BRSA Financial Statements are also prepared on a consolidated basis with its financial affiliates.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (**EY**), a member of Ernst & Young Global Limited audited in accordance with International Standards on Auditing:

- the Akbank 2013 BRSA Annual Financial Statements and issued an audit report in respect thereof on 5 February 2014;
- the Akbank 2012 BRSA Annual Financial Statements and issued an audit report in respect thereof on 7 February 2013; and
- the Akbank 2011 BRSA Annual Financial Statements and issued an audit report in respect thereof on 10 February 2012.

EY reviewed in accordance with International Standards on Review Engagements No. 2410 “Review of Interim Financial Information Performed by the Independent Auditor of an Entity” the Akbank BRSA Unaudited Interim Financial Statements and issued a review report in respect thereof on 23 July 2014 and 23 October 2014, respectively.

Unless otherwise indicated, the financial information with respect to the Issuer presented herein is based upon the Akbank BRSA Financial Statements incorporated by reference herein and have been extracted from the Akbank BRSA Financial Statements without material adjustment. The financial information presented herein as to the Issuer’s results of operation for the year ended 31 December 2011 is based upon the Akbank 2012 BRSA Annual Financial Statements. The Akbank BRSA Financial Statements incorporated by reference into this Base Prospectus, all of which are in English, were prepared as convenience translations of the Akbank BRSA Financial Statements originally issued in the Turkish language (which translations the Issuer confirms are direct and accurate).

The Akbank BRSA Annual Financial Statements, together with the respective notes thereto, and the Akbank BRSA Unaudited Interim Financial Statements, with the respective notes thereto, are incorporated by reference into this Base Prospectus. See “*Documents Incorporated by Reference*”.

BRSA Principles and IFRS

BRSA Principles differ from IFRS. As an example, the provisioning policy used in the preparation of IFRS financial statements differs from that used under BRSA Principles. For example, under BRSA Principles, provisioning is based on the length of the period of default whereas under IFRS, provisioning is based on an evaluation made by management. For a discussion of the differences between BRSA Principles and IFRS, see “*Appendix I—Overview of Significant Differences between IFRS and BRSA Accounting Principles*”.

Rounding

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

Currency Presentation and Exchange Rate Information

Unless otherwise indicated, references to **TL** with respect to the Akbank BRSA Financial Statement, are references to the Turkish currency rounded to the nearest thousand. Unless otherwise indicated, references to **U.S.\$, \$, U.S. Dollars** or **Dollars** in this Base Prospectus are to United States Dollars rounded to the nearest million. Unless otherwise indicated, references to **EUR, Euro** and **€** are to the single currency of the participating member states of the European Union that was adopted pursuant to the Treaty of Rome of 27 March 1957, as amended by the Single European Act 1986 and the Treaty on European Union of 7 February 1992, as amended. Unless otherwise indicated references to **Sterling** or **£** are to pounds sterling.

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

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed thereto in “*Terms and Conditions of the Covered Bonds*” or any other section of this Base Prospectus.

In this Base Prospectus and except where the context otherwise requires, references to **Akbank** or the **Akbank Group** are to Akbank T.A.Ş., either alone or together with its consolidated subsidiaries, as the context requires.

In this Base Prospectus, any reference to Euroclear, Clearstream, Luxembourg, and/or DTC (each as defined under “*Form of the Covered Bonds*”) shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Fiscal Agent.

All of the information contained in this Base Prospectus concerning the Turkish market and the Issuer’s competitors has been obtained (and extracted without material adjustment) from publicly available information. Where third-party information has been used in this Base Prospectus, the source of such information has been identified. The Issuer confirms that all such information has been accurately reproduced and, so far as it is aware and is able to ascertain from the relevant published information, no facts have been omitted that would render the reproduction of this information inaccurate or misleading. Without prejudice to the generality of the foregoing statement, third-party information in this Base Prospectus, while believed to be reliable, has not been independently verified by the Issuer or any other party.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law. In particular, but without limitation, the titles of Turkish legislation and the names of Turkish institutions referenced herein have been translated from Turkish into English. The translation of these titles and names are direct and accurate.

The Issuer has derived substantially all of the information contained in this Base Prospectus concerning the Turkish market and its competitors, which may include estimates or approximations, from publicly available information, including press releases and filings made under various securities laws. Unless otherwise indicated, all data relating to the Turkish banking sector in this Base Prospectus has been obtained from the BRSA’s website at www.bddk.org.tr and The Banks Association of Turkey’s website at www.tbb.org.tr; and all data relating to the Turkish economy, including statistical data, has been obtained from the website of the Turkish Statistical Institute (*Türkiye İstatistik Kurumu*) (**Turkstat**) at www.turkstat.gov.tr, the Central Bank of Turkey (**Central Bank**) website at www.tcmb.gov.tr and the Turkish Treasury’s website at www.hazine.gov.tr. Data has been downloaded/observed on various days between the months of June 2014 and August 2014 and may be the result of calculations made by the Issuer and therefore may not appear in the exact same form on such websites or elsewhere. Such websites do not form a part of, and are not incorporated into, this Base Prospectus. Unless otherwise indicated, the sources for statements and data concerning the Issuer and its business are based on best estimates and assumptions of the Issuer’s management. Management believes that these assumptions are reasonable and that its estimates have been prepared with due care. The data concerning the Issuer included herein, whether based on external sources or based on the Issuer’s management internal research, constitute the best current estimates of the information described.

In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Where information has been sourced from a third party, such publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed.

Information regarding the Issuer’s shareholders (including ownership levels and agreements) in “*Overview of Akbank and the Programme*”, “*Information about the Issuer — Business*” and “*Information about the Issuer — Ownership and the Sabancı Group*” has been based upon public filings and announcements by such shareholders.

FORWARD-LOOKING STATEMENTS

This Base Prospectus contains statements that may be considered to be “forward-looking statements” as that term is defined in the U.S. Private Securities Litigation Act of 1995. Forward-looking statements appear in a number of places throughout this Base Prospectus, including, without limitation, under “*Risk Factors*”, “*Use of Proceeds*”, “*Information about the Issuer*” and elsewhere in this Base Prospectus, and include, but are not limited to, statements regarding:

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

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

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

The Issuer has identified some of the risks inherent in forward-looking statements under “*Risk Factors*” in this Base Prospectus. Other important factors that could cause actual results to differ materially from those expressed in forward-looking statements include, among others:

- changes in the Turkish economy;
- changes in the banking and financial markets in Turkey;
- changes in applicable laws and regulations, including taxes, or accounting standards or practices;
- the monetary, interest rate and other policies of central banks in Turkey, the European Union, the United States and elsewhere;
- changes or volatility in interest rates, foreign exchange rates, asset prices, equity markets, commodity prices, inflation or deflation;
- the effects of competition in the markets in which the Issuer operates, which may be influenced by regulation or deregulation;
- changes in consumer spending, saving and borrowing habits in Turkey, including changes in government policies which may influence investment decisions;
- the Issuer’s ability to hedge certain risks economically;

- the Issuer's ability to manage any mismatches between the Issuer's interest-earning assets and the Issuer's interest-bearing liabilities;
- the Issuer's ability to manage operational risks and prevent security breaches;
- the Issuer's ability to grow the Issuer's loan portfolio at historical rates;
- the Issuer's ability to compete in the Issuer's business lines and increase or maintain market share;
- the Issuer's ability to control expenses;
- the timely development and acceptance of new products and services and the perceived overall value of these products and services by the Issuer's clients;
- the Issuer's ability to carry out acquisitions, disposals and any other strategic transactions;
- the Issuer's ability to manage liquidity risks and to access financial markets;
- the Issuer's success in managing the risks involved in the foregoing, which depends, among other things, on the Issuer's ability to anticipate events that cannot be captured by the statistical models the Issuer uses; and
- *force majeure* and other events beyond the Issuer's control.

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

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

INFORMATION ABOUT THE ISSUER

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 2013, 2012 and 2011 and for the years then ended has been derived from the audited Akbank BRSA Annual Financial Statements. Akbank's selected historical consolidated financial information as at 30 June 2014 and for the six months ended 30 June 2014 and 2013 has been derived from the unaudited Akbank BRSA Unaudited Interim 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 Annual Financial Statements and the Akbank BRSA Unaudited Interim 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*”, the Akbank BRSA Annual Financial Statements and the Akbank BRSA Unaudited Interim Financial Statements.

Balance Sheet Data

	As at 30 June 2014 (unaudited)	As at 31 December		
		2013	2012 (TL thousands)	2011
ASSETS				
Cash and Balances with Central Bank.....	20,759,224	18,223,119	16,662,852	13,878,689
Financial Assets at Fair Value Through Profit or (Loss) (Net)	891,626	1,891,610	570,652	991,274
Banks	4,556,912	—	3,190,672	3,454,793
Money Markets	1,460,404	5,839,099	—	8,210
Available-for-Sale Financial Assets (Net)	37,437,330	33,164,982	42,621,552	38,968,285
Loans and Receivables	126,911,797	118,009,505	92,360,249	74,355,560
Factoring Receivables	—	—	—	—
Held-to-Maturity Securities (Net)	10,429,492	12,153,453	3,637,468	4,824,470
Investments in Associates (Net)	3,923	3,923	3,923	3,923
Subsidiaries (Net)	—	—	—	—
Joint Ventures (Net)	—	—	—	—
Financial Lease Receivables (Net)	3,349,438	3,217,516	2,007,885	1,414,805
Hedging Derivative Financial Assets	281,508	630,177	—	—
Property and Equipment (Net)	825,674	851,220	799,903	790,661
Intangible Assets (Net)	180,678	162,215	113,757	102,215
Investment Property (Net)	—	—	—	—
Tax Asset	86,600	75,005	5,103	116,608
Property and Equipment Held for Sale Purpose and Related to Discontinued Operations (Net)	157,235	34,699	15,048	3,686
Other Assets	1,470,938	1,225,740	1,489,270	993,953
Total assets	208,802,779	195,482,263	163,478,334	139,907,132
LIABILITIES				
Deposits	116,292,028	112,472,683	90,688,288	80,770,817
Trading Derivative Financial Liabilities	922,698	1,178,748	553,939	673,035
Borrowings	19,911,503	19,898,600	15,598,071	18,045,321
Money Markets	27,826,087	23,230,751	20,121,429	13,062,144
Securities Issued (Net)	10,561,946	8,727,842	6,614,443	4,503,804
Funds	—	—	—	—
Miscellaneous Payables	3,451,795	3,724,991	2,967,843	2,332,702
Other Liabilities	2,308,322	1,478,729	1,562,614	746,389
Factoring Payables	—	—	—	—
Financial Lease Payables (Net)	—	—	—	—
Hedging Derivative Financial Liabilities	55,368	63,810	658,845	219,851
Provisions	2,366,348	2,267,575	1,531,382	1,131,234
Tax Liability	637,350	303,555	705,712	290,456

	As at 30 June 2014 (unaudited)	As at 31 December		
		2013	2012	2011
			(TL thousands)	
Liabilities for Property And Equipment Held for Sale	—	—	—	—
Subordinated Loans	—	—	—	—
Shareholders' Equity	24,469,334	22,134,979	22,475,768	18,131,379
Total liabilities and shareholders' equity	208,802,779	195,482,263	163,478,334	139,907,132

Income Statement Data

	For the six months ended 30 June 2014	For the year ended 31 December		
		2013	2012	2011
			(TL thousands)	
INCOME AND EXPENSES ITEMS				
Interest Income.....	7,244,246	11,891,833	11,649,475	9,473,645
Interest Expense	3,797,124	5,510,286	6,291,675	5,321,916
Net Interest Income	3,447,122	6,381,547	5,357,800	4,151,729
Net Fees and Commissions Income	1,200,292	2,233,319	1,788,881	1,631,259
Dividend Income.....	1,381	4,970	730	3,596
Trading Income/(Loss) (Net).....	(156,047)	491,008	403,189	(112,355)
Other Operating Income.....	406,628	418,409	415,363	704,835
Total Operating Income	4,899,376	9,529,253	7,965,963	6,379,064
Provision for Loan Losses and Other Receivables	(1,021,408)	(1,936,548)	1,120,889	659,125
Other Operating Expenses	(1,828,368)	(3,528,724)	2,968,464	2,514,758
Net Operating Income/(Loss)	2,049,600	4,063,981	3,876,610	3,205,181
Excess Amount Recorded as Income After Merger, Income/(Loss) from Investments in Subsidiaries	—	—	—	—
Consolidated Based on Equity Method	—	—	—	—
Income/(Loss) on Net Monetary Position.....	—	—	—	—
Profit/Loss before Tax from Continued Operations	2,049,600	4,063,981	3,876,610	3,205,181
Tax Provision for Continued Operations	437,987	986,800	871,662	670,056
Current Year Profit/Loss from Continued Operations	1,611,613	3,077,181	3,004,948	2,535,125
Income from Discontinued Operations	—	—	—	—
Expenses for Discontinued Operations.....	—	—	—	—
Profit/Loss Before Tax from Discontinued Operations	—	—	—	—
Tax Provision for Discontinued Operations	—	—	—	—
Current Year Profit/Loss from Discontinued Operations	—	—	—	—
Net Income/(Loss).....	1,611,613	3,077,181	3,004,948	2,535,125
Income/(Loss) from the Group.....	1,611,610	3,077,171	3,004,910	2,536,375

Key Ratios

The following table sets out certain key ratios calculated with results derived from the Akbank BRSA Unaudited Interim Financial Statements and the Akbank BRSA Annual Financial Statements as at 30 June 2014, and as at 31 December 2013, 2012 and 2011, respectively. These ratios are not calculated on the basis of IFRS and are not IFRS measures of financial performance.

	As at and for the six months ended 2014	As at and for the year ended 31 December		
		2013	2012	2011
			(%)	
Return on average shareholders' equity excluding minority interest	14.0	14.0	15.1	14.3
Net interest margin ⁽¹⁾	3.5	3.7	3.7	3.3
Capital adequacy ratio ⁽²⁾	14.7	14.7	17.9	16.8
Cost to income ⁽³⁾	44.2	41.7	40.6	41.4

	As at and for the six months ended	As at and for the year ended 31 December		
	2014	2013	2012	2011
		(%)		
Free capital ratio ⁽⁴⁾	11.2	10.8	13.2	12.3
Non-performing loans to total cash loans ..	1.6	1.4	1.2	1.7
Cost to average total assets	1.8	1.9	2.0	1.9
Cost of Risk	0.8	0.8	0.5	0.2
Fees to Cost	65.6	63.3	60.3	64.9
Tier I Ratio.....	13.6	14.5	16.3	16.2
Loan-to-deposit ratio.....	109.1	104.9	101.8	92.1
NPL coverage ratio	92.5	94.5	91.7	92.6

Notes:

- (1) Net interest income divided by average interest earning assets.
- (2) Calculated in accordance with BRSA regulations.
- (3) Represents non-interest expenses divided by total operating income before provisions and non-interest expense.
- (4) Total shareholders' equity excluding intangible assets, tangible assets, assets held for resale, investments in equity participations and divided by total assets.

Capitalisation

The following table which is extracted from the Akbank BRSA Unaudited Interim Financial Statements and the Akbank BRSA Annual Financial Statements, prepared in accordance with BRSA, sets forth the consolidated capitalisation of Akbank as at 30 June 2014 and as at 31 December 2013, 2012 and 2011, respectively. This table should be read in conjunction with Akbank BRSA Financial Statements and the notes thereto incorporated by reference in this Base Prospectus. All Turkish Lira amounts in this section, unless otherwise indicated, are presented in thousands of Turkish Lira.

	As at and for the six months ended 30 June 2014	As at for the year ended 31 December		
	(unaudited)	2013 (audited)	2012 (audited)	2011 (audited)
		(TL thousands)		
Long-term debt ⁽¹⁾⁽²⁾	13,733,383	13,686,823	10,917,129	11,226,003
Capital stock; legal reserves, retained earnings and other equity accounts	22,857,628	19,057,717	19,470,785	15,585,242
Current period net income attributable to Equity Holders of the Bank	1,611,610	3,077,177	3,004,910	2,536,375
Total shareholders' equity.....	24,469,238	22,134,894	22,475,695	18,121,617
Total capitalisation	38,202,621	35,821,717	33,392,824	29,347,620

Notes:

- (1) See Notes (c) and (d) of Part II of Section Five to the Akbank BRSA Financial Statements.
- (2) Long-term debt includes the funds borrowed and debt securities in issue with an original maturity over one year.

Business

Overview

Akbank T.A.Ş. is a Turkish banking institution organised as a joint stock company with registration number 90418. Founded as a local bank in Adana on 30 January 1948, it was originally established with the core objective of providing funding for local cotton producers. Its first branch was opened in the Sirkeci district of Istanbul on 14 July 1950. Akbank operates under the Turkish Commercial

Code. 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 carries out its activities from its head office and 23 regional offices throughout Turkey. Its network of 993 domestic branches as at 30 June 2014 provides Akbank with the ability to reach a nationwide base of customers.

Akbank operates in five main business segments: (i) Consumer Banking; (ii) Corporate, Commercial and SME Banking; (iii) Treasury; (iv) Private Banking; and (v) International Banking. It offers a wide range of consumer, commercial and SME, corporate and private banking services as well as international trade financing. Non-banking financial services along with capital markets, brokerage and investment services are provided by Akbank's subsidiaries including Ak Investment, Ak Asset Management and AKLease. Akbank does not have any subsidiaries that are not involved in financial services.

Akbank has an international presence through its subsidiaries in Germany (Akbank AG) and Dubai (Akbank (Dubai) Limited), and through a branch in Malta.

In addition to Akbank's traditional delivery channels, such as its branches, Akbank also serves its customers through its Consumer and Corporate Internet Branches, its Telephone Banking Center, approximately 4,140 ATMs, more than 347,000 POS terminals, and the Akbank Banking Center, which commenced its services in 2010 and as of 30 June 2014 was one of the highest transaction capacity operations centres in Turkey 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, currently holding a 48.9% stake in Akbank's issued share capital. Floated to the public in 1990, Akbank's shares began trading on international markets and as ADRs after its secondary public offering in 1998.

In January 2007, Citigroup, Inc. and its affiliates and subsidiaries (**Citigroup**) acquired a 20% equity stake in Akbank. In May 2012, Citigroup sold 10.1% of its stake in Akbank due to its capital planning preparations for the application of Basel III requirements. Citigroup has committed to hold the remaining 9.9% of Akbank's shares for a three-year lock-up period following the sale.

As at 30 June 2014, 41.2% of Akbank's shares were publicly traded on the Borsa Istanbul and Akbank's Level 1 ADRs are traded in the over-the-counter (**OTC**) market in the United States. Akbank's market capitalisation stood at TL38.2 billion as at 30 June 2014.

For the six months ended 30 June 2014, Akbank's net profits were TL1.6 billion, a decrease of 11.7% from TL1.8 billion for the six months ended 30 June 2013. For the year ended 31 December 2013, Akbank's net profits were TL3.1 billion, an increase of 2.4% from TL3.0 billion for the year ended 31 December 2012.

As at 30 June 2014, Akbank's total assets stood at TL208.8 billion, an increase of 6.8% from TL195.5 billion as at 31 December 2013. As at 31 December 2013, Akbank's total assets stood at TL 195.5 billion, an increase of 19.6% and 16.8% from TL163.5 billion and TL139.9 billion as at 31 December 2012 and 2011, respectively.

As at 30 June 2014, Akbank's total shareholders' equity (excluding non-controlling interests) stood at TL24.5 billion, an increase of 10.5% from TL22.1 billion as at 31 December 2013. As at 31 December 2013, Akbank's total shareholders' equity (excluding non-controlling interests) stood at TL22.1 billion, a decrease of 1.5% and an increase of 24.0% from TL22.5 billion and TL18.1 billion, respectively as at 31 December 2012 and 2011, respectively.

Business Segments – Overview

Akbank operates in five main business segments: (i) Retail Banking; (ii) Corporate, Commercial and SME Banking; (iii) Treasury; (iv) Private Banking; and (v) International Banking. See “—*Business—Akbank’s Business Segments*”.

Retail Banking: includes retail services such as deposit accounts, consumer loans, credit cards, insurance products and wealth management services. Akbank’s line of retail banking products and services also includes bankcards, mutual funds, bonds and T-bills brokerage, equity brokerage, automatic payment services, foreign currency trading, safe deposit box rentals, cheques, money transfers, ATM, telephone and internet banking. Gross profit from retail banking was TL353.6 million for the six months ended 30 June 2014 compared to TL429.5 million for the six months ended 30 June 2013. Gross profit from retail banking was TL718.9 million for the year ended 31 December 2013, which represented an increase of 16.1% from TL619.4 million for the year ended 31 December 2012 and an increase in 2012 of 11.8% from TL554.2 million for the same period in 2011, representing a cumulative increase of 29.7% from 2011 to 2013.

Corporate, Commercial and SME Banking: provides financial solutions and banking services to large-scale and medium-sized corporate and commercial customers, including Turkish Lira and foreign currency denominated working capital loans, small business loans, medium-term financing for investments, foreign trade financing, letters of credit and guarantee, foreign currency trading, corporate finance services and cash and deposit management services. In addition, Akbank provides working capital management solutions for corporate customers, delivering tailored cash management services based on customers’ requirements which include collection and payment services and liquidity and information management. Project finance loans are provided as part of Akbank’s corporate and commercial banking activities. Gross profit for Corporate, Commercial and SME Banking was TL1.0 billion for the six months ended 30 June 2014 compared to TL952.3 million for the six months ended 30 June 2013. Gross profit for Corporate, Commercial and SME Banking was TL1.8 billion for the year ended in 31 December 2013, which, when compared to the same period in 2012 was an increase of 40.0% from TL1.3 billion and an increase in 2012 of 42.7% from TL920.5 million for the year ended 31 December 2011, representing a cumulative increase of 99.8% from 2011 to 2013.

Treasury: primarily manages Akbank’s securities investment portfolio, asset-liability management activities and overall liquidity and provides treasury services to Akbank’s retail and corporate customers. Gross profit from Treasury was TL482.8 million for the six months ended 30 June 2014 compared to TL1.2 billion for the six months ended 30 June 2013. Gross profit from Treasury was TL1.7 billion for the year ended in 31 December 2013, which, when compared to the same period in 2012 was a decrease of 3.1% from TL1.7 billion and an increase in 2012 of 9.6% from TL1.6 billion for the same period in 2011, representing a cumulative increase of 6.2% in the period from 2011 to 2013.

Private Banking: includes products and services for individuals with assets under management with Akbank exceeding TL500,000 such as investment, pension and insurance services. Gross profit from private banking was TL75.4 million for the six months ended 30 June 2014 compared to TL99.4 million for the six months ended 30 June 2013. Gross profit from private banking was TL190.8 million for the year ended in 31 December 2013, which, when compared to the same period in 2012 was a decrease of 4.2% from TL199.2 million and an increase in 2012 of 58.2% from TL125.9 million for the same period in 2011, representing a cumulative increase of 51.5% from 2011 to 2013.

International Banking: manages Akbank’s international fund raising activities as well as correspondent banking relationships and sets credit limits and risk management policies for counterparty financial institutions and through its international business development activities offers

a complementary service to its clients to support their business activities within its responsibility area and to originate proprietary deals for the benefit of Akbank.

Gross profit from International Banking was TL70.3 million for the six months ended 30 June 2014 compared to TL59.1 million for the six months ended 30 June 2013. Gross profit from International Banking was TL121.5 million for the year ended in 31 December 2013, which when compared to the same period in 2012 was an increase of 66.3% from TL73.1 million and an increase in 2012 of 114.9% from TL34.0 million for the same period in 2011, representing a cumulative increase of 257.4% from 2011 to 2013.

Competitive Strengths

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 65-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, with approximately 95% of its assets in Turkey on the basis that this is the market it knows best and where it enjoys a strong competitive position. Akbank is Turkey's third largest private bank in terms of asset size as at 30 June 2014 (*Source: The Banks Association of Turkey*). It offers a broad portfolio of consumer and commercial products and has well-established relationships with its client base. Akbank has a wide distribution network with 993 domestic branches and over 13.0 million customers, as well as a large network of increasing alternative delivery channels, which include the Akbank Banking Center, over 347,000 point-of-sale terminals and approximately 4,140 ATMs, as at 30 June 2014. In the first half of 2014, Akbank's share (in each case, by lending volume) of the general purpose loans market increased to 11.8% from 10.9% and its share of the corporate, commercial and SME loans market share increased to 9.4% from 9.3% (*Source: BRSA*). Akbank believes that its strong franchise and position in consumer, 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 for fast decision making in case of critical decisions, continued stability in a difficult global environment and gives it the ability to implement Akbank's vision.

Robust Capital Structure; Conservative Liquidity and Funding Policy. As at 30 June 2014, Akbank's robust capital structure was demonstrated by its capital adequacy ratio of 14.7% (under BRSA), Tier 1 ratio of 13.6%, leverage ratio (calculated as total assets divided by total equity) of 8.5x and shareholders' equity of TL24.5 billion. Supporting its capital structure, Akbank maintains strong liquidity, with a liquid asset ratio (being the total amount of cash, deposits with the Central Bank, overnight interbank deposits, the balances of Akbank's nostro accounts and statutory reserves divided by Akbank's total liabilities) of 3.6% at 30 June 2014. 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 3% from TL112.5 billion as of 31 December 2013 to TL116.3 billion as at 30 June 2014.

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, and the first TL denominated Eurobond out of Turkey in 2013. Its total outstanding domestic bonds amounted to TL2.7 billion and outstanding U.S.\$ denominated senior unsecured issuance is approximately U.S.\$3.7 billion as at 30 June 2014.

In an environment where banks' financial strength is becoming an indicator of growth prospects, Akbank's robust 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 prior to the crises and decisive action taken in controlling risk. In anticipation of the upcoming risks in credit quality due to the global economic downturn, Akbank has implemented and enhanced its risk management systems to ensure a consistently high level of asset quality. Akbank has always believed that banking involves balancing risk and matching assets to liabilities. The Board has continuously stressed the importance of a solid balance sheet and a strong financial position. Akbank's 13.6% Tier 1 capital ratio and its 8.5x leverage ratio are the legacy of this approach. Through effective risk management practices, Akbank's NPL ratio was 1.6% as at 30 June 2014. Akbank has also established a separate risk division below Board level so that all risks are monitored by its Executive Risk Committee 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.

Record of Innovation. Akbank has a strong track record of developing an innovative range of products and services, including innovative lending products, such as the ability to obtain a consumer loan by telephone (since 2005), on the internet (since 2006), via SMS or through a dedicated credit machine (since 2007) or via a standard ATM (since 2008). Akbank has also enhanced its distribution capabilities through developing a full-service call centre (the **Call Center**) and embracing new technologies including developing mobile web and mobile branch applications. In 2013 Akbank improved its digital banking applications across all mobile platforms, including updating its direct mobile application with new transaction options and functionality. Akbank also uses the Integro application, which allows its branches and head office units to carry out banking transactions under an integrated environment, which improves Akbank's efficiency. It has also expanded its investment product portfolio, including introducing Turkey's first mass market structured deposits and structured funds in 2007, BRIC Fund in 2009 as well as Akbank T.A.Ş. Franklin Templeton Umbrella Funds to enable Turkish investors to invest in four continents (Asia, Europe, North America and South America) in 2011. In 2013, Akbank launched one-to-one variable fund, Akbank lease certificates fund, Akbank BIST dividend 25 flexible fund and Akbank diploma variable funds as investment alternatives for its customers.

In line with its focus on providing top quality products and services to its customers, some of the innovative services Akbank launched during 2012, 2013 and 2014 were as follows:

- “SMS Loan for Business Owner” – an application which allows small business owners to apply for commercial loans via SMS without the need to visit a branch;
- “Send Money” – a new mobile banking application which allows customers to make money transfers at any time and location in 20 seconds via their mobile phones;
- “Akbank Pay from Pocket” – a service which was developed in conjunction with Visa Europe to allow customers to make payments from their mobile phones, turning mobile phones into mobile wallets;
- the launch of bundled products to increase customer cross sell ratios;

- initiating its “Savings Campaign” to enhance saving habits of the public through its pension funds, gold and accumulating savings accounts;
- “Akbank Direct” – a service which allows anyone to become a client of Akbank without going to a branch and take advantage of all mobile banking capabilities;
- “Akbank Direct” expands banking into Smart watches;
- “Akbank China Desk” – service which provides banking solutions to Chinese firms/investors that plan to invest and/or expand their business in Turkey in their own language. It also serves to Turkish corporates/investors that plan to invest in China;
- Akbank signed the first cooperation agreement in Turkey with the Export-Import Bank of Korea;
- Akbank launched the Western Union money transfer service; and
- A communication campaign titled “Heroes of the Economy” to encourage people to save money.

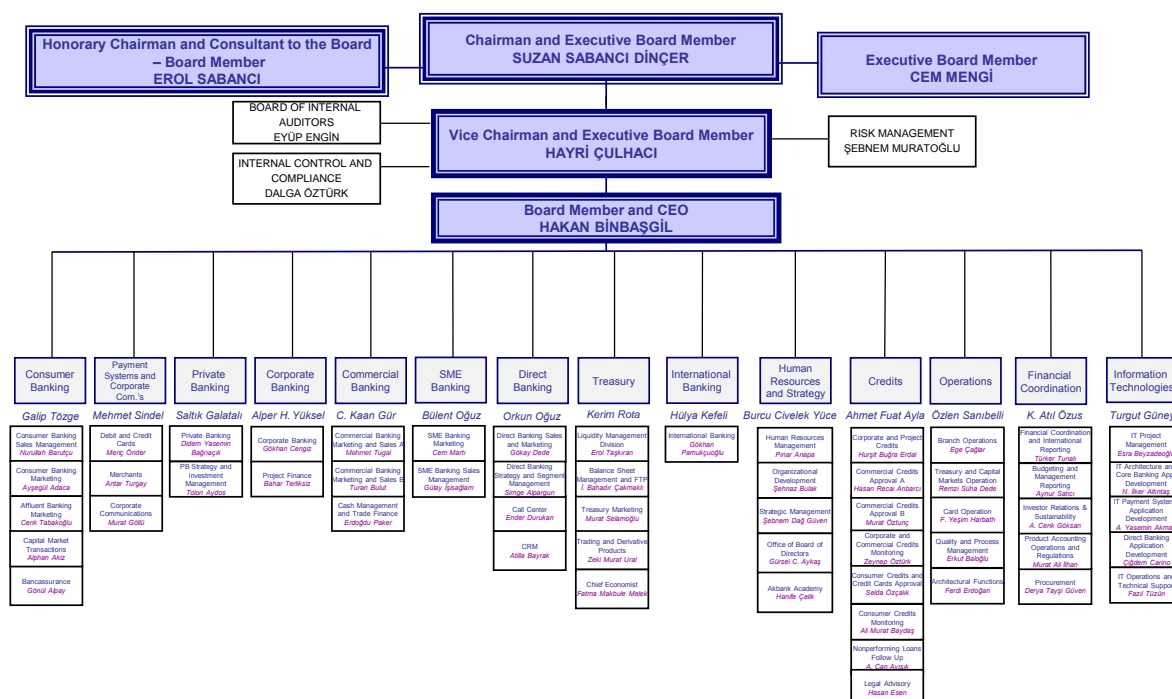
Strategy

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 2014 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 Bank’s output and cost efficiency;
 - Continue growth and increase market shares in high margin products and segments;
 - Increase the share of SME lending in total loans;
 - Diversify funding mix along with expanding 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.

Organisational Structure

The following chart shows Akbank's organisational structure as at 30 June 2014. Akbank's organisational structure consists of 14 Business Units. Each Business Unit is managed by an Executive Vice President.



Distribution Network

Akbank has an extensive distribution network, consisting of traditional banking outlets, including branches, representative offices, ATMs, automated cash deposit machines, and point-of-sale credit and debit card terminals, and non-traditional distribution outlets such as home and office banking (through the use of the Internet, personal computers and screen-based telephones).

Other projects undertaken by Akbank to attract more customers to its branches include a branch renovation project. In line with this strategy, Akbank has also implemented a customer service representation system in each branch to further improve quality of service. The following table sets out Akbank's principal distribution outlets as at 30 June 2014:

	Total Number
Branches.....	993
Regional Offices	23
Foreign Representative and Branches.....	1
ATMs	4,142
POS Terminals.....	347,248

Akbank's Business Segments

Retail Banking

There are three main units in the retail banking business: the Consumer Banking Unit, Direct Banking Unit and Payment Systems Unit.

Consumer Banking Unit

Akbank's retail banking strategy primarily comprises the following elements (i) strong growth in its high-value customer base, (ii) strong growth in personal market share, (iii) improving customer loyalty, and (iv) increasing efficiency through the use of innovative technology. Consumer Banking Unit continuously invests in building core capabilities in these perspectives, and drive improvements in the customer base and market share.

Consumer Banking's share of Akbank's overall business activity has remained steady over the last years. As at 31 March 2014, outstanding loans (including credit cards) to the consumer banking market represented 36.8% of Akbank's total loan portfolio (compared to 37.3%, 38.6% and 34.0% as at 31 December 2013, 2012 and 2011, respectively). On the deposit side, Akbank's consumer client base provides a significant portion of Akbank's activity, accounting for 61.0% of overall deposits, and TL deposits accounting for 63.5% of Akbank's total TL deposits as at 30 June 2014. As at 30 June 2014, Akbank had approximately 13 million individual customers and Akbank's market share of the highly competitive business reached 17.8%.

Akbank delivers its consumer banking products and services through its network of 965 retail branches. Akbank has centralised its operations so that back office functions can be moved out of the branches, enabling Akbank's retail branches to focus on providing services and marketing products to retail customers.

The Consumer Banking Unit primarily focuses on the product lines listed below:

Lending. Akbank's retail lending business includes mortgages, auto loans and unsecured lending, which comprises personal loans and credit cards, and since 2006 it has grown by 24.0%. Mortgages account for approximately one-third of Akbank's lending while the rest is personal loans and credit cards, divided equally.

Retail Mortgages. The residential mortgage lending market is developing in Turkey and Akbank's market share was 11.9% of the Turkish residential mortgage market as at the end of 30 June 2014 (*Source: BRSA*). Akbank aims to increase its market share by being present at the point where customers buy their houses. Akbank was the first Turkish bank to start a strategic partnership with real estate agents. Akbank is extending mortgage loans to numerous residential construction projects and has started to invest in local projects in Anatolia. Akbank provides information and services about mortgage loans both in branches and through alternative delivery channels. Akbank's mortgage products and services are marketed under the "Big Red House" (*Büyük Kırmızı Ev*) brand. A mortgage dedicated website (www.buyukkirmiziev.com) and mortgage call centres serve as both information and application channels for Akbank's customers. As at 30 June 2014, Akbank had an aggregate amount of TL12.5 billion in outstanding mortgage loans, with an average term of 77 months and an average LTV of 44% (compared to TL12.6 billion, TL9.8 billion and TL7.5 billion as at 31 December 2013, 2012 and 2011, respectively).

Other retail loans. Akbank's other consumer loans include general purpose loans and car loans. In light of the growing demand for cars in Turkey, Akbank has concentrated its efforts on capturing a leading share of the car loan market. Akbank has established key relationships with car manufacturers and distributors, which now cover over 40 brands and over 600 dealers. Akbank's share of this market, measured by the volume of outstanding loans, was estimated by management at 12.6% as at 30 June 2014.

Car loans have an average maturity of 42 months and an average LTV of 70% for maximum/up to TL50,000 and an average LTV of 50% for over TL50,000 and amounted to TL873.9 million as at 30 June 2014, compared to TL993.7 million, TL998.9 million and TL865.9 million as at 31 December 2013, 2012 and 2011, respectively. Other general purpose and other consumer loans (excluding

mortgages and car loans) have an average maturity of 34 months and amounted to TL15.7 billion as at 30 June 2014.

Akbank was the first bank in Turkey to introduce “mobile loans” in 2005, which constitute 20% of all new loans. Akbank also pioneered the “self-service loan machines” alongside with the traditional services.

Consumer Deposits. Akbank has traditionally been one of the preferred savings banks for clients, and it has continued to implement its deposit growth strategy in 2014. Akbank’s total market share in deposits increased by 10.5% in 2014. Akbank also maintained its strong position in FX deposits particularly in the retail market. Akbank’s current share in the retail FX deposit market is between 11% and 12%. In 2014, Akbank aimed at to maintain its strong market share and low cost retail base in the FX deposits market.

With a view to grow its retail deposit base at relatively low cost, Akbank thoroughly analyses its customer database and potential competition in its regions of operation. Akbank then introduces deposit rate promotions aimed at low cost customer segments in the regions with lower competition levels. Akbank currently runs such special deposit rate promotions in 35 cities and towns and plans to continue such promotions throughout 2014. Akbank also reinforces such promotions through extensive low cost local marketing.

Akbank also aims to lower its operational costs by migrating its time deposit customers to alternative delivery channels. For example, the amount of online time deposits placed with Akbank increased 45% in the last two years. Akbank plans to continue applying special pricing and actively market its online deposits in 2014.

Akbank also offers accumulative saving accounts based on time deposits and mutual funds to encourage its mass market customers to use Akbank for savings in small amounts.

In 2014 Akbank has been targeting to increase its market share for demand deposits by 1.1% through enlarging its customer base and promoting the products that generate demand deposits. Akbank plans to achieve such increase through salary accounts, cash management products, payment services and cheque transactions.

Affluent Banking. Akbank places particular emphasis on its affluent customers (customers whose assets under management with Akbank exceed TL100,000 or who have a mortgage greater than TL120,000), who account for 3.7% of the overall customer base of Akbank’s retail business, by providing them with specialised banking products and enhanced relationship management services. Akbank has set up a banking service model, named “One-to-One Banking” whereby dedicated relationship managers (**RM**) provide tailored and specialised services to affluent customers who have high asset portfolios and expect personal service for investment products. As at 30 June 2014, 385 One-to-One Banking RMs in 300 branches offered one-to-one services to approximately 180,000 customers.

Youth Banking. The youth segment is an important focus of the retail banking, the “exi26” brand, designed for the 18 – 26 age group, offers financial and non-financial solutions to Turkey’s younger population. The “exi26” offers services and products, such as youth portals, tailored for young people. The Axxess exi26, Neo26, general-purpose loans and auto loans are products geared uniquely toward the young customer market.

Capital Markets Transactions. One of the main objectives of the Consumer Banking Unit is to establish and develop appropriate service models to increase Akbank’s market share of equity and futures products for retail clients. This is done through the “Akbank Investor Center” which acts and

an intermediary in equity and futures markets on behalf of retail and private banking as well as corporate customers.

Bancassurance. Since 1 October 2013, the Bancassurance business, previously part of a separate Strategy Unit, is a part of the Consumer Banking Unit.

Akbank sells products by AK Insurance and AvivaSA Pensions and Life Insurance, both of which are among the leading companies in their respective sectors. Akbank's growth in Bancassurance in recent years continued in 2014 mainly as a result of diversifying products offered to clients and efficient use of distribution channels, including branches, the Call Center, internet banking and ATMs. More than 2.5 million active customers chose Akbank for nearly 4 million active insurance products and Private Pension System (BES) products as at 30 June 2014.

Direct Banking Unit

Direct Banking Unit was formed in December 2012 when the Alternative Delivery Channels Division of the Retail Banking 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 organization 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, contact centre, ATM, in-branch kiosks and social media. Akbank launched "Akbank Direkt" in June 2012 as an online direct banking initiative. In June 2012, the bank 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. The total number of active Akbank Direkt internet customers was 1.6 million with approximately 60 million transactions per quarter. As at 30 March 2014, Akbank had a 14.9% market share in internet banking (Source: The Banks Association of Turkey). Akbank had more than 800,000 customers using Mobile Banking.

The Call Center has become one of the key support channels in Akbank; within its structure, it contains departments such as "Customer Complaint Management", "POS Support" and "Branch Support". In addition to using product-centric units like the Equity Team and The Mortgage Line, Akbank also continues its development by utilising more complicated service structures like The Affluent Remote Center and The SME Support Line.

As at 30 June 2014, Akbank had 4,142 ATMs. Akbank had a 9.58% 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 1.3 million as at 30 June 2014, with 21.8 million calls received between 1 January 2014 and 30 June 2014. Akbank's internet site received an average of 3.3 million visitors per month in the first six months of 2014, with 8.5 million visits per month overall.

Customer Relationship Management Division. Since 1 October 2013, the CRM Division is 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.

Payment Systems Unit

The Payment Systems Unit comprises the Debit and Credit Cards Division, the Merchant Relations Division and Corporate Communications Division. The Debit and Credit Cards Division is in charge of managing the current card portfolio, improving the existing products and creating new products and/or product features. The Merchant Relations Division is responsible for the acquisition and relationship management of both key accounts and merchants.

Credit Cards. Akbank considers credit cards to be one of the most important consumer banking products and therefore a strategically important business. Credit card products in Turkey have a “revolving” feature by which a customer does not have to repay its credit card balance in full at the end of the credit card statement period, but may pay only a minimum amount while the outstanding portion of the credit card balance is rolled over into the next credit card statement period. With the advantage of a low cost of funding and a cash advance feature, which generates both commission and interest rate payments, credit cards generate profit faster than other loan instruments, provided the portfolio is properly managed in terms of cost of credit, NPLs and other costs.

Akbank’s Axxess card offers a loyalty scheme through which Akbank cardholders accrue points that are redeemable for products and services from participating vendors. As at 30 June 2014, Akbank had issued 11.5 million cards (5.6 million credit cards and 5.9 million debit cards). Akbank’s share of the domestic credit card issuing business, based on the number of cards issued, has been steady, decreasing slightly from approximately 10.2% in 2013 to 9.8% as at 30 June 2014. The volume of outstanding retail credit card loans was TL12.3 billion as at 30 June 2014 (compared to TL13.6 billion, TL12.9 billion and TL12.9 billion as at 31 December 2013, 2012 and 2011, respectively). Akbank believes it is one of the leading banks in terms of outstanding retail credit card loans in the market with a share of 16.6% at 31 March 2014 (*Source: BRSA*).

Corporate, Commercial and SME Banking Business

The Corporate and SME Banking business encompasses three units: the Corporate Banking Unit, the Commercial Banking Unit and the SME Banking Unit. The Corporate Banking Unit is responsible for customers with annual revenue in excess of TL300 million, the Commercial Banking Unit covers customers with annual revenues between TL10 million and TL300 million, and the SME Banking Unit covers customers with annual revenue of up to TL15 million.

Corporate Banking Unit

Akbank has more than 2,000 active corporate customers to which it offers a full range of products and services. Active customers are defined by Akbank as customers who currently use at least one product or service of Akbank.

Akbank has eight corporate banking branches (dedicated branches for corporate customers): six in Istanbul and one in each of Ankara and İzmir. The Corporate Banking Unit at Akbank’s head office monitors the activities of the corporate banking branches. A full range of products and services of the Akbank group is offered to corporate clients, in addition to conventional banking products and services, such as project finance, trade finance, cash management, treasury and hedging services. Akbank Corporate Banking also has the advantage of being part of a full-service group and offers leasing, portfolio management, investment banking services, capital markets services and insurance services through synergies created with Akbank’s subsidiaries. Within this framework, Akbank Corporate Banking manages its relationships through its branch coverage, while its centrally-located teams in the head office offer specialised services. Due to an increase in foreign investment in Turkey, Akbank launched the “Multinational Desk” within the Corporate Banking Unit in 2013 to provide custom-made solutions and superior quality services to multinational clients in various fields through eight Corporate Branches and dedicated relationship managers. In addition, thanks to its

presence in Frankfurt, Dubai, and Malta, Akbank Corporate Banking has developed international commercial relationships with globally recognised, large multinational companies over the last few years, in order to diversify its portfolio and take the first steps into new markets.

Project Finance and Syndicated Loans. As part of a long-term strategy, Akbank has been increasing its focus on the project, acquisition, infrastructure, and real estate finance markets in Turkey. Increases in domestic and foreign investment through privatisation and acquisition deals has fuelled the growth in these specialised loan markets and syndicated loan market. Akbank plans to increase its volume of project, acquisition, infrastructure, and real estate finance loans and syndicated loans (collectively, **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 construction, transportation, telecommunications, energy and tourism. In addition, Corporate 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 Corporate Banking believes that Akbank’s risk exposure arising from this loan portfolio is reduced as the risks are being carefully measured, managed and backed up by strong collateral and control structures. As at 30 June 2014, Akbank’s Project Finance and Syndicated Loans exposure under this category was TL18.6 billion (compared to TL18.6 billion, TL13.3 billion and TL10.2 billion as at 31 December 2013, 2012 and 2011, respectively).

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.

Export/Import Finance. Akbank provides export/import companies with a variety of specialised loans, including foreign currency loans from its own sources as well as ECA covered loans. It also allocates the proceeds from syndicated loans raised in international markets to be used for financing exports. Other kinds of financial support, such as instalment-based export credit, offer flexible reimbursements according to the specific needs of the companies. Akbank’s export factoring and forfeiting services are widely used by its corporate customers to facilitate their export operations.

Treasury. Treasury services to corporate clients are offered in collaboration with the Treasury Marketing Division of the Treasury. Treasury products offered include repos, mutual funds, bills, bonds and Eurobonds for customers’ investment purposes.

Hedging. Hedging services to corporate customers are offered in collaboration with the Derivatives Division of the Treasury. Akbank offers services in over-the-counter derivatives, organised derivatives and precious metal markets. Various products are developed to meet the needs of corporate customers by analysing their balance sheet risk and services are provided to help corporate customers manage their interest, term and currency risk.

Akbank’s corporate loan balance, excluding Project Finance and Syndicated Loans was as at 30 June 2014 TL18.2 billion (compared to TL21.2 billion, TL20.6 billion and TL18.6 billion and as at 31 December 2013, 2012 and 2011, respectively). Akbank’s non-performing loans ratio for Corporate Banking has been 0% for the last three years, which management believes can be attributed to stringent selection criteria for corporate customers, a focus on lending to long-term customers and strict risk monitoring. Akbank’s Corporate Banking’s total cash risk exposure, including the Project Finance and Syndicated Loans portfolio was TL39.7 billion as at 30 June 2014 (compared to TL36.9 billion, TL33.9 billion and TL28.8 as at 31 December 2012 and 2011, respectively). The 20 largest corporate customers accounted for approximately 21% of Akbank’s total loan portfolio as at both 30 June 2014 and as at 31 December 2013, respectively.

As at 30 June 2014, Akbank had approximately 2,000 corporate banking customers with at least TL300 million in gross sales per year.

Loans to corporate customers accounted for 31.3% of Akbank's total loan portfolio as at 30 June 2014 (compared to 31.3%, 32.6% and 38.6% as at 31 December 2013, 2012 and 2011, respectively).

Commercial Banking Unit

The Commercial Banking branch organisation is administered by Akbank's head office and 23 regional head offices. Today, Akbank has 18 fully dedicated commercial banking branches which provide services to businesses with a minimum turnover of TL15 million. These branches are generally located in the developed regions of Turkey where there is high commercial activity and they report to Akbank's head office directly. There are further 208 branches with both commercial and SME customer relationship managers. These branches are located in 57 cities and report to Akbank's head office via regional head offices.

Commercial Banking offers financial solutions and banking services to medium-sized corporate customers, including hedging products such as interest rate swaps and cross-currency derivatives, export financing as well as working capital loans (which are based on length of relationship and financial capability). When pricing loans, Commercial Banking uses the "Risk Adjusted Pricing" infrastructure (a system adopted across various business segments of Akbank in 2009) which uses Akbank's internal rating system and the indemnity structure of the relevant loan. Akbank believes that this approach provides improved pricing on a client-by-client basis as it takes into account the credibility of the customer and the collateral provided.

Commercial Customer Relationship Managers working in the commercial banking branches are assigned each a portfolio of approximately 67 commercial customers. Commercial Customer Relationship Managers have detailed specialised knowledge of commercial products and services and offer additional expertise, particularly in the areas of export/import financing and trade finance. Akbank's aim is to capture a greater share of the amount spent by each of its commercial customers on commercial banking through the further development of its product offerings to commercial customers and to increase its market share and number of customers in the long-term.

Akbank's management believes that the diversity of its commercial products is a competitive advantage. Akbank offers a wide range of loan options to its commercial customers to meet their investment financing needs and to increase their competitiveness in local and foreign markets. Akbank provides its commercial customers with the same or similar products and services as provided to its larger corporate customers. These products include specialised export-related loans, such as instalment-based export loans, loans for cash-against goods transactions, discounting of export receivables, export loans against letters of credit, factoring and forfeiting services, export LC discounts, Turkish Eximbank loans, short term export loan insurance (KVIKS), Akbank also offers tailored solutions for commercial customers, including machinery and equipment financing, raw material procurement loans, truck fleet loans and tourism loans. The common characteristics of these loans are fixed interest rates, repayment in equal instalments, and relatively long-term financing periods (up to 36 months). Additionally, Akbank offers various commercial financing models to accommodate its customers' unique financial structures. For example, instead of providing loans directly to a customer, Akbank may provide loans directly to a customer's potential buyers, thereby increasing both Akbank's customer base and the volume of its loans.

Akbank's management aims to retain its existing customers and maintain a loyal customer base through the effective use of customer relationship management programmes, thorough monitoring of business generated, and devoting sufficient resources such as through a steady increase in the number of account managers. As at 30 June 2014 Akbank had 390 Commercial Banking account managers, compared to 384 and 355 as at 31 December 2013 and 2012, respectively. An increase in loan costs

and a high volatility of exchange rates due to the recent global financial crisis have affected the Turkish economy and the Turkish loan market.

Cash Management and Trade Finance. The Commercial Banking Unit offers solutions for collection and payment transactions of customers with a broad array of products and services. Cash management products include basic collection and payment products, such as tax and social insurance premium collections, cheque clearing, utility payments, all cash transactions, and collections from dealers and distributors with direct debit systems and innovative products such as Collective Foreign Currency Payments, Supplier Finance Systems and Stock Finance Systems. In addition to the export related loans listed above, trade finance products include other products such as import payments, country credits (ECA's), Import LCs, Import with Acceptance Credit and Avalised Transactions, promissory note discount and postfinancing.

The aims of the Commercial Banking Unit in respect of cash management and trade finance are:

- to manage all payments and collections in the cash flow of Akbank's target customers;
- to develop new products and services in order to facilitate Akbank's customers' payments and collections and offer easy and tailor made solutions according to their needs; and
- to create synergy between different business divisions in Akbank by connecting cash flows of different segment customers in most of the projects.

For these purposes, target customers of Akbank are:

- corporate and commercial firms whose payment and collection network is wide and technologically capable;
- retail and micro firms which are distributor, supplier, retailer, or vendor of corporate and commercial firms; and
- utility firms.

SME Banking Unit

As a result of reorganisation, which took place in 2013, the SME Banking Unit was established as an independent business unit to increase focus on marketing activities of SMEs. The SME Banking segmentation criterion is an annual revenue of up to TL15 million per enterprise. There are two sub-segments within the SME Banking Unit:

- *Micro-Customers.* Micro-customers are classified as those with an annual revenue of up to TL1 million. In January 2012, the micro-segmented customers were transferred from Consumer Banking to SME Banking to ensure that smaller business customers were handled by the same unit.
- *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 TL15 million.

As of 30 June 2014, Akbank had approximately 788,000 customers and a total of approximately 1,313 relationship managers in 771 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 provides customised products to its small business customers and these are tailored to their particular industry sector. SME Bank offers customer banking packages consisting of banking transactions for customers from different segments, sectors and regions, such as tourism, pharmacy, food wholesale, construction contracting, franchise, stationery and transport sector support packages. These packages contain various products and services including, but not limited to, cash and non-cash loans, cheque books, POS devices for credit card transactions, salary payments, tax and social insurance payments, bill payments automatic payment/collection systems, company credit cards, treasury bills, mutual funds and foreign trade transactions. For example, Akbank offers a tourism-linked product which links repayments to season cash flows, as well as, among other products, special rates for credit card transactions (due to the large volume of tourism related to payments by credit card).

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.

SME Banking Unit's (previously Commercial and SME Unit's) prudent, risk-based approach to loan pricing allowed the unit to expand its client portfolio whilst maintaining a low non-performing loan ratio for SME loans of 1.4% as at 30 June 2014 (compared to 1.3%, 1.6% and 2.9% as at 31 December 2013, 2012 and 2011, respectively).

Treasury

Akbank's Treasury is based at Akbank's head office and provides Treasury Management services to domestic and foreign branches of Akbank. The Treasury consists of the Balance Sheet Management and Fund Transfer Pricing Division, Treasury Marketing Division, Liquidity Management Division, Trading & Derivative Product Division and the Office of Chief Economist. Akbank's Treasury function engages in proprietary trading according to comprehensive value at risk (**VaR**) limits on the product types set by the Board.

Balance Sheet Management and Fund Transfer Pricing Division. This division manages the balance sheet and off balance sheet interest rate exposure of Akbank in line with the medium-term market view of Akbank determined by ALCO and the Senior Risk Management Committee risks and other limits by the Board.

In addition, this division models and calculates funds transfer prices for other business units in Akbank. The department seeks to optimise profitability and risk management principles and directs Akbank's balance sheet and income statement.

Treasury Marketing Division. The Treasury Marketing Division prices and markets treasury products and financial solutions to corporate, commercial, private and retail customers by direct contact and through alternative delivery channels. These products include spot and forward foreign currency transactions, fixed-income products, derivatives, Turkish Lira and foreign currency deposits, and repos.

The customer-related derivatives business includes foreign currency forwards, foreign currency options-based products (such as plain vanilla options, collars, and binary options), interest rate swaps, and currency swaps. The Treasury Marketing Division analyses corporate/commercial customers' needs and creates products for corporate risk management. The Division also offers return enhancing products, such as dual currency deposits for all of its clients.

The Treasury Marketing Division plays a key role in the pricing of both domestic and foreign currency deposits. In addition to providing regular updates on markets, the Treasury Marketing Division's sales section regularly visits existing and potential customers to introduce new products and services.

Liquidity Management Division. The Liquidity Management Division manages the foreign currency and Turkish Lira liquidity of Akbank. The Division engages in foreign currency and Turkish Lira borrowings and placements through domestic and international money markets. Foreign currency swaps are another product which the Division actively uses for liquidity purposes. The Division also provides quotations in the interbank market and engages in foreign currency and Turkish Lira OTC money market trading. Akbank also actively participates in the open market operations of the Central Bank.

The Liquidity Management Division is responsible for management of Akbank's reserve requirement obligations. In this respect, Akbank's foreign currency/Turkish Lira reserve requirement obligations are met flexibly in accordance with the liquidity policy. The Liquidity Management Division also operates Akbank's banknote business, including the import and export of cash if needed.

Trading and Derivative Products Division. The Trading and Derivative Products Division consists of five sections; the Foreign Exchange Trading, Fixed Income Trading, Fixed Income Investment, Derivatives Trading and Trade Modelling and Research sections.

The Foreign Exchange Trading section is responsible for providing competitive prices to all customers for Turkish Lira and G7 currencies.

The Fixed Income Trading section focuses on managing the fixed income portfolio of Akbank according to limits set by the Board. The section engages in high volume transactions executed via the ISE, OTC markets, brokers and electronic trading channels. Akbank is officially a primary dealer for domestic fixed income securities.

The Derivative Trading section runs Akbank's option book and takes proprietary positions on foreign exchange options. It manages the option book taking account of the various price sensitivity measures. The section develops various structured products to meet the needs of corporate and commercial clients for tailor-made financial solutions. Similarly, it also designs plain vanilla products for retail and private banking customers. The section provides liquidity by taking positions in foreign exchange contracts at Turkdex, Turkish Derivatives Exchange, in the name of Akbank. Akbank is one of the Primary Dealers at Turkdex Foreign Exchange Market.

The Trade Modelling and Research section is responsible for providing the Trading and Derivative Products Division with up to date macroeconomic research and for the development of quantitative models aimed at improving the Division's overall competitiveness in the pricing and trading of financial instruments.

Office of Chief Economist. The Office of Chief Economist is responsible for macroeconomic research, as well as global and domestic financial analysis. Moreover, the office makes projections to be used in Akbank's short- and long-term plans.

Private Banking

Akbank's Private Banking Unit was established in March 2001 to provide exclusive and customised banking and investment services for high net worth individuals. The minimum account-opening limit is TL500,000 of assets under management with Akbank for private banking customers. Akbank provides its private banking services through its 10 dedicated branches (in the Etiler, Nişantaşı, Bağdat Caddesi, Yeşilköy, Kozyatağı and Kapalıçarşı districts of Istanbul as well as in Ankara, Izmir,

Bursa and Adana) and a Private Corner in Zorlu Center Branch. The Unit is separated into a Marketing Group and an Investment Group. The Investment Group produces investment ideas, delivers new products designed in partnership with Akbank Treasury or Ak Asset Management and provides trade execution solutions to the Marketing Group. It also provides its clients with various financial and investment products and services both in local and international markets through customer relationship managers. Each customer relationship manager has a portfolio of up to 70 customers and, consequently, has the ability to provide high quality and effective service to each customer.

As at 30 June 2014, the total value of assets under the management of the Private Banking Unit amounted to approximately TL23.5 billion, compared to TL24.7 billion, TL27.3 billion and TL24.5 billion as at 31 December 2013, 2012 and 2011, respectively.

International Banking

Akbank's International Banking Unit manages the international fund raising activities of Akbank, as well as Akbank's correspondent banking relationships and sets credit limits and risk management policies for financial institutions. Through its international business development activities, the unit offers a complementary service to clients to support their business activities internationally and to originate proprietary deals for Akbank. Akbank's international fund raising activities are focused around obtaining long-term and short-term funding at competitive rates by using various borrowing instruments and diversifying sources of funding by reaching new investors.

The International Banking Unit manages Akbank's correspondent banking relations, which are essential to support Akbank's customers in their cross-border payments and foreign trade transactions in the form of letters of credit and letters of guarantee with a comprehensive network of international correspondent banks spanning around 151 countries.

The Unit establishes and monitors credit lines and risks for financial institutions relating to their customers' trade finance business and their daily treasury activities for the entire Akbank Group (Akbank AG, AKLease, Ak Investment and Ak Asset Management).

The unit aims to expand the relationship between Akbank and the financial institutions and corporates in target countries, to strengthen the market share of Akbank in foreign trade business, to identify potential clients in target countries and refer potential deals to the related business lines.

As part of Akbank's international business development strategy, Akbank (Dubai) Limited, a wholly-owned subsidiary of Akbank T.A.Ş., was established in 2009 at the United Arab Emirates Dubai International Financial Centre (**DIFC**).

Capital Markets and Non-Banking Financial Activities

Akbank conducts its non-banking financial activities through its subsidiaries, namely Ak Investment, Ak Asset Management and AKLease. Product and service offerings of these subsidiaries are also marketed through Akbank branches.

Ak Investment. Founded in 1996 to provide brokerage services for capital markets, Ak Investment is a 100% owned subsidiary of Akbank. Domestic retail customers perform their transactions through Akbank's Private Banking branches, Akbank Capital Markets Unit and at 974 Akbank branches. In addition, customers have remote access for capital markets transactions on the internet 24 hours a day (www.akbank.com). Through its International Institutional Sales Division, Ak Investment offers foreign institutional customers brokerage services for Turkish capital markets products. With its team of experts, the Corporate Finance Department provides advisory services to domestic and

foreign companies for public offerings, mergers and acquisitions and financial partnerships, as well as active advisory services on the buy-side or the sell-side in privatisation deals.

Ak Asset Management. Established in 2000 to provide asset management services for capital markets to institutional and individual investors, Ak Asset Management is a 100% owned subsidiary of Akbank.

As at 30 June 2014, Ak Asset Management handled the assets of 86 portfolios for five issuers, 51 mutual funds for Akbank, one mutual fund for Ak Investment, 20 funds for AvivaSA Pension, 12 pension funds for Groupama Pension, two funds for Akbank SICAV. Ak Asset Management also provides discretionary asset management services for large individual investors as well as large institutional investors, tailored to their financial expectations and risk profiles. Total assets under management (AUM) increased to TL 11,8 billion as at 30 June 2014 from TL 10.5 billion as at 31 December 2013 which had in turn increased from TL9.9 billion as at 31 December 2012.

As of 30 June 2014, Ak Asset Management was Turkey's fourth largest mutual fund management company in terms of AUM according to the CMB. Total AUM of mutual fund portfolios managed by Ak Asset Management amounted to TL2.9 billion as at 30 June 2014 (compared to TL2.8 billion and TL3.0 billion as at 31 December 2013 and 2012, respectively), representing a market share of 9%.

Ak Asset Management is the leader in terms of AUM in the Turkish pension investment fund management sector according to the CMB. Total AUM of the pension investment fund portfolios managed by Ak Asset Management amounted to TL6.8 billion as at 30 June 2014 (compared to TL5.7 billion and TL4.7 billion as at 31 December 2013 and 2012, respectively), representing a market share of 21.5%.

Total AUM in the discretionary portfolio management business line amounted to TL1.8 billion as at 30 June 2014 (compared to TL1.8 billion and TL1.9 billion as at 31 December 2013 and 2012, respectively), representing a segment market share of 27.5% (*Source: CMB*).

AKLease. A 99.99% owned Akbank subsidiary, AKLease has been providing creative and quick leasing solutions to SME, commercial and corporate segment customers since 1988. See “*Information about the Issuer—Business*” for more details about AKLease.

Other Business Units

Akbank's other business units are Information Technologies, the HR Unit, the Operations Unit, the Financial Coordination Unit, the Payment Systems Unit and the Strategic Management Division.

Information Technologies

Akbank's Information Technologies Unit is divided into five divisions which deal with (i) Project Management and CIO Office, (ii) Application Development (three divisions) and (iii) Operations and Technical Support. Overall expenditure on IT, including infrastructure as well as software projects and new distribution channels, amounted to TL64 million for the six months ended 30 June 2014 compared to TL120 million for the same period in 2013. Overall expenditure on IT, including infrastructure as well as software projects and new distribution channels, amounted to TL205 million for the year ended 31 December 2013 (compared to TL143 million and TL138 million for the same period in 2012 and 2011, respectively).

Akbank's information technology (IT) production environment, which is located in Istanbul, is supported by a disaster recovery system in the disaster recovery centre managed by IBM, located in Izmir, approximately 400 km from Istanbul. In a disaster recovery situation, the disaster recovery system would serve as Akbank's production system, using the latest available data through digital

lines. System tests and banking application tests at the disaster recovery centre are carried out at least twice a year. There have been no reported attacks to the main system (including identity theft) in the last three years.

Akbank's IT projects are designed to improve customer service by integrating the branch network with the central IT processes and by making Akbank's services and products conveniently available to its customers through means such as ATMs, internet banking technology, the Call Center, interactive voice-response system, WAP and mobile banking and kiosks.

HR Unit

The HR Unit consists of the Personnel and Internal Services Division, Organizational Development, Recruitment, Training, Compensation and Performance Management units, and the Office of the Board of Directors.

Operations Unit

The Operations Unit consists of five separate divisions: the Branch Operations Division, the Treasury and Capital Markets Operation Division, the Credit Card Operations Division, the Quality and Process Management Division and the Architectural Functions Division. Akbank has centralised its major operations functions since 2002. Many operational processes such as Money Transfers, Check and Bill Operations, Trade Finance Operations, Loan Operations, Archiving, Alternative Delivery Channel Services, Insurance Transactions and Account Openings are now being handled at an operations centre (Akbank Banking Center) located in Şekerpınar, İzmit. The rationale behind this process is to allow branches to run more efficiently and at lower cost and to focus on providing relationship management services by moving routine operations away from the branches.

Financial Coordination Unit

The Financial Coordination Unit is divided into the Financial Coordination and International Reporting Division, the Budgeting and Management Reporting Division, the Investor Relations and Sustainability Division, the Supervisory and Regulatory Affairs Division, the Product Accounting Operations and Regulations Division and the Procurement Division. The Financial Coordination Unit is mainly responsible for the preparation of statutory financial statements as well as reports to regulatory authorities, coordination of Akbank's financial accounting process, budget preparation, various management reports and coordination of relations with investors, analysts and rating agencies.

Strategic Management Division

The Strategic Management Division consists of four groups: Strategy Group, Project Planning and Execution Group, Strategy Communications and Coordination Group and Branch Channel Development Group and reports to the Executive Vice President of Human Resources and Strategy in Akbank.

One of the Strategic Management Division's main responsibilities is to manage Akbank's annual strategic planning cycle that starts in July and ends in December. All relevant parties and top management are involved in the process of identifying strategic priorities of Akbank and related strategic initiatives to be implemented during the course of the following year.

Planning, managing and executing the aforementioned strategic initiatives are among the Strategic Management Division's foremost responsibilities. Prioritised strategic initiatives are translated into tangible projects with project plans and KPIs and are implemented together with related business units within Akbank. Throughout the project's lifecycle, the Strategic Management Division monitors and

facilitates the implementation of project plans to ensure that they are run in alignment with Akbank's overall strategies and regularly reports progress to the executive team.

The Strategic Management Division also acts as an internal management consulting group to Akbank, evaluating growth opportunities to identify new business development initiatives, assessing effectiveness of service models and redesigning for improvement, analysing functions and processes, recommending structural changes where necessary. Furthermore, the Division is responsible for facilitating and monitoring the implementation of the project recommendations.

In addition, the Strategic Management Division is responsible for conducting proactive research on global and local sectorial and economic developments, sharing research findings and developing new project ideas with other business units. The Division ensures that new product and service developments move in tandem with Akbank's strategic priorities.

The Strategic Management Division works in conjunction with relevant business units and regions to develop Akbank's branch channel expansion and development strategies. These strategies are detailed into branch opening and optimisation plans which are executed by the Division during the course of the year.

Human Resources

As at 30 June 2014, Akbank had 16.365 employees, 11.382 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 30 June 2014 and as at 31 December 2013, 2012, and 2011.

	<i>Number of Employees</i>
30 June 2014	9,442
31 December 2013	9,459
31 December 2012	9,603
31 December 2011	8,969

Akbank places emphasis on ensuring that employees have the level of education suitable for operational effectiveness and a career at Akbank. Akbank Academy serves numerous training programmes designed for all levels of Akbank's staff. Akbank's employees receive comprehensive orientation and training regarding Akbank's strategy in an effort to enable them to gain an understanding, sense of ownership, and proficiency in the business of Akbank. In 2003, Akbank began "career training" programmes, designed to equip all branch staff with the knowledge and skills required by their positions. Akbank Academy has been supporting certification programmes since 2011 for expert positions in areas such as credit and investment. It also sponsors the leadership training which started in 2013.

Subsidiaries and Affiliated Companies

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 2013:

	<i>% of share</i>	<i>Carrying value in TL thousands</i>	<i>Business</i>
Ak Portföy Yönetimi A.Ş. (Ak Asset Management)	100.00	16,296	Portfolio Management

	<i>% of share</i>	<i>Carrying value in TL thousands</i>	<i>Business</i>
Ak Finansal Kiralama A.Ş. (AKLease).....	99.99	498,133	Leasing
Ak Yatırım Menkul Değerler A.Ş. (Ak Investment)	100.00	127,731	Brokerage
Akbank (Dubai) Limited.....	100.00	13,815	Banking
Akbank AG	100.00	1,309,385	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 is a wholly owned subsidiary of Akbank. Akbank AG was initially founded as Akbank T.A.Ş. Niederlassung Deutschland, the German branch of Akbank. The branch received its full banking licence in 1998 from Federal Financial Supervisory Authority (BaFin) and provided retail and corporate banking services. In 2005, the management of Akbank decided to terminate its retail banking activities in Germany and focus solely on corporate banking. In line with this decision, Akbank AG was transferred to Akbank N.V., a wholly owned subsidiary of Akbank T.A.Ş. established in 2001 as a Dutch bank under the Banking Law and Regulations of the Netherlands, in May 2007. As part of a restructuring of Akbank's overseas subsidiaries, Akbank N.V. was merged into Akbank AG, with the discontinuation of Akbank N.V.'s activities effective from 15 June 2012. Akbank AG's core business lines include corporate lending and factoring.

As part of Akbank's international business development strategy, Akbank (Dubai) Limited, a wholly owned subsidiary of Akbank T.A.Ş., was established in 2009 at the DIFC. For more information on Akbank (Dubai) Limited, see “—Business—Akbank's Business Segments—International Banking”.

Akbank has also conducted overseas activities through its branch in Malta since 2001, concentrating on corporate banking services, consisting mainly of project financing, investment and working capital loans.

Competition

The banking industry in Turkey is highly competitive across each banking segment and sector, and international banks have been showing an increasing interest. Moreover, public banks, which typically focused on government and related projects are increasingly focused on the private sector, leading to increased competition and pressure on margins. HSBC Bank plc acquired, through its 2002 acquisition of Demirbank A.Ş., a broad network of branches in Turkey. UniCredito Italiano acquired 50% of the holding company of Koçbank in 2002 and, in February 2005, BNP Paribas acquired 50% of the shares of TEB Mali Yatırımlar A.Ş., which owns 84.3% of the shares of Türkiye Ekonomi Bankası A.Ş. In 2005, the Koçbank holding company (50% owned by UniCredito Italiano, as described above) acquired 57.4% of the shares of Yapı ve Kredi Bankası A.Ş. with the merger being completed in 2006. In the same year, Fortis Bank acquired 89.3% of the share capital of Türk Dış, Ticaret Bankası A.Ş. and General Electric Financial Services acquired 25.5% of the shares of Türkiye Garanti Bankası A.Ş. In 2006, the National Bank of Greece announced its acquisition of 46% of Finansbank from Finansbank's founding shareholder owners and Zorlu Holding sold its 75% stake in Denizbank to Dexia. Also in 2006, Şekerbank's owners, Şekerbank Social Security Fund and Şekerbank Personnel Fund, signed a share purchase agreement with Kazakh Turan Alem regarding the acquisition by Kazakh Turan Alem of a 34% stake of Şekerbank while Arap Bank Plc and Bank Med participated in the acquisition of 91% of MNG Bank. In 2007, Eurobank EFG Holding (Luxembourg) S.A. acquired a 70% stake in Tekfenbank A.Ş. The sale of 100% of the shares of Oyakbank to ING Bank of The Netherlands was approved by BRSA at the end of 2007. In 2007,

Citigroup acquired a 20% stake in Akbank, which was reduced to 9.9% in May 2012. On 2 November 2010, Banco Bilbao Vizcaya Argentaria entered into an agreement to acquire a 24.9% stake in Türkiye Garanti Bankası A.Ş. comprising of 18.6% of the share capital of the bank held by General Electric Financial Services and 6.3% held by Doğu Holding A.Ş., together with an option to acquire further shares from Doğu Holding A.Ş. in five years' time. On 14 February 2011, Fortis Bank A.Ş., a fully owned subsidiary of Fortis Bank, merged into Türkiye Ekonomi Bankası A.Ş., a joint venture of BNP Paribas, with Türkiye Ekonomi Bankası A.Ş. becoming the surviving entity. On 9 April 2012, Burgan Bank and EFG signed a definitive agreement for the acquisition of 70% of Eurobank Tekfen A.Ş.'s issued share capital of Eurobank Tekfen A.Ş. On 8 June 2012, Sberbank and a shareholder of DenizBank (Dexia Participation Belgique) signed a definitive agreement for the acquisition of 99.85% of DenizBank's issued share capital by Sberbank. Thereafter, Bank Audi and Commercial Bank of Qatar have acquired interests in Turkish banks. In addition, Commercial Bank of China recently applied to BRSA to acquire Tekstilbank A.Ş.

The Turkish banking sector has been restructured substantially and has been harmonising its legislation in line with EU standards. During the restructuring, the sector has undergone a substantial consolidation as the number of banks has declined from 84 in 1999 to 46 (including six branches of international banks) currently. Overall, the banking system capital base has been strengthened, fragmentation has been decreased and market risks have been reduced. Akbank's management believes that it is well positioned to compete in the market due to its strong brand, robust capital structure, strong liquidity and conservative funding policy, the diversity and size of its customer portfolio and its widespread branch network.

As of 31 March 2014 state banks represent approximately 29.7% of the sector's assets, the four largest private banks approximately 44.7%, and the remaining banks including the medium sized banks and the smallest banks have approximately 25.6% of the sectors assets (excluding participation banks).

As of 30 June 2014, Akbank had a 10.3% market share in total loans (9.9% in TL loans and 11.2% in foreign currency loans) while its market share in total deposits was 10.3% (10.1% in TL deposits and 10.7% in foreign currency deposits) (*Source: BRSA*).

Properties

As at 30 June 2014, the total book value of the properties of Akbank (comprising land and buildings) was TL825.7 million compared to TL851.2 million, TL799.9 million and TL790.7 million as at 31 December 2013, 2012 and 2011, respectively, 408 branches are located on sites owned by Akbank, and the remainder are leased by Akbank. In addition, Akbank owns its head office, with a TL354.0 million appraisal value as of 30 June 2014.

Legal Proceedings

Akbank is subject to various ongoing legal proceedings. Save as disclosed herein, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had, during the 12 months preceding the date of this Base Prospectus a significant effect on the Akbank Group's financial position or profitability.

Competition Board Investigations

Competition in Turkey is mainly regulated by Law No. 4054 on the Protection of Competition (the **Competition Law**). The Competition Law is enforced by the Competition Board, which has the power to investigate possible breaches and impose fines.

In August 2009, the Competition Board released a report announcing that it had initiated an investigation of eight major banks, including Akbank, regarding allegations of collusion between such banks in relation to the provision of promotions to public and private corporate customers while providing payroll deposit services, in breach of the Competition Law. After its investigation, on 8 March 2011, the Turkish Competition Board announced that it imposed an administrative fine amounting to TL14,525,268 (approximately U.S.\$8 million) on Akbank with the possibility of Akbank's appealing the decision to the Council of State. Akbank has appealed such fine following its receipt of the detailed decision of the Turkish Competition Board; however, according to the Law on Protection of Competition No. 4054, appealing a decision of the Turkish Competition Board will not stop the implementation of the Turkish Competition Board's decisions and the consequent collection of administrative fines. In September 2011, Akbank announced that TL10,893,951 of the fine (the amount calculated by benefitting from a 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) was paid by Akbank on 20 September 2011; Akbank reserved its right to litigate against the related decision and to claim for refund. The appeal process is currently pending.

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 the banks that is under investigation, operating in Turkey to determine whether they have acted in concert and violated Turkish competition laws in respect of interest rates and fees applicable to banking products such as 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. 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. The litigation process is currently pending. While there is no precedent Turkish court decision approving the legal validity of any such claims by customers and there are not any resolved cases opened by any customers against Akbank in this respect, under articles 57 and 58 of the Law on the Protection of Competition customers may be able to bring claims (including in a class action) against Akbank seeking damages.

Internal Control

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 23 regional offices throughout Turkey.

The ICCD consists of five teams, namely Branch Controls, Head Office and Process, Controls, Information Systems Controls, and Compliance Controls and Regulatory Affairs. ICCD personnel comprises one Chairman, five Vice Chairmen, nine managers, and 92 controllers.

Branch Controls comprises two different control approaches/teams, which are on-site controls and remote (off-site) controls. On-site controls are the main controls, which are carried out in particularly active 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 23 regional offices of the bank with a permanent

controller in Malta Branch and covers all of Akbank's branches. Remote (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 and bank and credit cards, scanning them into Akbank's core systems. Aside from on-site and remote (off-site) controls, a specialised team in the Segment Branch Controls 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 legal risks throughout Akbank.

The retail and SME loans team carries out credit control via the Application/Implementation Control group. The aim for this group is to draw a reasonable level of operational risks related to credit transactions. For this exercise, Akbank's credit policies, principles, rules and regulations for credit processes are controlled centrally, whereas the customer loans are controlled at branch level.

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, alternative distribution channels process, bank and credit cards process, financial reporting process, payment systems process, treasury/securities and fund management process. In addition to those processes, new work flows to be pronounced/announced 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 include 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 while it had previously 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'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.

The Board of Internal Audit

The Board of Internal Audit (**BIA**) audits Akbank's head office units, domestic and foreign branches, the companies under its control and the business activities of all units with respect to compliance with Akbank's mission, strategies and policies, as well as relevant laws and regulations. The BIA's function is to support Akbank by providing internal audit and consulting services in compliance with international standards and to ensure that the Board of Directors' objectives and policies prevail throughout the organisation.

The BIA reports directly to the Board of Directors through the Board Member in Charge of Internal Audit and Audit Committee, but also shares the findings of its audits with the top management and, unless confidential, with the audited units. The BIA also provides copies of auditor reports to the public authorities such as the BRSA. The BIA personnel comprises one Chief Audit Executive, four deputy heads and 148 auditors.

The BIA evaluates risk management, internal control and governance processes in accordance with the BRSA directives and Audit Charter of Akbank. While auditing Akbank's branches in a risk-oriented manner, the Board of Internal Audit also examines systems, models and many of the activities of Akbank's head office and subsidiaries. Additionally, the Central Auditing Unit assesses the loan portfolio according to rating classes, industry sectors, categorization types among other criteria and examines processes products and applications. The financial statements and accounting system are also reviewed through financial statement auditing. Furthermore, IT practices are audited through the evaluation of information systems security and IT processes. The BIA is also responsible for conducting fraud investigations and inquiries. Additionally, physical inventory counts and reconciliations are undertaken in order to review the safeguarding of assets.

Evaluating the Loan Approval Processes

The audit procedures of the loan approval processes are as follows:

- Process Audit: the loans approval processes for corporate and SME loans approval and consumer loans and credit cards are evaluated and audited in terms of, among other things, policies and procedures and governance of human resources and organisation,
- Department/Branch Audit: departments and branches who are in charge of granting loans are evaluated and audited in terms of, among other things, governance, risk management, internal controls and the creditworthiness of the portfolio,
- Model Audit: scoring/rating models are evaluated and audited in terms of, among other things, managerial processes, strategy, policies, data collection, design, analysis, modelling, validation, calibration and reporting,
- Portfolio Audit: credit portfolio as a whole and/or sub-portfolios which have been broken down according to markets, regions, scores/ratings are evaluated and audited in terms of, among other things, credit worthiness, capability to be repaid and profitability,
- Product and Campaign Audit: products and campaigns which have been designed to promote the growth of loan portfolios are evaluated and audited based on the corresponding loan repayment schedules and compliance with existing criteria.

Allegations of Illegal Conduct

A separate team in the BIA deals with customer and/or employee complaints and whistleblowing, which may also be reported via a special dedicated hotline. Complaints are processed according to their seriousness and importance. Independent of these, fraudulent activities and other forms of breaches of applicable rules and legislation are evaluated by internal auditors, following which further investigations and enquiries may be made.

Significant Outstanding Matters

Significant outstanding matters are categorised in terms of importance and risk level. Findings from Head Office and subsidiary audits are categorised as low, moderate or high risk. Findings from branch audits are rated on a scale from one to five, from very low risk to very high risk.

Outstanding matters categorised as “high” or “5” are processed as follows: (i) results of subsidiaries audits are reported via internal memorandum and executive summary to the Board of Directors; (ii) results of branch audits are reported, considering the control deficiencies and the importance of the findings, to the executive management via an executive summary; and (iii) results of important investigations and enquires are reported to the Board of Directors via an internal memorandum.

These matters are also uploaded to an internal network (intranet), and the action dates given and uploaded to this intranet system by the relevant business lines and their progress is closely monitored. If necessary measures have not been taken, the reasons for not taking such measures are questioned and additional information is requested.

Following the meeting of the Audit Committee which takes place each quarter, the Board of Directors is informed of any outstanding high-risk findings.

Risk Management

General

Akbank’s management philosophy is to integrate a risk management culture into its strategic decision processes as well as its daily operational activities. Akbank believes that assessment and control of risk is an essential component of the performance of Akbank. Akbank seeks to closely identify, measure, monitor and manage the risks arising from its operations. The principal risks inherent to its business are credit risk, liquidity risk, interest rate risk, market risk and operational risk. The objective of Akbank’s asset and liability management and use of financial instruments is to limit Akbank’s exposure to its inherent risks, whilst ensuring that Akbank has sufficient capital adequacy and is using its capital to maximise net interest income. In order to achieve this objective, Akbank monitors and manages the mismatch of maturities, the size and degree of its interest rate and exchange rate exposure and its counterparty credit quality. Akbank’s system of risk control and risk management is designed to be fully integrated into its internal systems for planning, management and control.

The Board of Directors is responsible for Akbank’s fundamental approach to risk, risk principles, and the determination of risk capacity. The Board of Directors manages risk through two committees, the Assets and Liabilities Committee (the **ALCO**) and the Executive Risk Committee (the **ERC**) supported by the Risk Management Division. Akbank’s risk management function acts independently of the commercial business lines, but at the same time is integrated into Akbank’s business processes.

Risk Management Organisation

The Board of Directors and senior management are responsible for developing risk management policies and strategies. The Board of Directors approves Akbank’s general principles of risk control and risk management, its limits for all relevant risks and the procedures that Akbank applies in controlling and managing its risks. These policies are closely monitored and discussed during ALCO meetings, and are also reviewed periodically by the Board. The Chief Executive Officer (**CEO**) of Akbank is responsible for ensuring that each Executive Vice President (**EVP**) operates in line with policies and strategies determined by the Board of Directors. Enforcement of these management strategies and policies is the responsibility of each EVP. Additionally, Akbank has frequent internal control and periodic internal audit reviews to monitor compliance with risk management policies and procedures.

Executive Risk Committee

The ERC has ultimate responsibility for Risk Management and reports to the Board of Directors. The ERC meets periodically to review Akbank’s position and other developments in the economy. The

ERC is comprised of the three Executive Board Members and the CEO. The ERC establishes the policies, procedures, and rules for risk management of Akbank, and develops risk management strategies which are incorporated into Akbank's long-term strategy. Subject to the Board of Directors' approval, the ERC also sets risk limits for liquidity risk, credit risk, interest rate risk and currency risk in line with Akbank's risk appetite. Through close monitoring of the markets and overall economy, the ERC changes such limits as necessary. Risk limits and the implementation of risk management policies are broken down to various levels of authority within relevant business units in order to enhance effectiveness. Akbank's risk positions are reported to the members of the ERC on a regular basis. Additionally, the ERC reviews the latest figures and projections for Akbank's profit and loss account and balance sheet, liquidity position, interest and foreign exchange exposures, as well as the latest analysis of yield and the macroeconomic environment.

Risk Management Division

The Risk Management Division, which directly reports to the Board of Directors, is responsible for identifying, measuring and managing credit risk, liquidity risk, interest rate risk, market risk operational risk and other material risks for Akbank. Within the Division there are separate teams for credit scoring and rating model development and validation, and a middle office team responsible for controlling treasury transactions and positions. The Division is also responsible for developing risk management systems and infrastructure, analysing results, and reporting on the management and integration of the risks. Additionally, the Division has responsibility for ongoing work within the framework of compliance with Basel II and for handling Akbank's relationships with the Turkish regulatory authorities, principally the BRSA and the Central Bank.

Assets and Liabilities Committee

The primary objective of Akbank's asset and liability management is to satisfy the dual requirements of controlling exposure to liquidity and market risks whilst maximising profitability by the appropriate holding of assets and liabilities. Akbank aims to maintain a structure of assets and liabilities that optimises both long-term and short-term profitability while minimising income volatility within the constraints of general market conditions. Akbank monitors and manages the mismatch of maturities in order to minimise the effect of these risks on profitability, while maintaining sufficient liquidity and capital adequacy. Through Akbank's asset and liability management, it structures its balance sheet taking into account interest rate, liquidity and foreign exchange risks as well as demands for credit, existing asset-liability positions, and general market conditions.

In order to achieve the primary objective of Akbank's asset and liability management, the ALCO manages the adherence to risk limits by the various business units of Akbank. The ALCO's responsibilities include developing investment, pricing and funding strategies and making decisions on day-to-day liquidity management. The ALCO consists of the CEO, the EVP in charge of Treasury, the CFO and each of the EVPs in charge of Retail Banking, SME Banking and Corporate Banking. The ALCO meets twice a week to review the latest data on its liquidity position, interest rate risk exposures, credit exposures and to discuss developments in the macroeconomic environment.

Credit Committee

The Credit Committee is comprised of three members of the Board of Directors and the CEO and is responsible for lending processes at Akbank. The Credit Committee has ultimate authority to ratify lending decisions and to assess the compliance of approved loan applications with the legislation, banking principles and objectives and Akbank's internal lending policies. The Credit Committee is supported by an Appraisal Committee which conducts an initial assessment of loan applications submitted by the branches.

Enterprise Risk Management (ERM)

In September 2011, Akbank started adapting an Enterprise Risk Management (ERM) Framework project to implement a new ERM platform using software developed by Algorithmics, which is currently owned by IBM. The ERM framework is designed to help Akbank to derive business value while meeting regulatory compliance requirements. The project includes implementation of credit risk, market risk, asset and liability management, liquidity risk, operational risk, and risk integration and risk panel modules. As of 31 August 2014, six modules have been implemented and the remaining two modules are due to be completed by the end of 2014. The new ERM Framework will have all components that help Akbank to manage risk and is intended both to add value to the business while at the same time meeting regulatory compliance requirements. During implementation, the existing processes will continue to run in parallel to benchmark the accuracy and reliability of the new system.

Credit Risk

Credit risk is the risk that counterparties may be unable to meet their obligations in accordance with the terms of their agreements with Akbank.

Akbank's exposure to credit risk is concentrated in Turkey, where the majority of Akbank's activities are carried out. This risk is monitored by reference to credit risk ratings and managed by limiting the aggregate risk to any individual counterparty, economic group, industry or country. Credit risks are determined for each individual customer, enterprise and economic group separately. Credit risk is generally diversified due to the large number of entities comprising the customer base across the corporate, commercial and retail banking segments, and their diversification across different industries and geographic areas and by size.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed by obtaining collateral such as mortgages, corporate and personal guarantees and other security where appropriate. For example, approximately 50% of Akbank's corporate portfolio and approximately 95% of its commercial and small business portfolios are collateralised, according to Akbank's management estimates.

Various application and behavioural scorecards are in use at Akbank to improve its loan evaluation and underwriting processes. The models include corporate, commercial, and small business rating models, consumer loans and credit cards applications models, and behavioural models for retail and SME portfolios. The performances of the rating models are monitored periodically, and when found necessary models are redeveloped/realigned. Akbank believes that by using advanced models, it can better assess the creditworthiness of its loan customers.

Expected loss is used as a measurement of potential credit risk loss within an one-year period based on the historical loss experience. During the analysis stage of the credit risk model, all the components of the expected loss and unexpected loss are generated by detailed statistical measurements. These components are probability of default, loss given default, and exposure at default. When calculating the expected loss, risk characteristics are taken into account such as collateral types, maturities, and amounts of different credit exposures. Those risk components are also used in risk-based credit pricing for corporate, commercial, small business and retail customers.

Credit risk statistics are based on long-term statistical averages (five years) of Akbank's own default experience and collateral history. The resulting average figures are measured against external benchmarks. The Credit Risk module of the ERM platform includes a Basel II Standard, A-IRB module for Pillar-1 purposes and an Economic Capital Module for Pillar-2 and beyond Basel activities. Implementation of the Standard and the E-cap Module have been completed successfully.

See “—Business—Akbank’s Business Segments”, “—Business—Operational Risk: Identification and Remediation of Problem Loans and Non-Performing Loan Follow-up Division” and “Risk Factors—I. Risks Related to Akbank—Credit risks, including risks arising from exposure to clients and the Turkish Government, have materially adversely affected and could continue to have a material adverse effect on the Issuer’s business, financial condition, results of operations and prospects”.

Market Risk

Banks are exposed to market risk due to movements in foreign currency exchange rates, interest rates and market prices for stocks. Akbank believes that interest risk is the most important component of market risk that it faces.

Akbank measures market risk according to both the “Internal Model” and “Standard Model” (also known as the regulatory model).

Internal Model

The internal model calculates market risk on the basis of the VaR methodology. Akbank uses the VaR to measure the potential loss in value of a particular asset or portfolio from adverse market movements over a specified period for a given confidence interval. For example, when the VaR on an asset is U.S.\$100 million at a one-week, 99% confidence level, it means that there is only a 1% chance that the value of the asset will decrease more than U.S.\$100 million over any given week.

Akbank applies three different VaR methods including variance-covariance, historical simulation and Monte Carlo simulation methods. Akbank uses software that can perform calculations with an advanced yield curve and volatility models. VaR model is based on the assumptions of a 99% confidence interval and a ten-day retention period. VaR is reported to senior management on a daily basis in order to assess the possible expected loss. VaR analyses are supported with scenario analyses and stress tests, and take into consideration the effects of low-probability events which can have a significant impact. Retrospective tests of model outputs are performed regularly.

VaR methodology may not provide satisfactory results under severe crisis conditions. In order to calculate the economic capital under extreme market conditions and to limit the maximum risk carried by Akbank, Akbank’s management relies upon historical stress-testing analyses, although there is no assurance that such VaR methodology or stress-testing will be adequate to account for all risks and contingencies in extreme or unusual market conditions.

Standard Model

For regulatory capital adequacy calculations, Akbank relies on its standard model which is, similarly to the capital adequacy framework commonly known as Basel I, designed to measure market risks on a monthly basis taking into account interest rate risks, currency risks, equity risks and specific risk.

The Risk Management Division prepares market risk analysis reports according to the standard model in line with the requirements of the regulatory authority (BRSA).

Currency Risk

Foreign currency denominated assets and liabilities, together with forward purchase and sale commitments, give rise to foreign exchange exposure. This risk is managed by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities, and the remaining open foreign exchange exposures are hedged on a portfolio basis with derivative financial instruments that include primarily forward foreign exchange contracts and currency swaps. The Board of Directors,

taking into account the recommendations from the ERC, sets limits for the size of foreign exchange exposure, which are closely monitored by the ALCO.

Foreign exchange risk exposure is measured in terms of both aggregate foreign currency open position and foreign currency open position for each currency. There are separate limits for both aggregate and individual exposures set in compliance with the legal standard ratio of net foreign currency position. According to the applicable regulatory limits, Akbank is required to maintain at all times a maximum limit of 20% net open position relative to its capital base. However, Akbank has traditionally maintained a nearly square open position.

The ERC sets the maximum foreign currency open position permissible (short or long). The ERC also determines under what circumstances the maximum amount can be utilised. This overall limit is generally broken down into two authority levels; the initial level is the open position limit assigned to the EVP in charge of Treasury under his/her discretion in order to respond to market developments and fluctuations. This limit is monitored on a real-time basis. The second level is the remaining portion of the overall limit, which is under the authority of the ALCO and it is monitored on a daily basis.

The tables below summarise Akbank's exposure to foreign currency exchange rate risk as at 30 June 2014 and as at 31 December 2013, 2012 and 2011. Included in the table are Akbank's assets and liabilities and shareholders' equity shown at carrying amounts categorised by currency.

	<i>As at 30 June 2014</i>			
	<i>Foreign currency</i>			
	<i>EUR</i>	<i>U.S.\$</i>	<i>Other⁽¹⁾</i>	<i>Total</i>
ASSETS				
Cash Equivalents and Central Bank	3,789,699	11,603,309	3,376,116	18,769,124
Banks	1,853,559	2,347,174	75,842	4,276,575
Financial Assets at Fair Value through Profit or Loss (Net)	179	2,141	—	2,320
Interbank Money Market Placements	—	—	—	—
Available for sale Financial Assets (Net)	2,454,664	10,719,810	—	13,174,474
Loans	15,477,066	32,722,613	58,813	48,258,492
Investments in Associates, Subsidiaries and Joint Ventures	—	—	—	—
Held to maturity Investments (Net)	2,292,551	2,509,671	—	4,802,222
Hedging Derivative Financial Assets	—	—	—	—
Tangible Assets (Net)	647	1,806	—	2,453
Intangible Assets (Net)	522	14	—	536
Other Assets	1,461,701	1,291,419	650	2,753,770
Total assets	27,330,588	61,197,957	3,511,421	92,039,966
LIABILITIES				
Bank Deposit	1,646,047	5,705,685	1,055,173	8,406,905
Foreign Currency Deposits	18,036,059	23,798,125	2,387,098	44,221,282
Funds from Interbank Money Market	2,517,254	20,272,272	—	22,789,526
Borrowings	7,760,445	11,556,996	2,673	19,320,114
Marketable Securities Issued (Net)	14,459	7,143,054	35,557	7,193,070
Miscellaneous Payables	92,871	493,464	54,309	640,644
Hedging Derivate Financial Liabilities	—	—	—	—
Other Liabilities	172,566	136,458	26,709	335,733
Total liabilities	30,239,701	69,106,054	3,561,519	102,907,274
Net balance sheet position	(2,909,113)	(7,908,097)	(50,098)	(10,867,308)
Net off-balance sheet position	3,619,038	7,985,928	41,769	11,646,735

	<i>As at 31 December 2013</i>			
	<i>Foreign currency</i>			
	<i>EUR</i>	<i>U.S.\$</i>	<i>Other⁽¹⁾</i>	<i>Total</i>
ASSETS				
Cash Equivalents and Central Bank	5,143,253	9,208,242	2,935,860	17,287,355
Banks	1,738,540	3,834,613	64,578	5,637,731
Financial Assets at Fair Value through Profit or Loss (Net)	196	1,971	—	2,167
Interbank Money Market Placements	—	—	—	—

<i>As at 31 December 2013</i>				
<i>Foreign currency</i>				
	<i>EUR</i>	<i>U.S.\$</i>	<i>Other⁽¹⁾</i>	<i>Total</i>
Available for sale Financial Assets (Net)	2,359,222	7,544,200	—	9,903,422
Loans.....	14,832,038	31,088,769	62,965	45,983,772
Investments in Associates, Subsidiaries and				
Joint Ventures	—	—	—	—
Held to maturity Investments (Net)	2,397,109	2,537,321	—	4,934,430
Hedging Derivative Financial Assets	—	—	—	—
Tangible Assets (Net).....	795	1,829	—	2,624
Intangible Assets (Net).....	463	19	—	482
Other Assets	1,405,150	1,315,509	1,504	2,722,163
Total assets.....	27,876,766	55,532,473	3,064,907	86,474,146
LIABILITIES				
Bank Deposit.....	2,201,898	5,159,248	1,052,658	8,413,804
Foreign Currency Deposits.....	20,804,135	24,183,551	2,809,100	47,796,786
Funds from Interbank Money Market.....	888,583	18,833,151	—	19,721,734
Borrowings.....	6,910,489	12,346,941	2,684	19,260,114
Marketable Securities Issued (Net).....	—	5,588,792	—	5,588,792
Miscellaneous Payables.....	448,448	287,878	1,067	737,393
Hedging Derivate Financial Liabilities.....	—	—	—	—
Other Liabilities	173,560	146,846	6,194	326,600
Total liabilities.....	31,427,113	66,546,407	3,871,703	101,845,223
Net balance sheet position.....	(3,550,347)	(11,013,934)	(806,796)	(15,371,077)
Net off-balance sheet position.....	4,538,484	10,813,621	791,652	16,143,757

Note:

- (1) “Other” includes GBP, JPY, CHF, NOK, SEK, DKK, CAD, AUD, SAR.

<i>As at 31 December 2012</i>				
<i>Foreign currency</i>				
	<i>EUR</i>	<i>U.S.\$</i>	<i>Other⁽¹⁾</i>	<i>Total</i>
ASSETS				
Cash Equivalents and Central Bank	4,140,688	6,859,883	2,303,878	13,304,449
Banks	858,641	1,856,824	48,107	2,763,572
Financial Assets at Fair Value through Profit				
or Loss (Net)	164	2,805	-	2,969
Interbank Money Market Placements	-	-	-	-
Available for sale Financial Assets (Net)	3,749,310	8,522,118	-	12,271,428
Loans.....	10,908,051	24,363,621	71,716	35,343,388
Investments in Associates, Subsidiaries and Joint Ventures ..	-	-	-	-
Held to maturity Investments (Net)	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net).....	851	1,854	-	2,705
Intangible Assets (Net).....	321	74	-	395
Other Assets	885,802	828,468	135	1,714,405
Total assets.....	20,543,828	42,435,647	2,423,836	65,403,311
LIABILITIES				
Bank Deposit.....	2,579,912	4,669,778	725,696	7,975,386
Foreign Currency Deposits.....	12,341,746	17,078,874	2,295,253	31,715,873
Funds from Interbank Money Market.....	307,527	10,952,449	-	11,259,976
Borrowings.....	5,857,076	9,253,215	22,167	15,132,458
Marketable Securities Issued (Net).....	-	4,083,764	-	4,083,764
Miscellaneous Payables.....	44,356	332,967	6,657	383,980
Hedging Derivate Financial Liabilities.....	-	-	-	-
Other Liabilities	131,482	91,238	1,841	224,561
Total liabilities and equity	21,262,099	46,462,285	3,051,614	70,775,998
Net balance sheet position.....	(718,271)	(4,026,638)	(627,778)	(5,372,687)
Net off-balance sheet position.....	1,069,473	4,865,958	597,650	6,533,081

Note:

- (1) “Other” includes GBP, JPY, CHF, NOK, SEK, DKK, CAD, AUD, SAR.

<i>As at 31 December 2011</i>				
<i>Foreign currency</i>				
	<i>EUR</i>	<i>U.S.\$</i>	<i>Other⁽¹⁾</i>	<i>Total</i>
ASSETS				
Cash Equivalents and Central Bank	186,665	8,369,150	493,189	9,049,004
Banks	1,396,508	1,864,368	65,004	3,325,880

	<i>As at 31 December 2011</i>			
	<i>Foreign currency</i>			
	<i>EUR</i>	<i>U.S.\$</i>	<i>Other(1)</i>	<i>Total</i>
ASSETS				
Financial Assets at Fair Value through Profit or Loss (Net)	9,556	19,637	-	29,193
Interbank Money Market Placements	-	-	-	-
Available for sale Financial Assets (Net)	2,692,857	3,595,505	-	6,288,362
Loans	9,734,661	23,925,625	104,708	33,764,994
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held to maturity Investments (Net)	707,417	308,422	-	1,015,839
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	1,733	1,864	-	3,597
Intangible Assets (Net)	882	131	-	1,013
Other Assets	665,218	591,518	297	1,257,033
Total assets	15,395,497	38,676,220	663,198	54,734,915
LIABILITIES				
Bank Deposit	2,246,121	5,830,658	376,154	8,452,933
Foreign Currency Deposits	10,965,960	16,741,894	1,123,528	28,831,382
Funds from Interbank Money Market	235,149	7,263,351	-	7,498,500
Borrowings	5,388,759	12,274,382	33,037	17,696,178
Marketable Securities Issued (Net)	-	2,695,846	-	2,695,846
Miscellaneous Payables	175,995	35,681	8,744	220,42
Hedging Derivate Financial Liabilities	-	-	-	-
Other Liabilities	157,004	53,007	8,966	218,977
Total liabilities and equity	19,168,988	44,894,819	1,550,429	65,614,236
Net balance sheet position	(3,773,491)	(6,218,599)	(887,231)	(10,879,321)
Net off-balance sheet position	3,954,376	6,382,269	887,674	11,224,319

Note:

(1) "Other" includes GBP, JPY, CHF, NOK, SEK, DKK, CAD, AUD, SAR.

Interest Rate Risk

Akbank is exposed to interest rate risk either through market value fluctuations of balance sheet items, i.e. price risk, or the impact of rate changes on interest-sensitive assets and liabilities. Interest rate risk is the key component of Akbank's asset and liability management. Interest rate risk is managed on a portfolio basis by applying different strategies such as using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, or building hedge relationships in order to minimize the effects of changes in interest rates. Special emphasis is given to providing a balance between the duration of assets and liabilities. Repricing/duration, gap, sensitivity and scenario analysis are the main methods used to manage these risks.

The tables below summarise Akbank's exposure to interest rate risks as at 30 June 2014 and as at 31 December 2013, 2012 and 2011, respectively. Included in the table are Akbank's assets and liabilities shown at carrying amounts classified in terms of periods remaining to contractual repricing dates.

	<i>As at 30 June 2014</i>						<i>Total</i>
	<i>Up to 1 month</i>	<i>1 to 3 months</i>	<i>3 months to 1 year</i>	<i>1 year to 5 years</i>	<i>5 years and Over</i>	<i>Non-interest bearing</i>	
ASSETS							
Cash Equivalents and Central Bank	—	—	—	—	—	20,759,224	20,759,224
Banks	980,653	346,674	81,273	—	—	3,148,312	4,556,912
Financial Assets at Fair Value through Profit or Loss (Net)	106,391	133,950	449,537	48,300	127,267	26,181	891,626
Interbank Money Market Placements	1,460,404	—	—	—	—	—	1,460,404
Available for sale Financial Assets (Net)	3,650,697	8,405,607	9,067,218	8,794,580	7,231,509	287,719	37,437,330
Loans	35,500,247	20,161,851	35,577,719	31,063,947	4,457,503	150,530	126,911,797
Held to maturity Investments (Net)	1,900,447	1,403,280	855,446	5,412,461	857,858	—	10,429,492
Other Assets	1,130,353	619,291	516,038	1,337,874	201,360	2,551,078	6,355,994

As at 30 June 2014							
	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	5 years and Over	Non-interest bearing	Total
ASSETS							
Total assets	44,729,192	31,070,653	46,547,231	46,657,162	12,875,497	26,923,044	208,802,779
LIABILITIES							
Bank Deposits	5,673,294	3,641,996	632,947	—	—	292,169	10,240,406
Other Deposits.....	56,200,185	19,697,723	7,496,156	3,972,905	310,162	18,374,491	106,051,622
Funds from Interbank Money Market	12,376,256	3,508,528	3,818,658	4,915,672	3,206,973	—	27,826,087
Miscellaneous Payables.....	119,234	—	—	—	—	3,332,561	3,451,795
Marketable Securities Issued (Net)	997,329	1,576,127	1,439,968	5,478,179	1,070,343	—	10,561,946
Borrowings.....	1,891,540	12,275,236	5,123,317	563,291	58,119	—	19,911,503
Other Liabilities	209,256	224,217	504,128	174,949	163,876	29,482,994	30,759,420
Total liabilities	77,467,094	40,923,827	19,015,174	15,104,996	4,809,473	51,482,215	208,802,779
Balance Sheet Long Position	—	—	27,532,057	31,552,166	8,066,024	—	67,150,247
Balance Sheet Short Position	(32,737,902)	(9,853,174)	—	—	—	(24,559,171)	(67,150,247)
Off-balance Sheet Long Position	693,664	3,450,409	—	—	—	—	4,144,073
Off-balance Sheet Short Position	—	—	(2,940,685)	(894,982)	(315,289)	—	(4,150,956)
Total Position	(32,044,238)	(6,402,765)	24,591,372	30,657,184	7,750,735	(24,559,171)	(6,883)

As at 31 December 2013							
	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	5 years and Over	Non-interest bearing	Total
ASSETS							
Cash Equivalents and Central Bank	—	—	—	—	—	18,223,119	18,223,119
Banks	1,810,355	303,086	—	—	—	3,725,658	5,839,099
Financial Assets at Fair Value through Profit or Loss (Net)	384,177	516,155	682,213	69,796	180,892	58,377	1,891,610
Interbank Money Market Placements	—	—	—	—	—	—	—
Available for sale Financial Assets (Net)	5,220,043	5,654,176	11,205,832	3,811,421	7,013,500	260,010	33,164,982
Loans	33,928,299	27,286,063	22,217,461	30,086,403	4,398,429	92,850	118,009,505
Held to maturity Investments (Net).....	1,820,058	2,679,219	1,265,436	3,077,666	3,311,074	—	12,153,453
Other Assets.....	1,414,722	641,704	487,548	1,297,440	198,123	2,160,958	6,200,495
Total assets	44,577,654	37,080,403	35,858,490	38,342,726	15,102,018	24,520,972	195,482,263
LIABILITIES							
Bank Deposits.....	7,312,938	2,935,599	485,461	—	—	687,555	11,421,553
Other Deposits.....	53,029,384	19,292,836	8,012,292	4,097,715	235,057	16,383,846	102,051,130
Funds from Interbank Money Market.....	7,703,947	3,630,120	4,911,257	2,634,366	4,351,061	—	22,230,751
Miscellaneous Payables	106,379	—	—	—	—	3,618,612	3,724,991
Marketable Securities Issued (Net).....	254,519	1,203,349	625,456	5,564,222	1,080,296	—	8,727,842
Borrowings	1,932,832	11,410,559	5,940,489	558,172	56,548	—	19,898,600
Other Liabilities	171,841	377,049	608,587	211,060	221,129	25,837,730	27,427,396
Total liabilities	70,511,840	38,849,512	20,583,542	13,065,535	5,944,091	46,527,743	195,482,263
Balance Sheet Long Position Balance Sheet Short Position	—	—	15,274,948	25,277,191	9,157,927	—	49,710,066
Off-balance Sheet Long Position	(25,934,186)	(1,769,109)	—	—	—	(22,006,771)	(49,710,066)
Off-balance Sheet Short Position	2,374,046	4,915,509	—	—	—	—	7,289,555
Off-balance Sheet Short Position	—	—	(129,765)	(2,919,864)	(3,356,016)	—	(6,405,645)
Total Position	(23,560,140)	3,146,400	15,145,183	22,357,327	5,801,911	(22,006,771)	883,910

As at 31 December 2012							
	Up to 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	5 years and over	Non-interest bearing	Total
ASSETS							
Cash Equivalents and Central Bank	-	-	-	-	-	16,662,852	16,662,852
Banks.....	867,476	456,685	62,243	-	-	1,804,268	3,190,672

	As at 31 December 2012						
	<i>Up to 1 month</i>	<i>1 to 3 months</i>	<i>3 months to 1 year</i>	<i>1 year to 5 years</i>	<i>5 years and over</i>	<i>Non-interest bearing</i>	<i>Total</i>
ASSETS							
Financial Assets at Fair Value through Profit or Loss (Net)	72,670	80,475	338,892	44,691	15,099	18,825	570,652
Interbank Money Market Placements	-	-	-	-	-	-	-
Available for sale Financial Assets (Net)	8,269,448	3,434,270	13,079,863	7,834,974	9,755,956	247,041	42,621,552
Loans	29,245,093	20,175,850	21,382,959	18,527,456	2,936,041	92,850	92,360,249
Held to maturity Investments (Net)	-	3,433,339	204,129	-	-	-	3,637,468
Other Assets	918,249	151,015	302,203	834,255	140,655	2,088,512	4,434,889
Total assets	39,372,936	27,731,634	35,370,289	27,241,376	12,847,751	20,914,348	163,478,334
LIABILITIES							
Bank Deposits	6,677,812	3,208,843	540,229	-	-	323,569	10,750,453
Other Deposits	54,415,526	6,426,270	5,317,667	1,029,438	20,898	12,728,036	79,937,835
Funds from Interbank Money Market	10,475,336	1,046,676	4,399,611	1,279,666	2,918,140	2,000	20,121,429
Miscellaneous Payables	52,022	-	-	-	-	2,915,821	2,967,843
Marketable Securities Issued (Net)	437,976	686,593	1,078,446	2,811,149	1,600,279	-	6,614,443
Borrowings	1,281,539	10,039,627	3,729,466	492,946	54,493	-	15,598,071
Other Liabilities	349,168	476,230	512,818	176,156	49,965	25,923,923	27,488,260
Total liabilities	73,689,379	21,884,239	15,578,237	5,789,355	4,643,775	41,893,349	163,478,334
Balance Sheet Long Position	-	5,847,395	19,792,052	21,452,021	8,203,976	-	55,295,444
Balance Sheet Short Position	(34,316,443)	-	-	-	-	(20,979,001)	(55,295,444)
Off-balance Sheet Long Position	1,913,312	3,822,541	1,294,523	-	-	-	7,030,376
Off-balance Sheet Short Position	-	-	-	(3,593,644)	(3,623,479)	-	(7,217,123)
Total Position	(32,403,131)	9,669,936	21,086,575	17,858,377	4,580,497	(20,979,001)	(186,747)

	As at 31 December 2011						
	<i>Up to 1 month</i>	<i>1 to 3 months</i>	<i>3 months to 1 year</i>	<i>1 year to 5 years</i>	<i>5 Years and over</i>	<i>Non-interest bearing</i>	<i>Total</i>
ASSETS							
Cash Equivalents and Central Bank	-	-	-	-	-	13,878,689	13,878,689
Banks	1,666,220	306,129	64	2,000	-	1,480,380	3,454,793
Financial Assets at Fair Value through Profit or Loss (Net)	229,933	245,568	340,167	143,719	17,638	14,249	991,274
Interbank Money Market Placements	8,210	-	-	-	-	-	8,210
Available for sale Financial Assets (Net)	2,620,718	6,026,822	13,111,272	13,861,662	3,155,088	192,723	38,968,285
Loans	22,820,028	13,593,006	21,717,553	13,977,748	2,154,375	92,850	74,355,560
Held to maturity Investments (Net)	-	3,602,813	205,818	-	1,015,839	-	4,824,470
Other Assets	929,054	67,244	232,041	568,098	135,483	1,493,931	3,425,851
Total assets	28,274,163	23,841,582	35,606,915	28,553,227	6,478,423	17,152,822	139,907,132
LIABILITIES							
Bank Deposits	7,722,306	1,797,029	373,879	-	-	392,604	10,285,818
Other Deposits	45,142,250	11,325,120	4,364,620	360,369	20,834	9,271,806	70,484,999
Funds from Interbank Money Market	10,429,100	78,837	1,454,361	544,259	555,587	-	13,062,144
Miscellaneous Payables	42,354	-	-	-	-	2,290,348	2,332,702
Marketable Securities Issued (Net)	437,241	714,949	655,768	1,797,231	898,615	-	4,503,804
Borrowings	7,889,403	4,763,677	4,649,357	696,624	46,260	-	18,045,321
Other Liabilities	171,202	263,924	526,687	115,194	46,026	20,069,311	21,192,344
Total liabilities	71,833,856	18,943,536	12,024,672	3,513,677	1,567,322	32,024,069	139,907,132
Balance Sheet Long Position	-	4,898,046	23,582,243	25,039,550	4,911,101	-	58,430,940
Balance Sheet Short Position	(43,559,693)	-	-	-	-	(14,871,247)	(58,430,940)
Off-balance Sheet Long Position	1,376,533	1,768,818	651,293	-	-	-	3,796,644
Off-balance Sheet Short Position	-	-	-	(2,809,494)	(912,013)	-	(3,721,507)

<i>As at 31 December 2011</i>							
ASSETS	<i>Up to</i>		<i>3 months to 1</i>	<i>1 year to 5</i>	<i>5 Years and</i>	<i>Non-interest</i>	
Position	<i>1 month</i>	<i>1 to 3 months</i>	<i>year</i>	<i>years</i>	<i>over</i>	<i>bearing</i>	<i>Total</i>
Total Position.....	(42,183,160)	6,666,864	24,233,536	22,230,056	3,999,088	(14,871,247)	75,137

The tables below summarise the range for effective average interest rates by major currencies for monetary financial instruments as at June 2014 and as at 31 December 2013, 2012 and 2011, respectively:

	<i>As at 30 June 2014</i>			
	<i>EUR(%)</i>	<i>U.S.\$(%)</i>	<i>YEN(%)</i>	<i>TL(%)</i>
Assets				
Cash Equivalents and Central Bank.....	-	-	-	-
Banks	0.13	0.38	-	10.55
Financial Assets at Fair Value Through Profit or Loss (Net)	3.16	3.92	-	12.31
Interbank Money Market Placements	-	-	-	10.09
Available for sale Financial Assets (Net)	3.80	3.53	-	10.75
Loans.....	4.30	4.65	4.66	12.29
Held to maturity Investments (Net)	3.00	3.42	-	11.21
Liabilities				
Bank Deposits	1.25	1.43	-	8.89
Other Deposits	1.53	1.85	0.20	8.02
Funds from Interbank Money Market.....	0.71	1.19	-	8.24
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	1.93	4.36	-	8.83
Borrowings.....	1.36	1.65	-	8.43

	<i>As at 31 December 2013</i>			
	<i>EUR(%)</i>	<i>U.S.\$(%)</i>	<i>YEN(%)</i>	<i>TL(%)</i>
Assets				
Cash Equivalents and Central Bank.....	—	—	—	—
Banks	0.12	0.21	—	9.37
Financial Assets at Fair Value Through Profit or Loss (Net)	2.89	3.92	—	11.38
Interbank Money Market Placements	—	—	—	—
Available for sale Financial Assets (Net)	3.75	3.52	—	9.44
Loans.....	4.31	4.67	4.23	11.23
Held to maturity Investments (Net)	3.00	3.42	—	9.96
Liabilities				
Bank Deposits	1.28	1.53	—	6.55
Other Deposits	1.97	2.28	0.19	6.67
Funds from Interbank Money Market.....	1.65	1.20	—	6.38
Miscellaneous Payables	—	—	—	—
Marketable Securities Issued (Net)	—	5.12	—	8.20
Borrowings.....	1.19	1.58	—	7.70

	<i>As at 31 December 2012</i>			
	<i>EUR(%)</i>	<i>U.S.\$(%)</i>	<i>YEN(%)</i>	<i>TL(%)</i>
Assets				
Cash Equivalents and Central Bank.....	-	-	-	-
Banks	0.38	0.41	-	11.6
Financial Assets at Fair Value Through Profit or Loss (Net)	2.89	3.93	-	9.78
Interbank Money Market Placements	-	-	-	-
Available for sale Financial Assets (Net)	4.42	3.68	-	9.97
Loans.....	4.44	4.91	4.15	12.77
Held to maturity Investments (Net)	-	-	-	9.56

	<i>As at 31 December 2012</i>			
	<i>EUR(%)</i>	<i>U.S.\$(%)</i>	<i>YEN(%)</i>	<i>TL(%)</i>
Liabilities				
Bank Deposits	1.47	1.72	-	6.81
Other Deposits	2.05	2.42	0.26	6.53
Funds from Interbank Money Market.....	-	1.58	-	5.53
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	-	5.22	-	7.53
Borrowings.....	1.44	1.97	1.99	7.63

	<i>As at 31 December 2011</i>			
	<i>EUR(%)</i>	<i>U.S.\$(%)</i>	<i>YEN(%)</i>	<i>TL(%)</i>
Assets				
Cash Equivalents and Central Bank.....	-	-	-	-
Banks	0.45	0.02	-	11.78
Financial Assets at Fair Value Through Profit or Loss (Net)	4.46	5.09	-	11.09
Interbank Money Market Placements	-	-	-	10.76
Available for sale Financial Assets (Net)	4.62	4.45	-	10.15
Loans.....	5.1	4.68	5.45	13.03
Held to maturity Investments (Net)	7.34	7.05	-	11.11
Liabilities				
Bank Deposits	2.77	2.92	-	8.77
Other Deposits	2.9	3.79	0.32	8.84
Funds from Interbank Money Market.....	2.88	2.29	-	10.08
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued (Net)	-	5.69	-	10.21
Borrowings.....	1.99	1.89	-	7.62

Liquidity Risk

Akbank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and guarantees as well as Akbank's own maturity exposures. A major objective of Akbank's asset and liability management is to ensure that sufficient liquidity is available at all times to meet the commitments to customers and to satisfy our own liquidity needs. Akbank maintains cash and near cash resources to meet all of these needs.

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 allocated limits including TL2,239 million and U.S.\$1,171 million at the Central Bank, TL15,000 million at the Borsa Istanbul Money Market, TL250 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.

Akbank has developed a policy that seeks to ensure strong liquidity levels and funds-management practices. In particular, the ERC sets limits for key risk indicators for liquidity risk management on the maturity mismatch of assets and liabilities. Akbank also seeks to maintain a diversified deposit base.

The tables below analyse assets and liabilities of Akbank into relevant maturity groupings based on the remaining period at the relevant balance sheet date to the contractual maturity dates.

<i>As at 30 June 2014</i>								
	<i>Demand</i>	<i>Up to 1 month</i>	<i>1 month to 3 months</i>	<i>3 months to 12 months</i>	<i>1 year to 5 years</i>	<i>5 Years and over</i>	<i>Un-allocated</i>	<i>Total</i>
Assets								
Cash Equivalents and Central Bank	20,759,224	—	—	—	—	—	—	20,759,224
Banks	3,148,312	980,653	346,674	81,273	—	—	—	4,556,912
Financial Assets at Fair Value Through Profit or Less (Net)	26,181	67,209	84,720	160,004	150,302	403,210	—	891,626
Interbank Money Market Placements	—	1,460,404	—	—	—	—	—	1,460,404
Available for sale Financial Assets (Net)	287,719	878,314	232,324	6,274,804	11,812,864	17,951,305	—	37,437,330
Loans	—	19,754,829	18,623,465	27,678,206	43,818,464	16,886,283	150,530	126,911,797
Held to maturity Investments (Net)	—	—	—	869,398	5,412,667	4,147,427	—	10,429,492
Other Assets	219,479	1,034,807	134,007	899,561	1,980,948	638,430	1,448,762	6,355,994
Total assets	24,440,915	24,176,216	19,421,190	35,963,246	63,175,265	4,026,655	1,599,292	208,802,779
Liabilities								
Bank Deposits	292,169	5,673,294	3,641,996	632,947	—	—	—	10,240,406
Other Deposits	19,423,391	55,151,285	19,697,723	7,496,156	3,972,905	310,162	—	106,051,622
Borrowings	—	1,205,844	5,575,589	8,864,698	3,982,162	283,210	—	19,911,503
Funds from Interbank Money Market	—	12,376,256	3,508,528	3,818,658	4,915,672	3,206,973	—	27,826,087
Marketable Securities Issued (Net)	—	603,203	1,576,131	1,834,093	5,478,174	1,070,345	—	10,561,946
Miscellaneous Payables	75,185	2,094,941	1,281,669	—	—	—	—	3,451,795
Other Liabilities	148,287	2,257,455	316,402	669,044	2,430,472	468,426	24,469,334	30,759,420
Total liabilities	19,939,032	79,362,278	35,598,038	23,315,596	20,779,385	5,339,116	24,469,334	208,802,779
Net liquidity gap	4,501,883	(55,186,062)	(16,176,848)	12,647,650	42,395,880	34,687,539	(22,870,042)	

<i>As at 31 December 2013</i>								
	<i>Demand</i>	<i>Up to 1 month</i>	<i>1 month to 3 months</i>	<i>3 months to 12 months</i>	<i>1 year to 5 years</i>	<i>5 Years and over</i>	<i>Un-allocated</i>	<i>Total</i>
Assets								
Cash Equivalents and Central Bank	18,223,119	-	-	-	-	-	-	18,223,119
Banks	3,725,658	1,810,355	303,086	-	-	-	-	5,839,099
Financial Assets at Fair Value Through Profit or Less (Net)	58,377	321,599	225,865	524,771	259,396	501,602	-	1,891,610
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Available for sale Financial Assets (Net)	260,010	1,727,745	674,911	10,476,476	7,261,650	12,764,190	-	33,164,982
Loans	-	20,122,574	18,105,621	21,179,797	40,894,024	17,614,639	-	118,009,505
Held to maturity Investments (Net)	-	-	1,776,714	-	3,916,884	6,459,855	92,850	12,153,453
Other Assets	366,529	645,131	124,868	990,116	2,127,482	613,535	1,332,834	6,200,495
Total assets	22,633,693	24,627,404	21,211,065	33,171,160	54,459,436	37,953,821	1,425,684	195,482,263
Liabilities								
Bank Deposits	687,555	7,312,938	2,935,599	485,461	-	-	-	11,421,553
Other Deposits	17,458,945	51,954,285	19,292,836	8,012,292	4,097,715	235,057	-	101,051,130
Borrowings	-	1,159,615	3,751,639	10,620,536	4,102,051	264,759	-	19,898,600
Funds from Interbank Money Market	-	7,703,947	3,630,120	4,911,257	2,634,366	4,351,061	-	23,230,751
Marketable Securities Issued (Net)	-	132,110	933,802	625,456	5,956,178	1,080,296	-	8,727,842
Miscellaneous Payables	213,053	2,132,297	1,379,641	-	-	-	-	3,724,991
Other Liabilities	154,518	1,257,446	352,768	532,589	2,457,658	537,438	22,134,979	27,427,396
Total liabilities	18,514,071	71,652,638	32,276,405	25,187,591	19,247,968	6,468,611	22,134,979	195,482,263
Net liquidity gap	4,119,622	(47,025,234)	(11,065,340)	7,983,569	35,211,468	31,485,210	(20,709,295)	

<i>As at 31 December 2012</i>								
	<i>Demand</i>	<i>Up to 1 month</i>	<i>1 month to 3 months</i>	<i>3 months to 12 months</i>	<i>1 year to 5 years</i>	<i>Over 5 years</i>	<i>Un-allocated</i>	<i>Total</i>
Assets								
Cash Equivalents and Central Bank	16,662,862	-	-	-	-	-	-	16,662,852
Banks	1,804,268	867,476	456,685	62,243	-	-	-	3,190,672
Financial Assets at Fair Value Through Profit or Less (Net)	18,825	25,375	20,649	91,581	182,517	231,705	-	570,652

	As at 31 December 2012							
	<i>Demand</i>	<i>Up to 1 month</i>	<i>1 month to 3 months</i>	<i>3 months to 12 months</i>	<i>1 year to 5 years</i>	<i>Over 5 years</i>	<i>Un-allocated</i>	<i>Total</i>
Interbank Money Market								
Placements	-	-	-	-	-	-	-	-
Available for sale Financial								
Assets (Net)	247,041	1,414,064	301,665	3,537,215	21,033,231	16,088,336	-	42,621,552
Loans	-	19,238,788	14,391,875	18,406,887	28,428,485	11,801,364	92,850	92,360,249
Held to maturity Investments								
(Net)	-	-	-	1,846,994	1,790,263	211	-	3,637,468
Other Assets.....	340,969	959,219	87,764	330,924	1,001,428	542,957	1,171,628	4,434,889
Total assets	19,073,955	22,504,922	15,258,638	24,275,844	52,435,924	28,664,573	1,264,478	163,478,334
Liabilities								
Bank Deposits	323,569	6,677,812	3,208,843	540,229	-	-	-	10,750,453
Other Deposits	13,266,395	53,877,167	6,426,269	5,317,667	1,029,441	20,896	-	79,937,835
Borrowings	-	1,076,655	3,961,704	6,623,818	3,563,471	372,423	-	15,598,071
Funds from Interbank								
Money Market	2,000	10,475,335	1,046,677	4,399,611	1,279,666	2,918,140	-	20,121,429
Marketable Securities Issued								
(Net)	-	-	269,572	1,495,467	3,249,125	1,600,279	-	6,614,443
Miscellaneous Payables	188,544	1,599,662	1,179,637	-	-	-	-	2,967,843
Other Liabilities	107,013	1,401,209	274,915	683,496	2,068,199	477,660	22,475,768	27,488,260
Total liabilities.....	13,887,521	75,107,840	16,367,617	19,060,288	11,189,902	5,389,398	22,475,768	163,478,334
Net liquidity gap.....	5,186,434	(52,602,918)	(1,108,979)	5,215,556	41,246,022	23,275,175	(21,211,290)	

As at 31 December 2011								
	<i>Demand</i>	<i>Up to 1 month</i>	<i>1 month to 3 months</i>	<i>3 months to 1 year</i>	<i>1 year to 5 years</i>	<i>5 years and over</i>	<i>Un-allocated</i>	<i>Total</i>
Assets								
Cash Equivalents and Central Bank	13,878,689	-	-	-	-	-	-	13,878,689
Banks	1,480,380	1,666,220	306,129	64	2,000	-	-	3,454,793
Financial Assets at Fair Value Through Profit or Less (Net)	14,249	163,001	203,731	155,507	242,308	212,478	-	991,274
Interbank Money Market Placements	-	8,210	-	-	-	-	-	8,210
Available for sale Financial Assets (Net)	192,723	681,714	932,596	1,591,455	29,759,575	5,810,222	-	38,968,285
Loans	-	14,835,268	9,490,875	16,581,475	24,646,547	8,708,545	92,850	74,355,560
Held to maturity Investments (Net)	-	-	169,335	1,216	3,638,080	1,015,839	-	4,824,470
Other Assets	120,926	778,234	60,225	240,255	744,413	422,629	1,059,169	3,425,851
Total assets	15,686,967	18,132,647	11,162,891	18,569,972	59,032,923	16,169,713	1,152,019	139,907,132
Liabilities								
Bank Deposits	392,604	7,722,306	1,797,029	373,879	-	-	-	10,285,818
Other Deposits	9,271,806	45,025,850	11,374,720	4,431,421	360,370	20,832	-	70,484,999
Borrowings	-	1,853,151	3,753,888	7,994,270	3,865,844	578,168	-	18,045,321
Funds from Interbank Money Market	-	10,429,100	78,836	1,454,361	544,259	555,588	-	13,062,144
Marketable Securities Issued (Net)	-	437,241	-	655,768	2,512,180	898,615	-	4,503,804
Miscellaneous Payables	31,970	1,405,045	895,687	-	-	-	-	2,332,702
Other Liabilities	86,473	785,616	320,144	363,649	1,131,167	373,916	18,131,379	21,192,344
Total liabilities	9,782,853	67,658,309	18,220,304	15,273,348	8,413,820	2,427,119	18,131,379	139,907,132
Net liquidity gap	5,904,114	(49,525,662)	(7,057,413)	3,296,624	50,619,103	13,742,594	(16,979,360)	

Management believes that in spite of a substantial portion of deposits from individuals being short-term, diversification of these deposits by number and type of depositors, together with the past experience of Akbank, support management's view that these deposits will provide a long-term and stable source of funding for Akbank. The major part of mandatory cash balances with the Central Bank is included within the "up to three months" column, as the majority of liabilities to which these balances relate are also included in this category.

Operational Risk

The Basel committee defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Risk Management Division, Internal Audit, Internal Control, Compliance Unit and Operations Business Unit are responsible for Akbank's operational risk management framework. Akbank has implemented policies and procedures, control/check points in practice that have been developed by business units, internal audit department and internal control department.

Akbank uses Basel II definitions in identifying business lines and event types. Akbank's online internal data collection system was put into practice in September 2009. In addition, under the ERM project, in order to quantify operational risk internal models will be developed and an integrated risk panel for all types of risks will be implemented.

For regulatory reporting, capital charge is calculated by the basic indicator approach based on the past three years' gross income. The table below sets out total risk weighted assets according to risk types as at 30 June 2014, 31 December 2013 and 31 December 2012. As at 30 June 2014, operational risk was 6.7% of total risk weighted assets.

	30 June 2014		31 December 2013		31 December 2012	
	<i>(TL thousands)</i>	<i>%</i>	<i>(TL thousands)</i>	<i>%</i>	<i>(TL thousands)</i>	<i>%</i>
Credit Risk	13,260,212	92.1	11,979,369	91.9	9,254,277	90.8
Market Risk	127,838	0.9	183,182	1.4	85,374	0.8
Operational Risk	1,014,044	7.0	868,247	6.7	851,725	8.4

Total	<u>14,402,094</u>	<u>100.00</u>	<u>13,030,798</u>	<u>100.00</u>	<u>10,191,376</u>	<u>100.0</u>
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Loan approval process

The credits approval group by which the credit approval process for a particular loan is managed depends largely on which segment the applicant falls under and the type of branch that prepares and submits the loan application to Akbank's headquarters.

Retail Banking

Loans to Individuals

The Consumer Credits Approval Group, a sub-division of the Consumer Credits and Credit Cards Approval Division, is responsible for approval of loans to individuals. Loans to individuals comprise consumer loans, car loans and mortgage loans. For more information, see “—*Business—Retail Banking—Consumer Banking*”.

Each application is reviewed in the first instance by the branch receiving the relevant application. Each applicant must provide information on his or her income and employment status and the purpose of the loan and must submit various documents evidencing creditworthiness. The loan application is reviewed and verified by branch personnel.

The branch Relationship Manager enters information relating to the applicant into the loan application system. Applications are automatically assessed by the Power Curve decision support model. The system calculates the applicant's credit score using an application scorecard model and collects Central Bank and Central Credit Recording Bureau information. Finally, applications pass through a decision tree model. The decision tree model returns approve, decline or review (grey area) suggestions in line with Bank's policies. Consumer loans up to TL50,000, car loans up to TL75,000 and mortgages up to TL350,000 are automatically approved without manual evaluation if the suggestion of the decision model is “approve”.

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

As a legal regulation, Akbank imposes a credit limit of 75% of the value of the asset for mortgages. The average LTV for mortgages was 59%, 63%, 61% and 60% for loans granted in 2011, 2012, 2013 and in the six months ended 30 June 2014, respectively. Akbank imposes no limit on credit value, but the average size of Akbank's mortgages as at 30 June 2014 was TL119,261. Maturity is generally between five to 10 years. The average maturity in the year ended 30 June 2014 was 97 months.

As a legal regulation, 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. The average LTV for car loans was 61%, 62%, 69% and 54% for car loans granted in 2011, 2012, 2013 and for the six months ended 30 June 2014, respectively. There is no limit to the credit value but the average size of Akbank's car loans in 2013 was TL40,000. The maximum maturity is four years, with an average of 42 months. 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. Consumer loans (excluding mortgages and car loans) have a maximum maturity of 36 months, with an average maturity of 34 months. For consumer credits granted in the six months ended 30 June 2014, the average limit was approximately TL14,000.

The collateral valuation processes for consumer loans depend on the nature of the loan.

For mortgages, branches request appraisal of collateral for loans from the Appraisal Department. The Appraisal Department outsources real estate valuation to one of its contracted independent appraisal firms. It uses 47 appraisal firms, all of which have a valuation license from the CMB. The Appraisal Department employs 10 engineers who review all appraisal reports prepared by the contracted firms. These 10 engineers are also licensed by the CMB. All valuation reports are managed in Akbank's "EKON" digital system. All mortgage collateral values are fed from EKON into the control loan approval system.

For car loans, the value of the vehicle pledged as collateral is taken from the published "insurance value list" and sales value (for new cars, this is the "invoice value"; for second-hand cars the "notary public dealing value"). Whichever value is lower is taken as the collateral value.

All mortgages are fixed rate and all loans to individuals are denominated in Turkish Lira, since Turkish law prohibits the use of floating rate mortgages and foreign currency loans to individuals.

Akbank uses "behavioural" and "application" scorecard models for both credit cards and loans to individuals. The application scorecard model estimates the future performance of the applicant, based on the information obtained during the application and from other sources, such as the Central Credit Recording Bureau. The score by itself is not the sole deciding factor in the evaluation process. Akbank also uses a statistical behavioural scorecard model to provide early identification of borrowers considered to present a risk and to assess the ability of customers to maintain additional debt.

To maximise the efficiency of credit application decisions and to manage customer risk efficiently, Akbank uses internationally recognised decision making systems, such as "PowerCurve Strategy Management" and "Triad", designed by Experian and Fair Isaac Corporation.

Credit Cards

The Credit Cards Approval Group, a sub-division of the Consumer Credits, and Credit Cards Approval Division are responsible for assessment of MasterCard and Visa card credit card applications by individuals. Credit card applications are made either through the branch or alternative channels, such as the internet.

When applying at a branch, an applicant must sign a personal banking services agreement, fill out the credit card application form and provide identification. Verification of the information is carried out by the Credit Card Operations Group at Akbank's centralised operation centre and the relevant data is then entered into an automated evaluation system.

Applications are subject to automatic evaluation by the decision support system (PowerCurve). If the applicant is an existing Akbank customer, the delinquency statuses of his or her credit products (such as credit cards, overdraft, loans) are checked. For all eligible applicants, a Credit Bureau inquiry is made to check applicants' credit card, individual loan products usage and payment performance with other banks. An application score is then calculated using the credit card scoring model. Applications go through a decision tree based on application score, Credit Bureau information and other application information. Current regulations in Turkey limit the customers' total credit card limit in all banks to a certain multiplier of their monthly income. Monthly income is declared by an applicant for each credit card application and is compared with results of Akbank's income estimation model. In some cases the applicant's occupation, length of employment and monthly net income are verified by the Credit Card Operations Group. The decision process returns automatic approval or decline decisions and sends the remaining applications for final manual evaluation by the Credit Card Approval Group.

Applications can also be made through alternative delivery channels such as the internet. The approval evaluation process is the same as that carried out at branch level.

Akbank also uses the Triad decision support tool for credit card limit management. Akbank reviews all cardholders' past behaviours (by using the credit card behaviour score model) on a monthly basis to decide whether to increase or decrease their current credit limits.

Loans to Micro Business Customers

The Micro Credits Approval Group, a sub-division of the Consumer Credits and Credit Cards Approval Division, is responsible for assessing credit applications submitted by branches.

For limits up to TL150,000, the Micro Credits Approval Group, a sub-division of the Consumer Credits and Credit Cards Approval Division is responsible for assessing credit applications submitted by branches, and for limits over TL150,000, the relevant region is responsible for assessing credit applications submitted by branches.

Regions have been responsible for assessing loan applications submitted by branches since February 2012. Akbank uses scorecard and decision models to evaluate micro loan applications. Application scorecards are developed in conjunction with Experian Decision Analytics. The application scorecard evaluates application information using Akbank's data and relevant information from external sources in order to grade customers at the point of application. The scoring system takes into account both financial and non-financial factors, as well as the customer's relationship history with Akbank.

In addition to application scorecards, behavioural scorecards are used to manage existing customers. Behavioural scorecards are developed in conjunction with Oliver Wyman, an international management consulting firm.

Credit limits and collateral levels are set according to the outcome of these scoring models.

Corporate and Project Finance and SME Banking

Applications by corporate customers are mostly processed by the corporate branches and are therefore assessed by the Corporate and Project Finance Credits Approval Group. Applications by commercial and SME customers are processed by the SME and commercial branches and are therefore assessed by the SME Credits Approval Groups. Project finance activities within Commercial Banking have been transferred to the Project Finance Division in Corporate Banking and this division will be responsible for all Project Finance loans that meet necessary criteria.

Every group is managed by a vice-president. The groups evaluate prospective customers in terms of their financial standing and credit history as well as their market position. Depending on the type of application (the term of the loan and the borrower's profile), the Corporate and Project Finance Credits Approval Group requests additional reports from its support groups, for instance a financial analysis report from the Credit Analysis Group or an intelligence report from the Intelligence Group. The teams within the Corporate and Project Finance Credits Approval Group are also responsible for monitoring the performance of borrowers in their portfolio based on the various reports, including notes, cheque performance reports and overdue repayment reports by the Credit Monitoring Group. After their assessment, the teams present the credit applications to Akbank's approval authorities or credit committees for final approval with their recommendations and views. After the transfer of Project Finance activities to Project Finance Division, according to the principle of separation of powers, allocation of project finance loans and operational and credit monitoring responsibilities of project finance loans will be carried out under two separate Divisions (Corporate and Project Finance Credits Division and Corporate and Commercial Credits Monitoring Division) within Credit Organization.

In corporate and commercial branches, depending on the type of collateral and the amount of the loan, in general, applications for loans of more than TL300,000 without any tangible security and loans of more than TL2,500,000 with tangible security must be submitted for review by the relevant Credit Approval Group in the Head Office.

Corporate and Project Finance Credits Approval Process

In order to segregate the credit analysis and approval processes from credit marketing activities and to provide more objective credit risk evaluation, the credit function for corporate customers is managed by the Corporate and Project Finance Credits Approval Group.

All applications for commercial and corporate credits are initially submitted to a local Akbank branch. The relevant branch's customer relation managers undertake a detailed loan analysis, including feasibility studies, analysis of financial standing, reputation and experience of the potential borrower. A credit file based upon the results of the analysis is then prepared for each applicant. The credit analyst at the commercial and corporate branches controls and fulfils all the processes needed for the applications. The credit file is then typically reviewed by the manager of the relevant branch who adds his/her opinion on each application in terms of overall risks including borrower, industry and the project itself in case of project credits. The application is then sent to the relevant approval group to be evaluated.

The Corporate and Project Finance Credits Approval Group is responsible for assessing the applications sent by eight corporate branches. The team evaluates the application of the customers in terms of their financial standing and credit history as well as their market position.

After their assessment, the teams present the credit applications to Akbank's approval authorities for final approval with their recommendations and views.

Commercial and Corporate Credits Approval Process

There are two separate approval groups for SME Credits. Commercial Credits Approval Group A is responsible for assessing the applications sent by commercial branches. Commercial Credits Approval Group B is responsible for evaluating the credit applications sent by SME (mixed) branches.

Commercial Credits Approval Division at HQ and Regional Directorates for Credit Approvals fulfil the credit allocation and monitoring functions for small and medium sized companies, having regard to their authorisation limits.

The credit application process begins at branch level, similar to the corporate and project finance credits approval process. However, after the branch review, credit applications are transmitted to the relevant Regional Directorate or to the Head Office depending on the authorisation limits and the proposed collateral.

Commercial Credits Approval Group A includes the Sector Analysis Division and Commercial Credits Approval Group B includes the Intelligence Division. The Sector Analysis Division prepares reports on the Turkish economy, foreign markets and different sectors. The Financial Analysis Group prepares reports on customers upon the request of a relevant credit group or department and the Intelligence Group collects information from the press and other sources about a particular client or segment.

In principle, the LTV ratio may be up to 100% if Akbank takes a land pledge as collateral for working capital credits, and 75% for investment loans. However, this principle can be varied according to the customer base under the authority of any level up to the maximum approval limits.

If collateral is a land pledge, Akbank's internal policy requires that an outside firm make an independent assessment of the collateral being offered, including valuation, legality and enforceability. Akbank also engages independent legal advisers, from time to time, to review the loan agreements and other legal documentation involved in the lending process, although typically a review of the legal documentation is undertaken by Akbank's in-house legal department.

Akbank undertakes extensive credit analysis and uses conservative provisioning standards and credit scoring systems in order to maintain a high quality loan portfolio, and obtains collateral for a significant proportion of its cash loan portfolio in order to minimise the amount of non-performing loans.

Authorisation limits for Branch Managers are summarised in the tables below.

Authorisation limits for Retail and Mixed (Retail and SME) Branches

<i>Micro</i>	<i>Collateral⁽¹⁾</i>				<i>Welcome</i>
	<i>Group I</i>	<i>Group II</i>	<i>Group III</i>	<i>Group IV</i>	<i>Limit</i> *
	<i>(TL thousands)</i>				
Application or Behavioural Rating Scale					
1-13.....	250	150	100	75	40
14-17.....	250	150	100	50	40
18-24.....	There is no authorisation limits.				20
*Overdraft, credit cards and checkbook total limits.					

*Overdraft, credit cards and checkbook total limits.

Authorisation limits for Retail Branches

	<i>Collateral⁽¹⁾</i>			
	<i>Group I</i>	<i>Group II</i>	<i>Group III</i>	<i>Group IV</i>
	<i>(TL thousands)</i>			
SME	400	225	175	125

Authorisation limits for Mixed (Retail and SME) Branches

	<i>Collateral⁽¹⁾</i>			
	<i>Group I</i>	<i>Group II</i>	<i>Group III</i>	<i>Group IV</i>
	<i>(TL thousands)</i>			
SME	400	225	175	125
Commercial	500	275	200	150
Commercial.....	900	500	275	225
Commercial.....	1,200	750	325	275

Authorisation limits for Corporate and Commercial Branches

<i>All Branches</i>	<i>Collateral⁽¹⁾</i>			
	<i>Group I</i>	<i>Group II</i>	<i>Group III</i>	<i>Group IV</i>
	<i>(TL thousands)</i>			
Authorisation Amount	3,250	1,750	1000	500

Notes:

- (1) Collaterals for each of the groups:
- Group I: Cash Collateral, Treasury Bonds, L/G (Risk rating note would be at least an equivalent of A of S&P)
- Group II: L/G (Risk rating note would be at least an equivalent of BBB of S&P), L/C, land pledges, stock (IMKB30), Private Sector bonds and notes (limited by policy), maritime lien, car pledges
- Group III: Machine pledges, other stock
- Group IV: Leases, Letter of Comfort, Letter of Support

Authorisation limits for Regional Managers are summarised in the table below.

	<i>Collateral⁽¹⁾</i>		
	<i>Group I</i>	<i>Group II</i>	<i>Groups III and IV</i>
	<i>(thousands of TL)</i>		
Regional Credit Manager and Regional Manager for Marketing	10.000	7.500	4.000
Regional Credit Manager	7.500	4.000	2.500/3.000

These are the maximum authorisation limits and can differ for each Regional Manager.

Note:

- (1) Collaterals for each of the groups:
- Group I: Cash Collateral, Treasury Bonds, L/G (Risk rating note would be at least an equivalent of A of S&P)
- Group II: L/G (Risk rating note would be at least an equivalent of BBB of S&P), L/C, land pledges, stock (IMKB30), Private Sector bonds and notes (limited by policy), maritime lien, car pledges
- Group III: Machine pledges, other stock
- Group IV: Leases, Letter of Comfort, Letter of Support

Rating Models for Corporate, Project Finance and SME Banking

For Corporate and Commercial loan applications, Akbank has different rating models according to sector and/or turnover. One of them is the Commercial Model which is a full statistical based model, developed by logistic regression. If a customer has turnover of less than TL100 million (independently of assets), this model is used. If a customer has turnover of TL100 million and assets of TL50 million or more, the Corporate Rating model, which relies on expert based rank ordering, is used. If a customer's sector is construction, turnover is not considered but rather the Construction Rating Model is used which also relies on expert based rank ordering. For Project Finance Credits, a project (not customer) specific expert based model is used according to the sector (energy, tourism, infrastructure, other). Akbank's rating models have been developed by Oliver Wyman and Akbank itself. The corporate, commercial and construction rating models include financial and non-financial criteria, with the financial criteria being the most important part of the model. All rating models rank customers from one to 24 with 1 being the best and 24 the worst rating. If a customer's rating is below 14 (the cut off rating), proposals cannot be evaluated in the branches and can only be evaluated in the regional or Head Office.

For the SME segment there are two types of scorecards used, which are an application model and a behavioural model.

The behavioural model is used for existing customers (where the length of relationship with Akbank is at least three months). Criteria such as limit usage, interest charged, deposited amount, number of bounced cheques, negative information and delinquency status are used.

Credit Bureau information of main shareholder and Central Bank information forms the most important part of the application score card and takes account of KKB Delinquency status, KKB

credit card limit usage ratio, KKB overdraft limit usage ratio, the number of bounced cheques and unpaid bills in the Central Bank, and the length of time with Akbank.

The behavioural rating is automatically calculated and implemented on the system at the end of every month. If there is behavioural rating in the system, it is taken into consideration in the credit approval process.

An application rating is calculated for every credit proposal as commercial, corporate and construction credit rating models.

For the SME segment, rating-based credit terms can be allocated by the regional directorates for customers with a 1-14 rating class. A rating class of 15-24 is outside the target customer base.

Classification of Loans and Provisioning

Classification of Loans and Other Receivables

Akbank monitors loans and other receivables according to the categories set out below which reflect respective recovery capabilities and debtors' creditworthiness levels, having regard to the procedures and principles established by Turkish law:

- Group I – Loans of a Standard Nature and Other Receivables (**Group I**): this group includes loans and other receivables showing no signs of weakness or deterioration.
- Group II – Loans and Other Receivables Under Close Monitoring (Watchlist) (**Group II**): this group includes loans and other receivables which do not presently show any problems in terms of principal and/or interest payments but which require close monitoring due to reasons such as observation of negative trends in the debtor's payment capability or cash flow positions or where repayment is highly likely but capital and/or interest payments are delayed for more than 30 days.
- Group III – Loans and Other Receivables with Limited Recovery (**Group III**): this group includes loans and other receivables with limited potential for total recovery of payments due thereunder either because the debtor's equity or guarantee is considered inadequate to cover payment or because payment is likely to be delayed by more than 90 days due to various reasons, such as problems encountered by the debtor over its operating capital, financing or ability to create additional liquidity.
- Group IV – Loans and Other Receivables with Suspicious Recovery (**Group IV**): this group includes loans and other receivables for which repayment is considered unlikely or for which the delay of recovery of principal and/or interest exceeds 180 days but does not exceed one year.
- Group V – Loans and Other Receivables Having the Nature of Loss (**Group V**): this group includes loans and other receivables for which repayment is considered impossible or for which the delay of recovery of principal and/or interest exceeds one year.

Provisioning

See below “—*Turkish Regulatory Environment for Banks—Loan Loss Reserves*”.

Identification and Remediation of Problem Loans

General

Identification and remediation of problem loans throughout Akbank's business units is organised according to classification of Loans.

- 1) Group II – Loans and Other Receivables Under Close Monitoring (Watchlist) – is executed by two separate credit monitoring groups covering each, Retail Loans and Corporate/Commercial and SME including project finance Loans.
- 2) Group III, IV and V are executed by the Non-Performing Loans Follow-Up Division covering all segments.

Credit Monitoring Groups

The Corporate/Commercial Credits Monitoring Division and Retail Credits Monitoring Division are organised according to customers' segment division. The Corporate/Commercial Credits Monitoring Division is composed of three Monitoring Groups.

- The Corporate/Commercial/Credits Monitoring Group, which monitors corporate and commercial clients;
- The SME Credits Monitoring Group, which monitors SME clients; and
- the Project Finance Loans Monitoring Group which monitors the credit facilities involved in the project finance line allocations.

Each division and group is responsible for the identification and remediation of loans of the relevant segments that have shown indications of potential problems and are classified under Group Two.

There are also regional monitoring teams who are principally responsible for monitoring small SME credit clients with an exposure below 1 million TL. Regional Monitoring Teams work in coordination with the SME Credits Monitoring Group.

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 Financial Loans Monitoring Group.

Apart from Corporate/Commercial Credits Monitoring Divisions, Retail Credit Monitoring Division is composed of two units:

- Monitoring and Restructuring Group, which monitors and restructures retails clients;
- Credit Decision Support System Group, which performs strategic analysis (i.e. Portfolio PD trends, vintage analysis, collection strategies etc.) and builds models for collection and pre-delinquency.

A common monitoring system is used by both Corporate/Commercial and Retail Credits Monitoring Divisions with parametric monitoring triggers in the system designed to take into account the peculiarities of each segment. Problem loans are identified automatically by Akbank's Monitoring computer system which monitors using internal or external data resources on a daily basis. Akbank's

Credit Monitoring software monitors all overdue interest, commission and principal repayments, unpaid cheques, fraud records and sequestration records on a daily basis.

If a problem is identified, the input is classified by the system as pre-monitoring, blocked pre-monitoring or close monitoring for each segment peculiarity. Pre-monitoring is considered to be an early indication of a potential problem and does not have any effect on the existing credit lines. Blocked pre-monitoring is evaluated as a more serious early indication and credit lines are blocked from additional limit utilisation. Close monitoring – Group II – indicates that the customer has internal or external weakness that carries potential risk of default. These customers are also blocked by the system from utilising any additional limits. 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 daily by members of the Credit Monitoring Group, and are manually put on credit watch if necessary.

All clients, regardless of the segment, are subject to the same risk controls. However, because of the number of clients in the retail segment, the process is carried out at the Head Office by Retail Credits Monitoring and the Call Center. In contrast, in SME Credit Monitoring, Regional Monitoring Teams support the Head Office in monitoring and work with the customers to ensure loan repayment and that the arrear are cleared in coordination with the related Akbank branches. A repayment plan is negotiated with the customer and set up if necessary. If this process is not successful in clearing the arrear, legal action is taken and the matter is referred to the Non-Performing Loans Follow-Up Group.

Non-Performing Loans Follow-Up Division

The Non-Performing Loans Follow-Up Division deals with non-performing loans and calculates the specific provisions which need to be distributed monthly over non-performing loans. The Non-Performing Loans Division, together with the Legal Advisory Group, deals with Group Three to Five Loans (**non-performing loans**). The Non-Performing Loans Follow-Up Division negotiates with the customer regarding repayment of the loan including possible restructuring of the debt, or if necessary, liaises with the Legal Advisory Division to have the collateral liquidated or to take other legal action.

Anti-Money-Laundering Policies

Overview

Turkey has adopted anti-money laundering laws and regulations in compliance with the 40 Recommendations of the FATF. Formed by the G7 Economic Summit in 1989, the FATF comprises 34 countries, including the United States and Turkey, as well as two regional organisations, namely the European Commission and the Gulf Cooperation Council. The FATF is dedicated to promoting the development of effective anti-money laundering controls and enhanced co-operation in counter-money laundering efforts among its membership and around the world. Its 40 recommendations issued in 1990 are designed to provide countries with a blueprint for the establishment and implementation of anti-money laundering laws and programmes.

Turkish anti-money laundering legislation requires financial institutions in Turkey to identify their customers when (i) starting customer relationships, (ii) the amount of a single transaction or the total amount of multiple linked transactions is an amount equivalent to TL20,000 or more, (iii) the amount of a single wire transfer transaction or the total amount of multiple linked transactions is an amount equivalent to TL2,000 or more, (iv) regardless of the monetary amount in cases requiring suspicious transaction reporting, and (v) regardless of the monetary amounts in cases where there is suspicion about the adequacy and the accuracy of previously acquired identification information. Such financial institutions in Turkey are required to maintain and record certain official identification documents, to provide all relevant information and documents requested by the officers of the Turkish Financial

Crimes Investigation Council (the **FCIC**) for a period of eight years, and to gather available information on, and report to the FCIC, all transactions suspected of involving funds stemming from illegal activities. In addition to money transfers of TL20,000 and above, Akbank's policies on customer identification are applied to safe deposit box rentals, insurance and leasing transactions, and account openings. The principal requirements, obligations and penalties are contained in Law No. 5549 on Prevention of Laundering Proceeds of Crime and the Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism.

Law No. 6415 on the Prevention of the Financing of Terrorism came into force on 16 February 2013. With this law, offences constituting "financing of terrorism" have been redefined, an administrative mechanism has been established in order to execute the United Nations Security Council's Resolutions, and formal procedure relating to gaining access to frozen funds for necessary expenses, has been introduced. In all cases, the Council of Ministers will have the authority to decide whether to freeze assets based on the information provided by the Financial Crimes Investigation Board (**MASAK**) and other related institutions. Decision on asset freezing will gain legal validity upon its publication on the Official Gazette. All the necessary procedures before and after the asset freezing decision of the Council of Ministers will be implemented by MASAK. Akbank has established internal anti-money laundering programmes, policies and procedures pursuant to both domestic legislation and international anti-money laundering standards. All Akbank's branches and subsidiaries, regardless of their geographic location, must comply with such programmes, policies and procedures. Akbank has instituted KYC procedures, to record the identity of Akbank's customers when conducting transactions, to maintain copies or records of official identification documents for a period of eight years, to identify and report to the relevant Turkish authorities suspicious transactions, to co-operate with law enforcement agencies and to establish internal training programmes for Akbank's employees. Akbank's policies require account officers to take into account the customer's background, country of origin, business activities, and other risk indicators. Akbank's anti-money laundering policies and procedures also include procedures to identify and verify the source of requests to make outgoing international funds transfers.

Akbank continues to seek new methods of improving its anti-money laundering standards. Akbank has developed a software solution designed to detect suspicious activity in customer accounts automatically. Akbank uses the "Actimize" software system. This software is composed of two modules: the Suspicious Activity Monitoring Module (**SAM Module**) and the Watch List Filtering Module (**WLF Module**). The WLF Module is used for all kinds of cross-border wire transfers. This software screens Akbank's customers and transactions according to watch lists of individuals, companies, or geographic locations issued by authorities such as OFAC, the UN, the EU or the HMT. If any party in a transaction falls within any of the watch lists, the system creates an alert and automatically forwards this transaction to Akbank's Compliance Department. The SAM Module monitors transactional and customer data on a scenario basis and provides coverage to identify and report suspicious transactions related to money laundering and terrorist financing. In implementing this approach, Akbank drew on the experience provided by other available analytical models used by other banks in supporting European, US and Turkish anti-money laundering policies.

Scope of Akbank's Policies and Procedures

Akbank's AML and KYC standards policy is based on (i) compliance with AML and CFT laws and regulations, including local laws (Turkish AML Act, Criminal Act and CFT Act) and regulatory guidance, UN Security Council Resolutions, EU Directives and the USA Patriot Act; (ii) FATF recommendations for standards on AML and CFT as well as application methodology criteria; and (iii) evaluation of KYC principles and customer identification regulations, such as the Basel Principles (customer due diligence for banks), the Wolfsberg Principles and The Banks Association of Turkey's Local Industry Guidance and Best Practices.

The objectives of the policy are to ensure that Akbank complies with obligations regarding the prevention of laundering proceeds of crime and financing of terrorism and to establish strategies to mitigate potential risks, as well as setting internal controls, measures and operating rules. Akbank aims to discharge its responsibilities through a risk-based approach to its customers, transactions, products and services. It also develops and raises awareness among its existing and new employees on matters relating to its AML and KYC standards policy.

AML/CFT Programme and Applications

Akbank has put in place procedures designed to control activities to comply with applicable laws and regulations in Turkey as well as international standards and has put in place systems and controls to mitigate the risk of Akbank being used to facilitate financial crime. Akbank's AML/CFT programme includes (i) having a designated AML compliance officer; (ii) written policies, procedures and guidelines; (iii) risk based controls, including an AML software program that monitors on-going transactions and customer account activities and screens existing and prospective customers for AML and CFT purposes; (iv) procedures for reporting suspicious activity internally and to the relevant law enforcement authority; (v) record keeping obligations in accordance with local laws; (vi) on-going training in order to improve existing and new employees' awareness of how Akbank's products and services may be used to facilitate money laundering or terrorist financing and to enhance existing and to raise new employees' awareness of their legal obligations; and (vii) internal audit and independent audit testing.

Customer Acceptance Policy

Akbank's customer acceptance policy contains KYC procedures meeting national and international regulations for compliance with the prevention of money laundering and CFT. Akbank's KYC procedures require customers to provide identification when accepting or delivering cash. Akbank is also required to establish the ultimate beneficiary of an account and has defined record making and record keeping duties as well as internal security measures. It also has specific account opening requirements. In the case of an individual, Akbank will require an official identity document, as well as the individual's ID number. In the case of a corporation and other legal entities, Akbank will require the customer's name, details of its legal form, address, list of directors and shareholders, as well as the corporate bylaws, powers of attorney, any other reliable identifying information and their tax number.

Under Akbank's "Customer Acceptance Policy", it does not accept (i) customers who refuse to provide the required information and documentation; (ii) customers with businesses that make it impossible to verify the legitimacy of their activities or the source of funds; (iii) shell banks; (iv) anonymous accounts or accounts using fictitious names; (v) customers who are included in lists prepared by international institutions and organisations showing money launderers and supporters of terrorism financing, such as OFAC, the EU, the UN or the HMT; and (vi) customers who have a negative record in Akbank's internal intelligence system for money laundering, financing of terrorism and financial crimes, such as fraud, counterfeiting, organised crime and similar activities.

Within the framework of Akbank's risk-based approach, transactions are categorised into High Risk Products and Services; High Risk Customers; and High-Risk Geographical Locations. High Risk Products and Services include (i) funds transfers, electronic fund transfers, money transfer orders and international transfers; (ii) cash transactions, such as cash deposits and withdrawals; and (iii) "non-face-to-face banking services", such as transactions conducted via internet banking, ATM or telephone banking and credit allocation transactions. Enhanced due diligence procedures are applied to High Risk Customers at account opening. High Risk Customers include (i) associations, foundations, charities and other non-governmental organisations; (ii) off-shore banks; (iii) companies established in "risky" regions and countries; (iv) citizens of "risky" countries; (v) businesses dealing with high amounts of cash; (vi) private banking customers; (vii) correspondent banks; (viii) politically

exposed persons; and (ix) persons or entities listed under Article 2 of Law No. 5549 on Prevention of Laundering Proceeds of Crime. Finally, High-Risk Geographical locations include (i) tax havens (according to FATF criteria); (ii) countries subject to partial or complete embargo by the EU; (iii) countries subject to embargo by OFAC; (iv) countries and regions included in the list of countries and regions refusing cooperation with FATF; and (v) countries specified in the FINCEN list.

Basel II

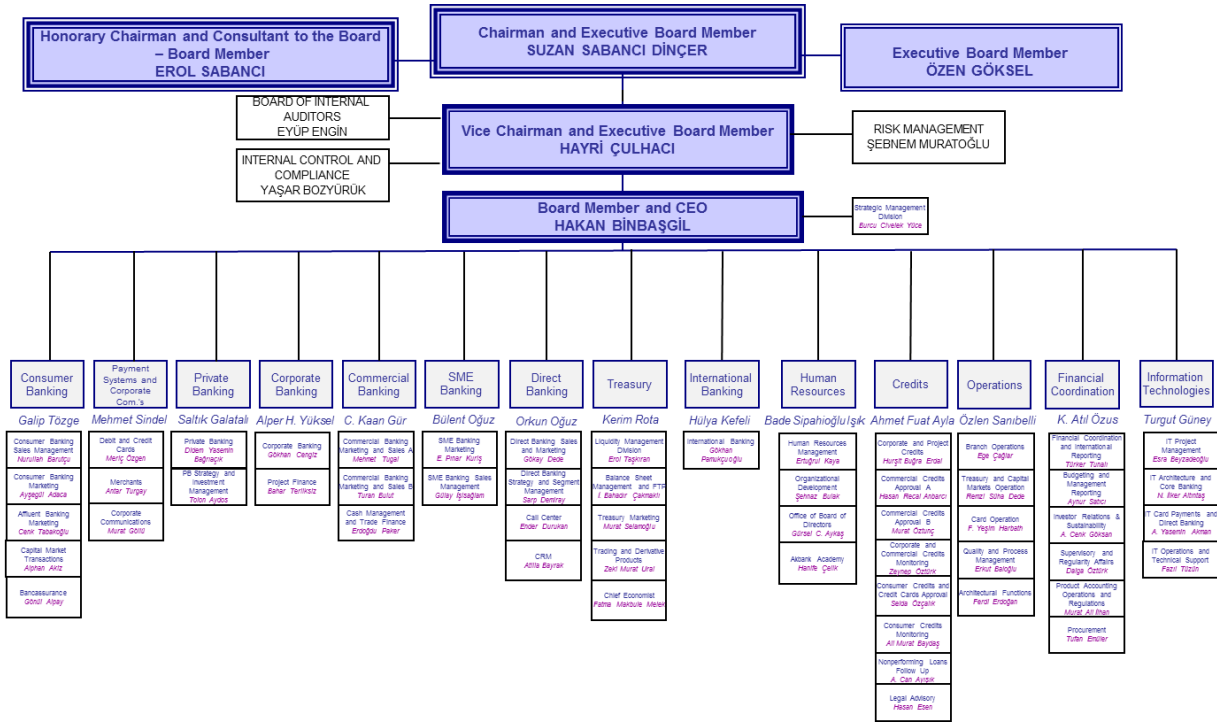
The BRSA has published regulations regarding the implementation of Basel II in Turkey. These regulations took full effect in July 2012. All Turkish banks are reporting their risk-weighted assets calculated under the standard approach of Basel II as contained in the “Turkish National Discretions”. As well as implementing more stringent capital ratios, the main benefits of Basel II is to have more structured approach to capital management and stress testing, as embedded in the second pillar of the accord. Parallel to Pillar I regulations, the BRSA also announced the draft regulations about Pillar II regarding ICAAP in order to enhance the link between an institution’s risk profile, risk management systems and its capital. The BRSA required major Turkish banks to prepare ICAAP report in accordance with the Pillar II principles by June 2013. The BRSA published the new Regulation regarding the Internal Systems and Internal Capital Adequacy Assessment Process of Banks on 11 July 2014 (the **New Internal Systems Regulation**). The New Internal Systems Regulation requires banks to internally calculate the amount of capital to cover the risks to which they are or may be exposed on a consolidated basis and with a forward-looking perspective taking into account banks’ near- and medium-term business and strategic plans. This process named “Internal Capital Adequacy Assessment Process – ICAAP” should be designed according to the bank’s needs and risk attitude and should constitute an integral part of the decision-making process and corporate culture of the bank. In this context, each bank is required to prepare an ICAAP Report representing the bank’s own assessment of its capital requirements. The first ICAAP Report covering the activities of the Bank in 2013 must be submitted to the BRSA by the end of September 2014. Subsequent filings of the ICAAP Report are required to be made by the end of March each year.

Basel III

The Basel Committee recently adopted further revisions to Basel III, which are expected to be implemented in Turkey between 2014 and 2019. Basel III regulations mainly include requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. The BRSA issued regulations for the implementation of new Basel III capital standards and leverage ratios which came into force on 1 January 2014. The Regulation for the implementation of liquidity coverage ratio which was issued on 21 March 2014 and came into force as of 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance, which will enter into effect on 1 January 2015). Regarding new capital standards, Akbank does not experience difficulty in meeting the new requirements due to the good quality of Akbank’s existing capital base, mostly composed of common equity and retained earnings.

Management

For an overview of Akbank’s organisational structure, please see “—*Business—Organisational Structure*” above.



The Board of Directors

Akbank is managed by its Board of Directors. The Board of Directors makes all major decisions affecting Akbank and acts as a supervisory body for Akbank's activities. It meets at least monthly according to Akbank's Articles of Association. The minimum number of directors required by Turkish Banking Law is five. The maximum number of directors is ten according to Akbank's Articles of Association. A meeting of the Board of Directors has a quorum if at least six of its members are present. Akbank's Board of Directors is also responsible for Akbank's vision, mission and short- and long-term strategic targets.

The following individuals are currently members of the Board of Directors:

Name	Position	Year first appointed to the Board of Directors	Term expires
Suzan Sabancı Dinçer	Chairman and Executive Member of Board of Directors	1997	2015
Erol Sabancı	Honorary Chairman and Consultant to the Board of Directors - Board Member	1967	2015
Hayri Çulhacı	Vice Chairman and Executive Member of Board of Directors	2009	2015
Cem Mengi	Executive Member of Board of Directors	2014	2015
Aydın Günter	Member of Board of Directors	2014	2015
Şakir Yaman Törüner	Member of Board of Directors	1998	2015
Aziz Aykut Demiray	Member of Board of	2012	2015

<i>Name</i>	<i>Position</i>	<i>Year first appointed to the Board of Directors</i>	<i>Term expires</i>
	Directors		
Kaan Terzioğlu.....	Member of Board of Directors	2012	2015
James C. Cowles	Member of Board of Directors	2012	2015
Hakan Binbaşgil.....	Member of Board of Directors and CEO	2012	According to Turkish law, CEO is the Member of the Board of Directors

The address of the Board of Directors is Akbank T.A.Ş., Sabancı Center 4, Levent 34330, İstanbul, Turkey.

The following individuals have been members of the Board of Directors for the last three years: Suzan Sabancı Dinçer, Erol Sabancı, Hayri Çulhacı, and Şakir Yaman Törüner.

The following individuals are former members of the Board of Directors who left the office within the last three years: Bülent Adanır, Ziya Akkurt, Hamid Biglari Özen Göksel, Hikmet Bayar and William J. Mills.

Set forth below is brief biographical information on the members of Akbank's Board of Directors.

Suzan Sabancı Dinçer (age 49)

Suzan Sabancı Dinçer CBE began her career in banking in 1986 and joined Akbank in 1989. Suzan Sabancı Dinçer was appointed Senior Vice President of the Akbank Treasury Department in 1989, promoted to Executive Vice President in charge of Treasury in 1994, appointed to the Board of Directors as Executive Board Member in charge of Treasury and International Relations in 1997 and as Executive Board Member in charge of all matters of the Board of Directors in 2000. Suzan Sabancı Dinçer was elected Chairman of the Board of Directors on 28 March 2008. Suzan Sabancı Dinçer is a member of the Institute of International Finance Board of Directors and Emerging Markets Advisory Board and Harvard University's Global Advisory Council. She founded Akbank's International Advisory Board, a platform to discuss and evaluate global and local economic developments and their strategic implications for Turkey. She also sits on the Chatham House Panel of Senior Advisers. She is the Chairperson of the Turkish-British Business Council of Foreign Economic Relations Board of Turkey (DEİK). In 2012, Her Majesty Queen Elizabeth II awarded Suzan Sabancı Dinçer the title of "Commander of the Most Excellent Order of the British Empire (CBE)" in recognition of her proactive and influential contributions to the development of Turkey-UK relations. Suzan Sabancı Dinçer is also on the Board of Directors of the Global Relations Forum and a TÜSİAD (Turkish Industry and Business Association) member. She is also the Luxembourg Honorary Consul in Istanbul and a member of the Board of Trustees of Sabancı University, as well as a founding member and board member of Endeavour Turkey and of the Advisory Board of Akbank Sanat. Suzan Sabancı Dinçer holds a BA in Finance from Richmond College in the UK and an MBA from Boston University in the USA.

Erol Sabancı (age 76)

Having served as a member of Akbank's Board of Directors since 1967, for a decade beginning from March 1998 Erol Sabancı served as the Chairman of the Board of Directors. Elected Honorary

Chairman and Consultant to the Board on 28 March 2008, Erol Sabancı also serves as Vice Chairman of the Board of Directors of Sabancı Holding.

Hayri Çulhacı (age 58)

Hayri Çulhacı was elected as Vice Chairman on 18 July 2010 and was appointed Chairman of the Audit Committee and Executive Risk Committee on 17 January 2011. Having joined Akbank as an Executive Vice President in 1990, Hayri Çulhacı was consecutively appointed as Executive Vice President in charge of Corporate Communications, Investor Relations and Strategy; as Advisor to the Chairman; and as Executive Board Member. Prior to joining Akbank, Hayri Çulhacı worked as a civil servant in the Ministry of Finance. Çulhacı holds a BA degree in Economics from Ankara University, Faculty of Political Sciences and an MBA degree from North-eastern University in the USA. Hayri Çulhacı is a member of the Board of Trustees of Sabancı Foundation, a member of the Board of Trustees of Sabancı University and a Board Member of Ak Sigorta A.Ş., and AvivaSA A.Ş..

Cem Mengi (age 49)

Cem Mengi was elected as Executive Board Member in charge of credits as of 10 February 2014. Prior to this appointment, during his career Cem Mengi has successfully served in different private banks as Executive Vice President and Assistant CEO. He joined Akbank in 2001 as Senior Vice President in charge of Corporate Banking and Project Finance. Between 2008-2011 he served the Bank as Executive Vice President in charge of Corporate Banking and Project Finance. Cem Mengi achieved his 'A levels' in Mathematics and Physics in the UK and graduated from International University with a bachelor's degree in Management Information Systems, Faculty of Management and Administration.

Aydın Günter (age 71)

Aydın Günter became a member of the Board of Directors in 2014. Aydın Günter served at Sabancı Holding and held various positions including Executive Vice President in charge of Financial Control and Finance from 1974 to 1994. In 1994, he founded his own consulting firm and served as a Member of the Board of Directors in various companies beginning from 1998. Prior to joining the Sabancı Group, Aydın Günter worked at the Ministry of Finance as a Tax Inspector. Aydın Günter is a graduate of the Faculty of Political Sciences at Ankara University.

Şakir Yaman Törüner (age 65)

Şakir Yaman Törüner became a member of the Board of Directors in March 1998. Having served as a Member of Parliament between 1995 and 1999, Şakir Yaman Törüner also served as a Minister of State in 1996. Between 1990 and 1994, Şakir Yaman Törüner served as the President of the Istanbul Stock Exchange and from 1972 until 1990 he worked in various administrative positions within the Central Bank of Turkey, also serving as the Governor of the Central Bank of Turkey between February 1994 and January 1996. Şakir Yaman Törüner is an op-ed columnist in the *Milliyet* daily as well as a Member of the Board of Trustees of Istanbul Aydın University.

Aykut Demiray (age 59)

Aykut Demiray joined Akbank as a Member of the Board of Directors on March 1 2012. Aykut Demiray began his career in 1979 at T. Isbank as an Assistant Internal Auditor and undertook various duties in several units and branches, finally serving as Deputy Chief Executive between 1998 and 2011. A graduate of the Business Administration Department of the Faculty of Administrative Sciences from Middle East Technical University, Aykut Demiray is a Member of the Board of Trustees at Istanbul Culture University.

Kaan Terzioğlu (age 45)

Kaan Terzioğlu joined Akbank as a Member of the Board of Directors on April 3 2012. Kaan Terzioğlu began his career at Arthur Andersen and Company in Istanbul as an auditor and financial consultant and moved into management consulting in Chicago and Brussels focusing on information technologies, information security and knowledge management from 1990 to 2000. Kaan Terzioğlu has worked for Cisco Systems for the last 12 years, holding various executive responsibilities and serving in numerous international positions. A member of TUSIAD, Kaan Terzioğlu is a certified public accountant at the Istanbul Chamber of Certified Public Accountants and Sworn Financial Advisors. In addition, he is a member of the Board of directors at Aksigorta A.Ş., Teknosa İç ve Dış Ticaret A.Ş. and Neostratus. Kaan Terzioğlu is a graduate of Bosphorus University, Faculty of Business Administration. Department of Business Administration.

James C. Cowles (age 56)

James C. Cowles, is Citibank's Chief Executive Officer for Europe, Middle East & Africa (**EMEA**). Prior to assuming his current position, James C. Cowles was Chief Operating Officer for EMEA and Head of Western Europe at Citibank. He has also held the position of Head of Markets (EMEA), Global Head of Equities and Global Head of Equity Capital Markets at Citibank. Previously, James C. Cowles worked for Smith Barney since 1979, where his roles have included: Head of Equities (EMEA), Deputy Head of Investment Banking, Head of Real Estate Investment Banking and Commercial Mortgage Trading, Head of Debt Capital Markets and Head of Direct Investments. James C. Cowles has also served from 2010 on the Board of Directors, Executive Committee and as Treasurer of AFME (Association for Financial Markets in Europe). James C. Cowles graduated from Denison University in 1977 with a BA in Economics. He graduated with an MBA from the Wharton School, University of Pennsylvania in 1979.

Hakan Binbaşgil (age 54)

Hakan Binbaşgil joined Akbank as the Executive Vice President in charge of Change Management in October 2002. He initiated Akbank's "Restructuring Programme" which has sought to transform Akbank into one of Turkey's most customer-focused, modern and innovative financial institutions. Hakan Binbaşgil was appointed Executive Vice President in charge of Retail Banking in November 2003, Deputy CEO in May 2008 and a Board Member and Chief Executive Officer of Akbank in January 2012. Prior to joining Akbank, Hakan Binbaşgil worked as a Management Consultant in the London and Istanbul offices of Accenture, and as Executive Vice President in a different private sector bank. Hakan Binbaşgil also served on the boards of directors of numerous companies domestically and abroad. Currently, in addition to his position as CEO at Akbank, Hakan Binbaşgil is also the Chairman of Ak Asset Management, Ak Investment, AKLease, Akbank AG and Akbank (Dubai) Limited. After graduating from Robert College, Hakan Binbaşgil graduated from Bosphorus University, Faculty of Mechanical Engineering. Hakan Binbaşgil also holds MBA and MS degrees in Finance from Louisiana State University-Baton Rouge, USA.

Senior Management

Each Corporate Management Unit and 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 – Credits (age 48)

Ahmet Fuat Ayla joined Akbank as Corporate Branch Manager in 2002, became the Senior Vice President in charge of 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 is responsible for the approval of consumer, corporate, commercial and SME loans. Before joining Akbank, Ahmet Fuat Ayla held various managerial 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.

Hülya Kefeli – Executive Vice President – International Banking (age 54)

Hülya Kefeli has held various positions in the Foreign Relations and International Banking Unit of Akbank since 1983 before being appointed as Executive Vice President in charge of International Banking in 2007. Hülya Kefeli is also a Member of the Board of Directors of Akbank (Dubai) Limited and AKLease. After attending Robert College, Hülya Kefeli graduated from Istanbul Technical University, Faculty of Business Administration and Engineering.

K. Atıl Özus – Executive Vice President – CFO (age 44)

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 on all of Akbank's subsidiaries.

A. Galip Tözge – Executive Vice President – Consumer Banking (age 47)

A. Galip Tözge joined Akbank in September 2002 as Senior Vice President in charge of Retail Banking Distribution Channels and was appointed as Executive Vice President in December 2007. Before joining Akbank, A. Galip Tözge served as Executive Vice President at a different private sector bank. A graduate of Marmara University, Department of Business Administration, A. Galip Tözge holds an MBA degree from the University of Missouri in the US.

Burcu Civelek Yüce - Executive Vice President - Human Resources and Strategy (age 36)

Burcu Civelek Yüce joined Akbank in 2006 and previously served as Senior Vice President of Strategic Management. She was appointed as 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 in 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.

Mehmet Sindel – Executive Vice President – Payment Systems (age 44)

Mehmet Sindel joined Akbank in November 2010 as Executive Vice President in charge of Payment Systems. Prior to joining Akbank, he held various managerial positions at different private sector banks. Mehmet Sindel is a graduate of Boğaziçi University, Faculty of Business Administration.

Kerim Rota – Executive Vice President - Treasury (age 49)

Kerim Rota joined Akbank in November 2010 as Executive Vice President in charge of Treasury. 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. Kerim Rota also received a masters degree in operational management from Bilgi University.

Kaan Gür – Executive Vice President – Commercial Banking (age 50)

Kaan Gür joined Akbank as Executive Vice President of Commercial and SME Banking on 14 January 2011. Prior to joining Akbank, he held various managerial positions at different private sector banks. A graduate of Gazi University, Department of Banking and Insurance, Kaan Gür is also a member of the Foreign Economic Relations Board (DEİK) and the Turkish Industrialists and Businessmen Association (TÜSİAD).

Alper Hakan Yüksel – Executive Vice President – Corporate Banking (age 46)

Alper Hakan Yüksel joined Akbank in March 2011 as Executive Vice President in charge of Corporate Banking. Prior to joining Akbank, Alper Hakan Yüksel held various managerial positions at different financial institutions locally and abroad. Alper Hakan Yüksel holds a B.S. in Industrial Engineering from Middle East Technical University.

Saltık Galatalı – Executive Vice President – Private Banking (age 45)

Saltık Galatalı joined Akbank in November 2009 as Senior Vice President in charge of Private Banking Investment and Strategy and was appointed as Executive Vice President in charge of Private Banking in July 2011. Saltık Galatalı began his career at the Istanbul Stock Exchange and before joining Akbank he held various managerial positions at different financial institutions. A graduate of Istanbul University, Department of Economics, Saltık Galatalı holds an MBA degree in Investment Management and Banking from Adelphi University in the US.

Turgut Güney – Executive Vice President – Information Technology (age 46)

Turgut Güney joined Akbank in October 2011 as Executive Vice President in charge of Information Technology. Prior to joining Akbank, Turgut Güney served as a senior advisor at Computer Task Group and Oracle Consulting in the U.S. and held various managerial positions at different banks, locally. Turgut Güney is a graduate of Hacettepe University, Department of Computer Engineering and holds a master's degree from Southern Illinois University, Faculty of Engineering, Department of Computer Engineering.

Orkun Oğuz - Executive Vice President - Direct Banking (age 42)

Orkun Oğuz joined Akbank as Executive Vice President in charge of Direct Banking in January 2013. Oğuz began his career working as a Marketing Analyst at FedEx in the United States and later served as a Managing Partner at Peppers & Rogers Group for a few years. He was promoted to Chief Executive Officer of the EMEA region and later of the U.S. office and provided consultancy on Banking and Financial Services. Oğuz is a graduate of Boğaziçi University, Department of Mechanical Engineering and holds an MBA degree in Management from the University of Georgia, USA.

Bülent Oğuz – Executive Vice President – SME Banking (age 40)

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

Özlen Sanibelli – Executive Vice President – Operations (age 47)

Özlen Sanibelli joined Akbank in January 2003 as Senior Vice President in charge of Branch Network Restructuring as part of the bank's Restructuring Programme and later established the Quality Management department where she served as Senior Vice President. Between 2007 and 2008, Özlen Sanibelli was in charge of the project management processes of the Akbank Banking Center in Gebze. In addition to Quality Management responsibility, Özlen Sanibelli executed process management and contributed to the improvement of operational efficiency at Akbank prior to her appointment as Executive Vice President in charge of Operations in October 2013 from 2009. Özlen Sanibelli graduated from Istanbul Technical University, Industrial Engineering department. She also holds an MBA in Engineering Management from the same university.

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

Conflict of Interests

There is no actual or potential conflict of interests between the duties of any of the members of the Board of Directors and the Senior Management team and their respective private interests or other duties.

Remuneration and Related Party Transactions

The members of the Board of Directors receive a fee for attending Board meetings. In addition, a maximum of 2% of the distributable profits remaining after taxes, legal reserves and a first dividend to shareholders may be distributed to members of the Board. The average percentage of such distributions in the last five years was 0.9%.

The aggregate amount of the remuneration paid and benefits in hand granted to the Directors and senior management for the year ended 31 December 2013 was approximately TL20,900,000. The aggregate amount of the remuneration paid and benefits in hand granted to the Directors and senior management for the year ended 31 December 2013 was approximately TL29,853,000.

None of the Directors or executive officers has or has had any interest in any transaction effected by Akbank and which are or were unusual in their nature or conditions or significant to the business of Akbank and which were effected during the current or immediately preceding financial year or were effected during an earlier financial year and remain in any respect outstanding or unperformed.

Corporate Governance

Akbank recognises the importance of maintaining sound corporate governance practices. The relationship between Akbank's management, shareholders, employees and third parties including customers, legal authorities, suppliers and various other individuals and institutions with whom Akbank does business are based on fundamental governance principles including integrity, credibility, non-discrimination, compliance, confidentiality, transparency and sustainability.

Akbank complies with the Capital Markets Legislation and the regulations of the CMB and the Borsa Istanbul in the matter of public disclosure and expends maximum effort to implement the principles stipulated in the CMB Corporate Governance Principles. The Corporate Governance Principles stipulated by the CMB and consisting of four major sections are implemented by Akbank in general. The Board has established an Audit Committee, a Corporate Governance Committee, a Credit Committee and an Executive Risk Committee.

Audit Committee

Responsible for assisting the Board of Directors in its auditing and supervision activities, the Audit Committee is charged with overseeing the functioning and adequacy of the internal systems as well as the accounting and reporting systems.

The members of the Audit Committee include:

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

Corporate Governance Committee

The Corporate Governance Committee is responsible for attaining, overseeing and communicating Akbank's compliance with the Corporate Governance Principles; overseeing the activities of the Investor Relations and Sustainability Department; creating a transparent system in the areas of identification, evaluation and training of suitable candidates for the Board of Directors and devising policies and strategies in this matter. The members of the Remuneration Committee are responsible for overseeing, supervising and reporting the remuneration practices on behalf of the Board of Directors. The Committee meets twice a year.

The members of the Corporate Governance Committee include:

- Hayri Çulhacı, Chairman (Vice Chairman and Executive Board Member)
- Suzan Sabancı Dinçer, Member (Chairman and Executive Board Member)
- Şakir Yaman Törüner, Member (Board Member)
- Aykut Demiray, Member (Board Member)
- Osman Sezginer, Member (Investor Relations – Vice President)

Hayri Çulhacı and Şakir Yaman Törüner are members of the Remuneration Committee.

Credit Committee

The Credit Committee is the ultimate decision-making body for loan allocation and reviews loan applications over certain amounts to ensure that it conforms to legislation and regulations, banking principles and Akbank's goals and loan policies.

The members of the Credit Committee include:

- Suzan Sabancı Dinçer, Member (Chairman and Executive Board Member)
- Cem Mengi, Member (Executive Board Member)
- Hakan Binbaşgil, Member (Board Member and CEO)

Executive Risk Committee

The Executive Risk Committee is responsible for developing risk policies, determining appropriate methods for measurement and management of risk, setting commensurate risk limits and monitoring

their performance. All risk policies formulated are documented in writing and incorporated in the overall long-term strategy of Akbank. Unless excused, all Committee Members attend the meetings.

The members of the Executive Risk Committee include:

- Hayri Çulhacı, Member (Vice Chairman and Executive Board Member)
- Suzan Sabancı Dinçer, Member (Chairman and Executive Board Member)
- Cem Mengi, Member (Executive Board member)
- Hakan Binbaşgil, Member (Board Member and CEO)

Ownership and the Sabancı Group

Share Capital of Akbank

As at 30 June 2014, 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 TL 0.01. Consolidated total shareholders' equity as at 30 June 2014 amounted to TL24,469,334,000. 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 2016, 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 30 June 2014, approximately 41.0% of the shares are publicly traded, including the ADRs. As at 30 June 2014, Akbank's market capitalisation was U.S.\$14.7 billion.

Principal Shareholders

Registered ordinary shareholdings in Akbank as at 30 June 2014 are set forth below.

	Number of Ordinary Shares	Percentage of Outstanding Shares
Hacı Ömer Sabancı Holding A.Ş. (including affiliated companies) and the Sabancı family	1,955,000,001.65	48.88
Citibank Overseas Investment Corp ⁽¹⁾	395,999,979.99	9.90
Other	1,649,000,018.36	41.23
Total	4,000,000,000.00	100.00

Note:

- (1) Citigroup holds 395,999,979.99 registered ordinary shares of Akbank (9.90% of Akbank's total issued share capital) which are held through Citigroup's wholly-owned subsidiary Citibank Overseas Investment Corp. All transactions entered into with Citigroup are on an arms-length basis.

Controlling Shareholders

The Sabancı family and the Sabancı Group (the **Controlling Shareholders**) owned 48.88% of the outstanding share capital of Akbank as at 30 June 2014. The Controlling Shareholders have the power to elect all of Akbank's directors and to determine the outcome of most matters to be decided by a vote of shareholders of Akbank. There are no other parties who exercise or could exercise control over Akbank.

The Sabancı Group

Sabancı Holding is the parent company of the Sabancı Group, one of the largest financial and industrial conglomerates in Turkey by market capitalisation (*Source: Reuters*).

Hacı Ömer Sabancı, the founder of many of the financial and industrial companies within the Sabancı Group, started business in the 1920s in the cotton trade. From this business, he expanded into various other sectors, including the food sector with the acquisition of Marsa in 1946, the financial services sector with the establishment of Akbank in 1948, and the textile sector with the establishment and expansion of Bossa in the 1950s. After the death of Hacı Ömer Sabancı in 1966, his six sons continued his legacy through the establishment of Sabancı Holding in 1967. Sabancı Holding has become the principal vehicle through which the Sabancı family has acquired and holds interests in many sectors of the Turkish economy. Sabancı Holding has always been controlled by the Sabancı family.

The Sabancı Group is composed of 71 companies many of which are recognised market leaders in their respective sectors and 11 of which are listed on the Istanbul Stock Exchange. Sabancı Holding's main business ventures are widely diversified, encompassing financial services, which include banking and insurance, as well as energy, retail, cement, automotive, tyre and tyre reinforcement materials, information technology, and tourism.

The companies of the Sabancı Group currently operate in 17 foreign countries and market their products in various parts of Europe, the Middle East, Asia, North Africa and North and South America. Capitalising on its strong reputation and name recognition, in addition to its positive local relationships and knowledge of and experience in the Turkish market, the Sabancı Group has grown through the expansion of existing core businesses and the formation of joint ventures. Sabancı Holding's multinational business partners include such prominent companies as Ageas, Aviva, Bridgestone, Heidelberg Cement, Carrefour, Hilton International, Marubeni Corporation Mitsubishi Motor Co., Philip Morris and E.ON.

In addition to coordinating finance, planning and human resources functions, Sabancı Holding determines the Sabancı Group's vision and strategies, thus creating shareholder value through synergies across the Sabancı Group companies. In 2013, the consolidated revenues of Sabancı Holding were U.S.\$12.7 billion and net income was U.S.\$ 0.9 billion. The Sabancı family is collectively Sabancı Holding's major shareholder with 59.5% of the share capital. Sabancı Holding shares are traded on the Borsa Istanbul with a free float of 40.5% and depository receipts are quoted on SEAQ International and PORTAL.

In addition to its interest in Akbank, Sabancı Holding's principal investments are listed below.

Financial Services

Ak Sigorta. Established in 1960, Ak Sigorta is the fourth largest non-life insurance company in the Turkish market according to the Insurance Association of Turkey. On 18 February 2011, Sabancı Holding announced that it had entered into a contract to sell 50% of its shares in Ak Sigorta to Ageas Insurance International N.V. (**Ageas**). As of 31 March 2014, each of Sabancı Holding and Ageas held 36% of shares in Ak Sigorta, while 28% of shares were traded on the market.

Avivasa. After completion of legal procedures following the merger of Ak Emeklilik and Aviva Hayat ve Emeklilik, announced to the public on 8 June 2007, Avivasa Emeklilik ve Hayat began operating as one of Turkey's leading individual pension and life insurance companies. According to the Pension Monitoring Center's 31 March 2014 data, Avivasa Emeklilik ve Hayat is the second largest company in the sector in terms of individual pension fund size and market share of 19%.

Other Financial Services Companies. The Sabancı Group's other financial services interests are held by Akbank and are described above under “—*Business—Subsidiaries and Affiliated Companies*”.

Tyres, Tyre Reinforcement Materials and Automotive

Brisa. Established in 1974, Brisa (formerly known as Lassa) began to produce tyres under licence from B.F. Goodrich of the USA. In 1988, Brisa was established as a 50-50 joint venture between the Sabancı Group and Bridgestone Corporation of Japan, a prominent tyre and rubber goods manufacturing company.

Temsa. Temsa, established in 1968, began its automotive sector business operations in 1984 by signing technical licence and distributorship agreements with Mitsubishi Motors Corporation of Japan. In February 2013 Temsa Global's business was divided into three units: bus manufacturing; automotive distribution; and construction equipment distribution. The individual units were set up as separate and independently managed companies. In April 2014, Marubeni Corporation acquired a 49% share in Temsa Construction Equipment Distribution.

Kordsa. Kordsa Global is a supplier of high denier Nylon 6.6 and polyester (HMLS and Technical) yarns, industrial yarn, cord fabric, single end cord and industrial fabric products and the company's main customers are the manufacturers of tires and mechanical rubber goods. It has 10 business units located in nine countries across five continents and approximately 4,000-strong workforce. (Source: *Kordsa Annual Report 2013*)

Food and Retailing

Carrefoursa. Carrefour, a global player in modern retailing, opened its first store in Turkey in 1993 in İçerenköy-Istanbul. Sabancı Holding combined forces with Carrefour through a joint venture in 1996, and Carrefoursa was established. In 2013 Sabancı Holding acquired 12% of Carrefoursa's share capital from Carrefour to increase its stake to 51% and take over control of and responsibility for the operations. Carrefoursa has distinguished itself from the local retailers thanks to its broad range of high quality products and lower prices.

Teknosa. Teknosa started its operations in 2000 to serve Turkish consumers in information technology, electrical appliances, home electronics, and optical products. In 2013, the company owned 294 stores, with operations in 77 provinces

Energy

Enerjisa Power Generation (Genco). Enerjisa GenCo was founded in 1996 to explore new business opportunities in the energy sector and to operate as a reliable and competent supplier of energy to its

customers. Enerjisa GenCo has a combined operating capacity of 2,811 MW and its licensed portfolio reached 4,865 MW including existing power plants, projects under construction and projects with on-going engineering works at the end of October 2013. In addition to this portfolio, projects with a total capacity of nearly 600 MW are at the licence application stage.

Enerjisa Electricity Distribution (Disco). Enerjisa DisCo has been managing Başkent Electricity Distribution Company and providing electricity to the retail market in the region since 2009. In 2013 the company acquired distribution rights in two additional regions Toroslar and Ayedaş by way of privatisation for U.S.\$1.7 billion and U.S.\$1.2 billion, respectively. Enerjisa Disco has been operating in the Ayedaş region since July 2013 and Toroslar since September 2013. The company has distribution rights of the previously owner over Başkent region until 2036 and Toroslar and Ayedaş regions until 2042. The electricity retail sales in the acquired regions are provided by three separate entities: Başkent Retail, Toroslar Retail and Ayedaş Retail, together comprising over 9 million customers.

Enerjisa Electricity Trading (TradeCo). Enerjisa TradeCo was founded in 2004 to operate in the electricity wholesale market. Enerjisa TradeCo trades in electricity and/or capacity in accordance with the limits set by market regulation.

Cement

Akçansa. Akçansa's history dates back to the founding of two companies, Akçimento and Çanakkale Çimento, in 1967 and 1974, respectively. These two entities merged in 1996. Akçansa which is a cement producer in Turkey is currently a Sabancı Holding and Heidelberg Cement joint venture. (Source: Akçansa Annual Report 2013).

Çimsa. Çimsa was established in Mersin in 1972, with production beginning three years later. Çimsa is a white cement producer (Source: Çimsa website). The company acquired Afyon Çimento in May 2013 and has announced its acquisition of Sançim Bilecik Çimento, subject to regulatory approval, in July 2014.

Chemicals

Sasa. Sasa is an integrated polyester manufacturer of polyester staple fibre and yarn with a shifting focus on specialty polymers and chemicals at its facilities in Turkey (Source: Sasa website). The 51% share of Sasa has been sold to Indorama Netherlands B.V. in April 2014, subject to regulatory approval. The remainder of the shares are publicly traded.

Textiles

Yünsa. Established in 1973, Yünsa is a wool fabric producer and exporter. (Source: Yünsa Annual Report 2013).

Related Party Transactions

During the period from 1 January 2010 to the date of this Base Prospectus, Akbank primarily had four types of exposure to related parties: (i) loans that Akbank makes to Sabancı Group companies; (ii) guarantees that Akbank has assumed on behalf of Sabancı Group companies; (iii) deposits that Akbank receives from Sabancı Group companies; and (iv) derivative transactions made by Sabancı Group companies.

Turkish banking regulations limit exposure to related parties, and Akbank's exposure to Sabancı Group companies was within the limit permitted by the regulations as at 31 December 2013. See “—*Turkish Regulatory Environment for Banks—Lending Limits*”. As at 31 December 2013, Akbank has

not entered into any material transactions with any other member of the Sabancı Group except for certain cash and non-cash credits that Akbank has provided to members of the Sabancı Group as set out below. Akbank enters into credit transactions with other members of the Sabancı Group in the ordinary course of business and on an arms-length basis and expects to continue to do so in the future. Akbank's loans and receivables to related parties were TL 2,368,097,000 and TL2,090,849,000 as at 31 December 2013 and 31 December 2012, respectively. These amounts account for 2.0% and 2.3% for 31 December 2013 and 31 December 2012, respectively. Loans provided to employees were TL95,934,000, TL101,100,000 and TL92,280,000 as at 30 June 2014, 31 December 2013 and 31 December 2012, respectively.

The following table indicates the level of Akbank's relationships (on a consolidated basis) with other members of the Sabancı Group as at 31 December 2013, 2012 and 2011, respectively.

	<i>As at and for the year ended 31 December</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Cash loans	2,368,097	2,090,849	1,640,514
As a % of assets	1.21%	1.28%	1.18%
As a % of total cash loans	2.01%	2.26%	2.19%
As a % of shareholders' equity	10.70%	9.30%	8.97%
Non-cash credits ⁽¹⁾	2,413,639	326,871	455,728
As a % of assets	1.23%	0.20%	0.33%
As a % of non-cash loans	7.97%	1.75%	3.15%
As a % of shareholders' equity	0.90%	1.45%	2.51%
Total group exposure	4,781,736	2,417,720	2,096,242

Note:

- (1) Non-cash credits consist primarily of letters of credit issued or confirmed and exposures under guarantees and performance bonds.

Akbank (on a consolidated basis) had deposits from members of the Sabancı Group as follows as at 31 December 2013, 2012 and 2011, respectively.

	<i>As at and for the year ended 31 December</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
		<i>(TL thousands)</i>	
Deposits (including cash collateral)	3,804,621	4,118,645	3,324,446

Turkish Banking System

The Turkish financial sector has gone through major structural changes as a result of the financial liberalisation programme that started in the early 1980s. The abolition of directed credit policies, liberalisation of deposit and credit interest rates and liberal exchange rate policies as well as the adoption of international best standard banking regulations have accelerated the structural transformation of the Turkish banking sector. Since the 1980s, the Turkish banking sector has experienced a significant expansion and development in the number of banks, employment in the sector, diversification of services and technological infrastructure. The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several institutions. The banking sector also experienced a sharp reduction in shareholders' equity in 2001, with the capital for 22 private sector banks declining to U.S.\$7,727 million at the end of 2001 from U.S.\$8,551 million for 28 banks at the end of 2000, according to the Central Bank.

The Turkish money markets and foreign exchange markets have stabilised since 2001. In order to enhance disclosure and require management to maintain adequate capital, the BRSA required banks to undergo a three-part audit during the end of 2001 and the first half of 2002. Following the audit, all private commercial banks were either found to be in compliance with the 8% minimum capital requirement (which was the case for Akbank, as declared by the BRSA in mid-2002), transferred to the SDIF or asked to increase their capital level.

According to SDIF's official data, since 1994, a total of 25 private banks have been transferred to the SDIF due to, among other things, weakened financial stability and liquidity. The transparency of the system has improved along with the establishment of an independent supervisory and regulatory

framework and new disclosure requirements. Structural changes undertaken have strengthened the private banking sector and resulted in a level playing field among banks. Unfair competition from state banks was diminished while the efficiency of the system increased in general as a result of consolidation. Efforts are continuing on the resolution of the SDIF banks while restructuring and privatisation of the state banks is progressing.

This restructuring in the Turkish financial sector has been significantly aided through the three-stage audit process referred to above. According to Provisional Article 11 of the Banking Law, Provisional Article 4 added to the Banks Act (Law No. 4389) (the **Banks Act**), though Act No. 4743 will remain applicable until the collection of receivables and finalisation of procedures against the banks taken over by the SDIF. Pursuant to Provisional Article 4 mentioned above, privately-owned deposit banks (including Akbank) under the scope of the programme went through the above-mentioned three-stage audit process. Banks appointed their own independent audit companies of each bank to conduct the first audit. To ensure that the first audit was undertaken according to agreed-upon principles, a different independent audit company appointed by the BRSA carried out the second audit. The Sworn Bank Auditors of the BRSA conducted the third and final audit. This multi-phase auditing procedure was applied so as to minimise conflicts and increase reliability in the Turkish banking system. The “audit and assessment” phase of the programme was successfully completed through close cooperation with banks and independent audit institutions. The audit and assessment phase carried out within the framework of the programme not only increased the chances of success of the programme, but also brought about positive long-term effects on the Turkish banking system. Firstly, the transparency of the banking sector increased. Announcements made by the BRSA regarding aggregate figures and the bank-specific information to be provided by banks after their general assemblies provided a platform for the sharing of reliable information, including group risks, open positions and in-kind credit risks. As a result, the true financial health of Turkish banks has become more transparent. Secondly, with the success of the audit and assessment phase, the ability of the Turkish public authorities to design and apply sound policies towards the establishment of a healthy and efficient banking sector was strengthened.

In August 2004, in an attempt to reduce the regulatory costs inherent in the Turkish banking system, the government reduced the rate of the Resource Utilisation Support Fund (**RUSF**) applicable on short-term foreign currency commercial loans lent by banks domiciled in Turkey to zero. However, with Council of Ministers Decision No.: 2012/4116 dated 24 December 2012, published in the Official Gazette No.: 28515 of 1 January 2013, the RUSF rates changed for cross-border F/X borrowings by Turkish non-financial institution borrowers. According to the new regime, which applies to loan utilisations from 2 January 2013 onwards, are set out below:

Average Maturity	<i>RUSF (old)</i>	<i>RUSF (new)</i>
up to one year.....	3%	3%
one (1) year (including) up to two (2) years	0%	1%
two (2) years (including) up to three (3) years.....	0%	0.5%
three (3) years and longer	0%	0%

The government also increased the RUSF charged on interest of foreign currency-denominated retail loans from 10% to 15% in order to curb domestic demand fuelled by credit, which was in turn perceived to be adversely affecting Turkey’s current account balance. The Council of Ministers determined RUSF charged on consumer credits to be utilised by individuals (for non-commercial utilisation) at 15% with its decision numbered 2010/974 which was published in the Official Gazette dated 28 October 2010 and numbered 27743.

In accordance with the regulations of the BRSA made in 2003 (decision of BRSA dated 3 July 2003 and numbered 1084), the practice of a full insurance guarantee over savings deposits was removed on

5 July 2004. Under the new limited deposit guarantee scheme that replaced the full insurance guarantee, Turkish Lira and foreign exchange-denominated savings deposits up to TL100,000 (since 5 February 2013) opened by any natural person customer in each bank are under the insurance guarantee of SDIF. Transition from full deposit insurance guarantee to limited deposit insurance guarantee in July 2004 was the result of the positive developments realised in the economy and the financial sector and is considered a new stage in the improvement of the Turkish banking sector.

Turkish Regulatory Environment for Banks

Turkish banking legislation has changed substantially in the last decade and the Banking Law abolishing and replacing Banks Act No. 4389 (as amended by Laws No. 4491, 4672, 4684, 4743, 4842, 5020, 5189 and 5228) came into force upon publication thereof in the Official Gazette dated 1 November 2005. The purpose of enacting a new Banking Law is to establish confidence and stability in financial markets, to ensure efficient operation of the credit system and to protect the rights and interests of the depositors. The Banking Law should be regarded as a positive progress due to its provisions regarding capital adequacy, efficiency of the control and audit to be carried out by public authority, creation of a market discipline by prevention of the possible lack of control, and enforcement of the obligation of the liability insurance.

Turkish banks and also branches in Turkey of foreign banks established abroad are governed by two primary regulatory authorities in Turkey, the BRSA and the Central Bank.

The Role of the BRSA

In June 1999, the Banks Act established the BRSA which ensures that banks observe banking legislation, supervises the application of banking legislation and monitors the banking system. The BRSA has administrative and financial autonomy, and its head office is in Ankara.

Articles 82 and 93 of the Banking Law state that the BRSA, having the status of a public legal entity with administrative and financial autonomy, was established in order to ensure application of the Banking Law and other relevant acts, to ensure that savings are protected and to carry out other activities as necessary by issuing regulations within the limits of authority granted to it by the Banking Law. The BRSA is obliged and authorised to take and implement any decisions and measures in order to prevent any transaction or action which could jeopardise the rights of depositors and the regular and secure operation of banks and lead to substantial damages to the national economy, and to ensure efficient functioning of the credit system.

By law, the BRSA has responsibility for all banks operating in Turkey, including foreign banks and participation banks. The BRSA sets various mandatory ratios such as capital adequacy and liquidity ratios. In addition, all banks must provide the BRSA, on a regular and timely basis, with information adequate to permit off-site analysis by the BRSA of such bank's financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and annual basis, depending on the nature of the information to be reported.

The BRSA conducts both on-site and off-site audit and supervises implementation of the provisions of the Banking Law and other legislation, examination of all banking operations and analysis of the relationship and balance between assets, receivables, equity capital, liabilities, profit and loss accounts and all other factors affecting a bank's financial structure.

Pursuant to the Regulation regarding the Internal Systems of Banks, as issued by the BRSA and published in the Official Gazette dated 28 June 2012 and numbered 28337, 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. 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 departments report to the bank's board of directors. To achieve this, according to the regulation, the internal audit personnel cannot also be appointed to work in a role conflicting with their internal audit duties.

The Role of the Central Bank

The Central Bank was founded in 1930 and performs the traditional functions of a Central Bank, including the issuance of bank notes, provision of price stability and its continuity, regulation of the money supply, management of official gold and foreign exchange reserves, monitoring of the financial system and advising the government on financial matters. The Central Bank exercises its powers independently. The Central Bank is empowered to determine the inflation target together with the government, and to adopt a monetary policy in compliance with such target. The Central Bank is the only authorised and responsible institution for the implementation of such monetary policy.

The Central Bank has responsibility for all banks operating in Turkey, including foreign banks. The Central Bank sets mandatory reserve levels and liquidity ratios. In addition, as per the Turkish Central Bank Law, all banks which are operating in Turkey must provide the Central Bank with their balance sheets and profit and loss accounts together with their auditor's report within one month of their general assembly meeting, and audit reports to be prepared by independent audit companies within one month of their preparation. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending on the nature of the information to be reported.

Finally, The Banks Association of Turkey acts as an organisation with limited supervision and coordination. All banks in Turkey are obliged to become members of this association. As the representative body of the banking sector, the association aims to examine, protect and promote its members' professional interests. However, despite its regulatory and disciplinary functions, it does not possess any of the powers to regulate banking as the BRSA does.

Shareholding

The direct or indirect acquisition of shares, which represent 10% or more of the share capital of any bank, or the direct or indirect acquisition or transfer of shares resulting in the total number of shares held by a shareholder increasing above or falling below 10%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the above thresholds, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee or issuance of new shares with such privileges is also subject to the authorisation of the BRSA. In the absence of such authorisation for the share transfers, a holder of such thresholds of shares cannot be registered in the share register, which effectively deprives such shareholder of the ability to participate in shareholder meetings or to exercise voting or other shareholders' rights with respect to the shares, but not of the right to collect dividends declared on such shares. Additionally, the direct and indirect acquisition or the transfer of the shares of a legal entity owning more than 10% of a bank is also subject to BRSA approval if such transfer directly or indirectly results in the total number of the shares held by a shareholder increasing above or falling below 10%, 20%, 33% or 50% of the share capital of such legal entity. If such approval is not sought, then the relevant shares would merely entitle its owner to the dividend rights. In such case, the voting and other shareholding rights are exercised by the SDIF.

The board of directors of a bank is responsible for ensuring that shareholders attending general assemblies have obtained the applicable authorisations from the BRSA. If the BRSA determines that

a shareholder has exercised voting or other shareholders' rights (other than the right to collect dividends) without due authorisation as described in the preceding paragraph, then it is authorised to direct the board of directors of the applicable bank to cancel any applicable general assembly resolutions. If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without BRSA authorisation. Unless and until a shareholder obtains the necessary share transfer approvals from the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

In the context of the implementation of Article 48 of the Banking Law, cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank and undertakings having this qualification, bonds and similar capital market instruments purchased by it, loans it will lend by depositing or otherwise, receivables arising from the future sales of assets, overdue cash credits, interests accrued but not collected, amounts of non-cash credits converted into cash and futures and options contracts and other similar contracts, partnership interests and shareholding interests are considered as a credit irrespective of the account through which they are traced. The cash loans and non-cash loans such as letters of guarantee, counter-guarantees, suretyships, avals, endorsements, acceptance loans and commitments bearing such characteristics, bonds and similar capital market instruments that have been purchased, funds lent through making a deposit or other ways, receivables arising from the instalment sales of assets; overdue cash loans, accrued but non-collected interests, values of non-cash loans that have been converted to cash, receivables incurred from reverse repurchasing transactions, risks undertaken within the scope of futures and option contracts and other similar contracts, partnership shares and transactions recognised as loans by the Agency shall be considered as loans in the implementation of the Banking Law, irrespective of the accounts they have been booked in.

Credits directly or indirectly extended to, and avals and sureties accepted from, a real person or legal entity which represents 10% or more of Akbank's equity capital shall be considered major credits and the total of such major credits, except for the avals and sureties, cannot exceed eight times its equity capital.

The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25% of its equity capital. In calculating such limit, a credit extended to a partnership is deemed to be extended to the partners in proportion to their liabilities.

A natural person, his or her spouse and children and a partnership (i) in which he or she together with his or her spouse and children is a member of the board of directors or the general manager and (ii) that are, directly or indirectly, controlled by any one of such persons or a legal entity, either individually or jointly with third parties or in which any one of such persons participate with unlimited liability, constitutes a risk group. Furthermore, a bank, its shareholders holding 10% or more voting rights or the right to nominate board members, its board members, general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons constitute a risk group, for which the lending limits are reduced to 20% of a bank's equity capital.

Loans made available to a bank's controlling shareholders or registered shareholders holding 1% or more than 1% of the share capital of the bank may not exceed 50% of its capital equity.

Non-cash loans, futures and option contracts and other similar contracts, avals, guarantees and suretyships, transactions carried out with credit institutions and financial institutions, transactions carried out with the central governments, central banks and banks of countries to be accepted by the

BRSA, as well as bills, bonds and similar capital market instruments issued and guaranteed to be paid by them, and transactions carried out pursuant to such guarantees are taken into account by the framework for calculating loan limits set by the BRSA.

The following credits are exempt from the above-mentioned lending limits:

- (a) transactions backed by cash, cash-like instruments and precious metals;
- (b) transactions made with the Treasury, the Central Bank, the Privatisation Administration and the Housing Development Administration of Turkey or against bonds and bills issued by or payment of which is guaranteed by these institutions;
- (c) transactions carried out in markets established by the Central Bank or other money markets created pursuant to special laws;
- (d) any increase in a credit resulting from an increase in the value of the respective currency and interests accrued and other charges on overdue credits provided that subsequently allocated credits in a foreign currency shall be taken into consideration at the exchange rate applied on the date of utilisation thereof for calculation of lines of credit in the event a new credit is allocated to the same person;
- (e) equity participations acquired at no cost and any increase in the value of equity participations not requiring any payment;
- (f) transactions carried out amongst banks on the basis set out by the BRSA;
- (g) equity participations acquired through underwriting commitments in public offerings provided that such participations are disposed of in a manner and at a time determined by the BRSA;
- (h) transactions which are taken into account as deductibles in calculation of own funds; and
- (i) other transactions to be determined by the BRSA.

Loan Loss Reserves

Procedures relating to loan loss reserves for non-performing loans 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 7 February 2014 (the **Regulation**), banks are required to classify their loans and receivables in one of the following groups:

- I. Loans of a Standard Nature and Other Receivables – *This group involves loans and other receivables:*
 - (1) which have been disbursed to natural persons and legal entities with financial creditworthiness;
 - (2) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor;

- (3) the reimbursement of which has been made within specified periods, for which no reimbursement problems are expected in the future and which can be fully collected; or
- (4) for which no weakening of the creditworthiness of the debtor concerned has been found.

The terms of a bank's loans and receivables monitored in this group may be modified if such loans and receivables continue to have the conditions envisaged for this group; however, in the event that such modification is related to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than five times the sum of 1% of the cash loan portfolio plus 0.2% of the non-cash loan portfolio (letters of guarantee, acceptance credits, letters of credit undertakings and endorsements) or 0% for cash and non-cash export loans monitored under Group I and 0.5% and 0.1%, respectively, for cash and non-cash loans provided to SMEs is required to be set aside and such modifications are required to be disclosed under the financial reports to be disclosed to the public. This ratio is required to be at least 2.5 times the consumer loans provisions for amended consumer loan agreements (other than vehicle and mortgage loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short term and the interest payments thereof are made in a timely manner; provided that the principal amount of such loan or receivable must be repaid within a year, at the latest, if the term of the loan or receivable is renewed without causing any additional cost to a bank.

Pursuant to the amendment made to the Regulation dated 8 October 2013, the definition of consumer loans has been extended to include credit card loans for individuals and overdraft loans for individuals, banks whose total consumer loans excluding mortgage loans exceed 25% of total cash loans, shall allocate general provisions for the consumer loan portfolio excluding mortgage loans under Group I and under Group II at a rate of 4% and 8% respectively. By the end of 2013, banks will set aside at least 25% of the necessary provisioning due to above increase; at least by 50% by the end of 2014 and 100% by the end of 2015.

II. Loans and Other Receivables Under Close Monitoring – *This group involves loans and other receivables:*

- (1) which have been disbursed to natural persons and legal entities with financial creditworthiness and for the principal and interest payments of which there is no problem at present, but which need to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, or anticipation of probable materialisation of the latter or, significant financial risk carried by the person utilising the loan;
- (2) whose principal and interest payments according to the conditions of the loan agreement are not likely to be repaid according to the terms of the loan agreement and where the persistence of such problems might result in partial or full non-reimbursement risk;
- (3) which are very likely to be repaid, but the due dates are delayed for more than 30 days in the collection of the principal and interest payments due to justifiable reasons, however, which cannot be considered as loans or other receivables with limited recovery; or

- (4) although the standing of the debtor has not weakened, there is a high likelihood of weakening due to the debtor's irregular cash flow which is difficult to control.

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; however, in the event that such modification is related to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than 2.5 times the sum of 2% of the cash loan portfolio plus 0.4% of the non-cash loan portfolio for closely-monitored loans are required to be set aside and such modifications are required to be disclosed under the financial reports to be disclosed to the public. This ratio is required to be at least 1.25 times the consumer loans provisions for amended consumer loan agreements (agreements other than vehicle and mortgage loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short term and the interest payments thereof are made in a timely manner; provided that the principal amount of such loan or receivable must be repaid within a year, at the latest, if the term of the loan or receivable is renewed without causing any additional cost to a bank.

III. Loans and Other Receivables with Limited Recovery – *This group involves loans and other receivables:*

- (1) with limited collectability due to the resources of, or the securities furnished by, the debtor being found insufficient to meet the debt on the due date, and where the problems observed are not eliminated, they are likely to cause loss;
- (2) the credibility of whose debtor has weakened and where the loan is deemed to have weakened;
- (3) the collection of whose principal or interest, or both, has been delayed for more than 90 days but not more than 180 days from the due date; or
- (4) in connection with which, the bank is of the opinion that collection by the bank of the principal or interest of the loan or both will be delayed for more than 90 days from the due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity.

IV. Loans and Other Receivables with Suspicious Recovery – *This group involves loans and other receivables:*

- (1) which seem unlikely to be repaid or liquidated under existing conditions;
- (2) in connection with which there is a strong likelihood that the bank will not be able to collect the full loan amount that has become due or payable, under the terms stated in the loan agreement;
- (3) whose debtor's creditworthiness is deemed to have significantly weakened but which are not yet completely considered as an actual loss due to the expected contribution of such other factors as a merger, the possibility of finding new financing or a capital increase and improvement in the debtor's creditworthiness and collectability of loans; or

- (4) there is a delay of more than 180 days but not more than one year from the due date in the collection of the principal or interest or both.

V. Loans and Other Receivables Considered as Losses – *This group involves loans and other receivables:*

- (1) which are deemed to be uncollectible;
- (2) collection of whose principal or interest or both has been delayed by one year or more from the due date; or
- (3) for which, although sharing the characteristics stated in the third and fourth categories, the bank is of the opinion that they have become weakened and that the debtor has completely lost his creditworthiness, due to the strong possibility that it will not be possible to fully collect the amounts that have become due and payable within a period of over one year.

Pursuant to Article 53 of the Banking Law, banks must formulate, implement and regularly review policies regarding: compensation for losses that have arisen or are likely to arise in connection with loans and other receivables and to reserve an adequate level of provisions against impairment in the value of other assets and receipt of guarantees and measurement of their value and reliability. In addition, such policies must address issues such as monitoring the loans, follow-up procedures and the repayment of overdue loans. Banks are under an obligation to establish and operate systems performing all of the foregoing.

All provisions set aside for loans and other receivables in accordance with this Article 53 are considered expenditures deductible from the corporate tax base in the year they are set aside. Pursuant to the amendment dated 21 September 2012 to the Regulation, banks are required to reserve adequate provisions for loans and other receivables until the end of the month during which the payment of such loans and receivables has been delayed.

The Regulation requires Turkish banks to provide general provisions calculated at:

- a. 1% of the loan cash portfolio plus 0.2% of the non-cash loan portfolio (letters of guarantee, aval, sureties and other non-cash loans classified in Group I above); and
- b. 2% of the closely monitored loan portfolio plus 0.4% of the non-cash loan portfolio (letters of guarantee, aval, sureties and other non-cash loans classified in Group II above).

The amendments to the Regulation on 8 October 2013 allow banks to provide a general reserve calculated at 0% for cash and non-cash export loans monitored under Group I and a general reserve calculated at 0.5% and 0.1%, respectively, for cash and non-cash loans provided to SMEs.

In addition to the general provision, special provisions must be set aside for non-performing loans and receivables in Groups III, IV and V described above, in the amounts of 20%, 50% and 100%, respectively, of the relevant loan or receivable.

Pursuant to the same regulation, all loans and receivables in Groups III, IV and V above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the receivables have been refinanced, are defined as NPLs. If several loans have been extended to a loan customer by the same bank and if any of these loans is considered as a NPL, then all outstanding risks of such loan customer are classified in the same group as the NPLs even if such loans would not otherwise fall under the same group as such NPLs. If a NPL is repaid in full, the

other loans of the loan customer may be re-classified into the applicable group as if there were not related to NPLs.

Pursuant to the amendment dated 21 September 2012 made on the Regulation, the BRSA is entitled to increase the provision rates taking into account the sector and country risk status of the borrowers.

Banks must also monitor the following types of security based on their classification:

I. Category I Collateral –

- a. cash, deposit, profit sharing fund and gold deposit accounts provided that they are secured with pledge or assignment agreements, promissory notes, debenture bonds and similar securities issued directly or guaranteed by the Central Bank, the Treasury, the Housing Development Administration of Turkey or the Privatisation Administration and funds gained from repurchase transactions over similar securities and B-type investment profit sharing funds, member firm receivables arising out of credit cards and gold reserved within Akbank;
- b. transactions executed with the Treasury, Central Bank, the Privatisation Administration and the Housing Development Administration and the transactions made against promissory notes, debenture bonds and similar securities issued directly or guaranteed by such institutions;
- c. securities issued directly by, or under the surety of, the central governments or central banks of countries that are members of OECD or guarantees and sureties given by them;
- d. guarantees and sureties given by the banks operating in OECD member states;
- e. securities issued directly or guarantees and sureties given by the European Central Bank;
- f. sureties and letters of guarantee, aval, acceptance and endorsements issued by banks operating in Turkey in compliance with their maximum lending limits; and
- g. bills and bonds issued by banks operating in Turkey.

II. Category II Collateral –

- a. precious metals other than gold;
- b. shares quoted on a stock exchange and A-type investment profit sharing funds;
- c. asset-backed securities and private sector bonds except the ones issued by the borrower;
- d. credit derivatives providing protection against credit risk;
- e. the assignment or pledge of accrued entitlements of real and legal persons with public agencies;
- f. liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at market value;

- g. mortgages on real property registered with the land registry and mortgages on real property built on allocated real estate provided that their appraised value is sufficient; and
- h. export documents appurtenant to a bill of lading or carrier's receipt or insured within the scope of export credit insurance policy; and
- i. negotiable instruments obtained from real and legal persons based on actual commercial relationships.

III. Category III Collateral –

- a. commercial enterprise pledges;
- b. other export documents;
- c. vehicle pledges, including pledges of commercial vehicle lines and licence plates;
- d. mortgages on aircraft or ships;
- e. sureties from real or legal persons, creditworthiness of which is higher than the debtor; and
- f. promissory notes of real and legal persons.

Assets owned by banks and leased to third parties under financial leasing agreements must also be classified in accordance with the above mentioned categories.

IV. Category IV Collateral – Any other security not otherwise included in Category I, II or III.

When calculating the special reserve requirements for NPLs, the value of collateral received from the borrower is deducted from the borrower's loans and receivables in Categories III, IV and V above in the following proportions in order to determine the amount of the required reserves:

	<i>Discount Ratio %</i>
Category I Collateral.....	100
Category II Collateral	75
Category III Collateral	50
Category IV Collateral	25

If the value of the collateral exceeds the amount of the NPLs, the above mentioned rates of consideration are applied only to the portion of the collateral which is equal to the amount of the NPLs.

According to Article 11 of the Regulation, in the event of the borrower's failure to repay the loans or any other receivables, including deferred interests, due to a temporary lack of liquidity that the borrower is facing, the bank is allowed to refinance the borrower with additional funding in order to strengthen its liquidity position or to structure a new repayment plan. Such loans and other receivables are required to remain in their current loan Categories III, IV or V for at least the next six-month period and, within such period, provisions continue to be set aside at the special provisions rate applicable to the relevant group. Following this six month period, if total collections reach at least 15% of the total receivables for restructured loans, the remaining receivables are reclassified to

the “Refinanced/Restructured Loans and Receivables” account. The bank may refinance the borrower for a second time if the borrower fails to repay the refinanced loan, provided that 20% of the principal is collected on a yearly basis.

In addition to the general provisioning rules, the BRSA has from time to time enacted provisional rules relating to exposures to debtors in certain industries (such as the maritime industry) or countries (such as current rules that are in place for real persons or legal entities residing in or engaged in activities relating to Libya and Syria).

According to Provisional Article 5 of the Regulation, which is effective until 31 December 2014, debt classified as Loans and Other Receivables Under Close Monitoring (i.e., Group II receivables) granted to real persons or legal entities residing in Libya or engaged in activities relating to Libya can be restructured twice. Furthermore, such restructured debt may be classified Loans of a Standard Nature and Other Receivables (i.e., 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 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, 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 utilized, then such debt shall be classified as Loans and Other Receivables with Limited Recovery (i.e., Group III receivables) 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 5 described above, if real persons or legal entities residing in Libya or having business activity relating to Libya (other than those described in the preceding paragraph) incur other debt that is classified under Group III, IV or V, then the debt relating to Libya will be reclassified in the same group as such debt; however, setting aside special provisions in the ratio foreseen by the related group for these loans is in the discretion of the bank. 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 as “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.

According to Provisional Article 6 of the Regulation, which is effective until 31 December 2014, debt classified as Group II receivables granted by the banks to be used in the maritime 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 utilized, 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 6 described above, if there are loans or any other receivables classified under Groups III, IV and V (excluding loans granted to be used for maritime sector as well as other receivables), then such debt shall be reclassified in the same group as the debt relating to maritime sector as described in the preceding paragraph; however, setting aside special provisions in the ratio foreseen by the related group for these loans is in 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 involving the maritime sector, as defined above, that are subject to the terms of a new contract or restructured.

According to Provisional Article 7 of the Regulation added on 21 September 2012, which is effective until 31 December 2014, restructured debts classified as Group II receivables granted by the banks to real persons or legal entities residing in Syria or engaged in activities relating to Syria 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 utilized, 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 7 described above, if there are loans or any other receivables classified under Groups III, IV and V (excluding loans granted to real persons or legal entities residing in Syria or engaged in activities relating to Syria), then such debt shall be reclassified in the same group as the debt relating to Syria as described in the preceding paragraph; however, setting aside special provisions in the ratio foreseen by the related group for these loans is in 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.

Capital Adequacy

Basel II has been implemented into Turkish law by the BRSA, which issued a new regulation on measurement and assessment of capital adequacy of banks which entered into force on 1 July 2012. Article 45 of the Banking Law defines “Capital Adequacy” as having adequate equity against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, perpetuate and report their capital adequacy ratio, which, within the framework of the BRSA’s regulations, cannot be less than 8%.

The BRSA is authorized to increase the minimum capital adequacy ratio and the minimum consolidated capital adequacy ratio, to set different ratios for each bank and to revise the calculation and notification periods, but must consider each bank’s internal systems as well as its asset and financial structures.

Under the Regulation on Equities of Banks published in the Official Gazette No. 26333 dated 1 November 2006, the bank’s own funds consist of main capital (Tier 1 capital) and supplementary capital (Tier II capital) minus capital deductions. Subordinated debts to a bank are grouped as “primary subordinated debts (including utilizations in loan and bond format” and “secondary subordinated debts (including utilizations in loan and bond format” and are listed as one of the items that constitute “Tier I” and “Tier II” capital, respectively.

Basel III

In December 2009, the Basel Committee published a draft proposal of a new regulatory regime for capital and liquidity standards for banks (**Basel III**). A comprehensive quantitative impact study was conducted by banks during the spring 2010 based on the Basel III draft proposal, and the Basel Committee issued a final comprehensive framework in December 2010. In Turkey Basel III requirements have been implemented by the BRSA regulations as of 1 January 2014. On 5 September 2013, the Regulation on Equities of Banks and amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks were published in the Official Gazette numbered 28756. The regulation on equities of banks and the amendments to the regulation on capital adequacy requirements would have been effective as of 1 January 2014. On 5 November 2013, the BRSA issued the Regulation on Capital Protection and Cyclic Capital Buffer and the Regulation on Measurement and Evaluation of Leverage Levels of Banks. Apart from implementation of certain leverage ratios set out under the latter regulation that will become effective on 1 January 2015, these regulations came into effect on 1 January 2014.

The Basel III framework includes several key initiatives, which change the Basel II framework. The key changes are, among others:

- The quality, consistency and transparency of the capital base are increased. In the new framework, the regulatory deductions should mainly be applied to the common equity component of the capital base. Further, to be eligible as Tier 1 and Tier 2 capital, instruments will need to meet more stringent requirements.
- The risk coverage is further strengthened, which impacts the calculations of risk-weighted assets. These changes concern increased capital requirement for trading book and re securitisation activities, and were implemented in December 2011 throughout Europe. Further changes, being implemented from 2013, are proposed under the Basel III framework for counterparty credit risk in OTC market instruments and exposures to banks and other financial intermediaries. In particular, a new capital requirement is proposed for risk of changes in the credit value adjustment.
- New minimum requirements and capital buffer requirements are increased. The Basel Committee has defined increased minimum thresholds that banks should at all times exceed, that is, minimum 4.5% common equity Tier 1 ratio, 6% Tier 1 ratio and 8% capital ratio. In addition, the Basel III framework introduces a capital conservation buffer of 2.5% on top of these minimum thresholds. If banks do not meet this buffer, constraints will be imposed on the bank's capital distribution, such as dividends. Also, in periods of excess growth, banks will be required to hold an additional countercyclical buffer of up to 2.5% in order not to face restrictions.

As the quality of the capital base is already high with common equity constituting the majority of the capital base, Akbank expects that the impact of the Basel III framework on its capital base will be limited and believes that it is already in compliance with the capital requirements set forth within the Basel III framework.

The Basel Committee has also proposed that the risk sensitive capital framework should be supplemented with a non-risk based measure, the leverage ratio. The leverage ratio will be calculated as the Tier 1 capital divided by the exposure (on and off-balance sheet exposures, with certain adjustments for selected items such as derivatives). A minimum leverage ratio of 3% will be evaluated during a parallel run period. Another new key component of the Basel III framework is the introduction of increased regulations for liquidity risks. The objective of the liquidity reform is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. The Basel Committee has developed two new quantitative liquidity standards as part of the Basel III framework, which are the liquidity coverage ratio (**LCR**) and the net stable funding ratio (**NSFR**). The LCR aims to ensure that a bank maintains an adequate level of unencumbered, high quality assets that can be converted into cash to meet its liquidity needs for a 30-day time horizon under an acute liquidity stress scenario. The NSFR, on the other hand, establishes a minimum acceptable amount of stable funding, based on the liquidity characteristics of an institution's assets and activities over a one-year horizon. These standards aim to set the minimum levels of liquidity for internationally active banks.

Lastly, the Regulation on the Calculation of Banks' Liquidity Coverage Ratios, through which the BRSA seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period both on a consolidated and unconsolidated basis, was published in the Official Gazette, dated 21 March 2014 and numbered 28948, 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 and the consequences of failing to maintain compliance, which will enter into

effect on 1 January 2015). If the Bank is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), then this could have a material adverse effect on Akbank's business, financial condition, results of operations and prospects.

Liquidity and Reserve Requirements

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures set out by the BRSA. Within this framework, a comprehensive liquidity arrangement has been put into force by the BRSA, following the consent of the Central Bank.

As of the date of this Prospectus, the reserve requirements regarding foreign currency liabilities vary by category, as set forth below:

<i>Category of Foreign Currency Liabilities Required</i>	<i>Reserve Ratio</i>
Demand deposits, notice deposits, private current accounts, precious metal deposit accounts, deposit accounts, deposit/participation accounts up to 1-month, 3-month, 6-month and 1-year maturities.....	13%
Deposit/participation accounts and precious metal deposit accounts up to 1-year and longer maturities and cumulative deposits/participation accounts	9%
Other liabilities up to 1-year maturity (including 1-year)	13%
Other liabilities up to 3-year maturity (including 3-year)	11%
Other liabilities longer than 3-year maturity	6%
	Ratios for
	corresponding
Special fund pools	maturities above

The reserve requirements regarding Turkish Lira liabilities vary by category, as set forth below:

<i>Category of Turkish Lira Liabilities Required</i>	<i>Reserve Ratio</i>
Demand deposits, notice deposits and private current accounts	11.5%
Deposits/participation accounts up to 1-month maturity (including 1-month)	11.5%
Deposits/participation accounts up to 3-month maturity (including 3-month)	11.5%
Deposits/participation accounts up to 6-month maturity (including 6-month)	8.5%
Deposits/participation accounts up to 1-year maturity	6.5%
Deposits/participation accounts up to 1-year and longer maturities and cumulative deposits/participation accounts	5%
Other Turkish Lira liabilities up to 1-year maturity (including 1-year)	11.5%
Other Turkish Lira liabilities up to 3-years maturity (including 3-years)	8%
Other Turkish Lira liabilities longer than 3-year maturity	5%
	Ratios for
	corresponding
Special fund pools	maturities above

The reserve requirements will also apply to gold deposit accounts. Furthermore, pursuant to recent amendments to the Communiqué Regarding Reserve Requirements numbered 2005/1 issued by the Central Bank, banks are permitted to maintain, starting from 6 December 2013: (a) up to 60% (at least half of which must be in U.S. Dollars) of the Turkish Lira reserve requirements in U.S. Dollars and/or

Euro (first 30% at 1.4 times, second 5% at 1.5 times, third 5% at 1.8 times, fourth 5% at 2.6 times, fifth 5% at 2.9 times, sixth 5% at 3.1 times and seventh 5% at 3.2 times the reserve requirement) and up to 30% of the Turkish lira reserve requirements in standard gold (first 15% at 1.4 times, second 5% at 1.5 times, third 5% at 2.0 times and fourth 5% at 2.5 times the reserve requirement) and (b) up to the entire amount of precious metal deposit accounts that should be maintained for reserve requirements for foreign currency liabilities and 0% of the part excluding the precious metal deposit accounts that should be maintained for reserve requirements for foreign currency liabilities in the form of standard gold in blocked accounts. In addition, pursuant to an amendment to the Communiqué Regarding Reserve Requirements that entered into force on 28 September 2012, banks are required to maintain their required reserves against their US Dollar denominated liabilities in US Dollars only.

Furthermore, pursuant to an amendment 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 intervals. The financial leverage ratio is calculated according to the division of a bank's capital into the sum of the following items:

- (a) its total liabilities,
- (b) its total non cash loans and obligations,
- (c) its revocable commitments multiplied by 0.1,
- (d) the total sum of each of its derivatives commitments multiplied by its respective loan conversion rate, and
- (e) its irrevocable commitments.

This additional mandatory reserve amount is calculated quarterly according to the arithmetic mean of the monthly leverage ratio.

A bank also must maintain mandatory reserves for six mandatory reserve periods beginning with the fourth calendar month following an accounting period and additional mandatory reserves for liabilities in Turkish Lira and foreign currency, as set forth below:

Calculation Period for the Leverage Ratio	Leverage Ratio	Additional Reserve Requirement
From the 4th quarter of 2013 through the 3rd quarter of 2014	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.25%	1.5%
	From 3.25% (inclusive) to 3.5%	1.0%
From the 4th quarter of 2014 through the 3rd quarter of 2015	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.50%	1.5%
	From 3.50% (inclusive) to 4.0%	1.0%
Following the 4th quarter of 2015 (inclusive)	Below 3.0%	2.0%
	From 3.0% (inclusive) to 4.0%	1.5%
	From 4.0% (inclusive) to 5.0%	1.0%

Banks have been required to notify the Central Bank of their leverage ratios starting from 31 December 2012, and the above described additional reserve requirements will first be implemented in 2014 starting with 2013 year end financials.

Starting in September 2010, reserve accounts kept in Turkish Lira became non-interest bearing (reserve accounts in foreign currencies have not been interest bearing since 2008).

The regulations state that the liquidity adequacy ratio of a bank is the ratio of liquid reserves to liabilities of the bank. A bank must maintain a weekly arithmetic average of 100% liquidity adequacy before the first maturity period (0-7 days before the maturity date of liabilities on a weekly average as defined by the regulation) and second maturity period (0-31 days before the maturity date of liabilities on a monthly average) for its aggregate liabilities and 80% liquidity adequacy for its foreign currency liabilities.

The regulations further state that until 31 December 2013, foreign exchange-indexed assets and liabilities shall, for the purposes of calculations of foreign currency liquidity ratios, be deemed to be foreign currency assets and liabilities; however, such foreign exchange-indexed assets and liabilities shall continue to be deemed TL currency for the calculation of total liquidity adequacy ratios.

Foreign Exchange Requirements

Pursuant to a regulation on foreign exchange net position/capital base issued by the BRSA and published in the Official Gazette dated 1 November 2006 and numbered 26333, the ratio of a bank's foreign exchange net position to its capital base should not exceed 20%, which calculation is required to be made on a weekly basis. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank (including its foreign branches), its foreign exchange indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds 20%, then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

Audit of Banks

Pursuant to Article 24 of the Banking Law, a bank's board of directors shall establish an audit committee for the execution of the audit and monitoring functions of the board of directors. Audit committees shall consist of a minimum of two members who must be appointed from among the members of the board of directors who do not have executive duties. The duties and responsibilities of the audit committee include the supervision of the efficiency and adequacy of the banks' internal control, risk management and internal audit systems, functioning of these systems and accounting and reporting systems within the framework of the Banking Law and the relevant legislation, and integrity of the information produced; conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors; regularly monitoring the activities of independent audit firms selected by the board of directors; and, in the case of parent undertakings covered by the Banking Law, ensuring that the internal audit functions of the relevant institutions are carried out in a consolidated and coordinated manner, on behalf of the board of directors.

The BRSA, as the principal regulatory authority, has the right to monitor banks' compliance with the relevant legislation.

As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. Banks are required to select an independent audit firm in accordance with the Regulation Regarding the Authorisation and Activities of Incorporations that Will Perform

Independent Audit at Banks, published in the Official Gazette on 1 November 2006, numbered 26333 (as amended by the Regulation published in the Official Gazette dated 24 July 2007 and numbered 26592). Independent auditors are held liable for certain liabilities defined in the regulation. Professional liability insurance is required for independent auditors, evaluators, rating agencies and certain other support services. Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited, whereas other quarters' consolidated interim financial statements are subject only to a limited review by independent audit firms.

The reports prepared by independent audit firms are also filed with the CMB if the banks' shares are quoted on the Borsa Istanbul. The CMB has the right to inspect the accounts and transaction records of any publicly traded company. In addition, quarterly reports that are subject to limited review must also be filed with the CMB.

All banks (public and private) also undergo annual and interim audits by the BRSA. Prior to the enactment of the Banks Act, the supervision used to be carried out by the Treasury and the Central Bank. Annual audits encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities, foreign exchange transactions and tax liabilities. Additionally, such audits seek to ensure compliance with applicable laws and constitutional documents of the bank. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through off-site examinations.

Pursuant to the Regulation regarding the Internal Systems of Banks, as issued by the BRSA and published in the Official Gazette dated 28 June 2012 and numbered 28337, 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.

Savings Deposit Insurance Fund

Article 111 of the Banking Law relates to the SDIF and its principles. The SDIF has been established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed, and insuring the savings deposits held by Turkish banks. The SDIF is a public legal entity set up to insure savings deposits held by banks. The SDIF is responsible for and authorised to take measures to restructure, transfer to third parties and strengthen the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, to restructure such banks and to transfer them to third persons, as well as other duties imposed on it.

The main powers and duties of the SDIF pursuant to the SDIF regulation published in the Official Gazette dated 25 March 2006 and numbered 26119 are as follows:

- (a) Ensuring the enforcement of the SDIF Board's decisions;
- (b) Establishing the human resources policies of the SDIF;
- (c) Becoming members of international financial, economic and professional organisations, in which domestic and foreign equivalent agencies participate, and signing memoranda of

understanding with the authorised bodies of foreign countries regarding the matters that fall under the SDIF's span of duty;

- (d) To insure the savings deposit and participation funds in the credit institutions;
- (e) To determine the scope and amount of the savings deposit and participation funds which are subject to insurance with the opinion of the Central Bank, BRSA and Treasury Undersecretaries, to determine risk based insurance premiums timetable, collection time and form and other issues in cooperation with the opinion of BRSA;
- (f) To pay the insured deposits and participation funds from its sources, in the credit institutions whose operating permission have been revoked, directly or through another bank;
- (g) To fulfil the necessary operations regarding the transfer, sale and merger of the banks whose shareholder rights except dividends and management and supervision transferred to the SDIF by BRSA, with the condition that the losses of the partners are reduced from the capital;
- (h) To take management and control of the banks whose operating permission has revoked and fulfil the necessary operations regarding the bankruptcy and liquidation of them;
- (i) To request from the public institutions, agencies, real persons and legal entities to provide the all information, document and book, continuously, regularly and timely for the SDIF in the framework of the Article 123 of the Law with the charged personnel or official inscription;
- (j) To make regulations and communiqué's for the enforcement of the Law with SDIF Board's decision; and
- (k) To fulfil the other duties that the Law and other related legislation assign.

Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Law No. 2004, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

The owners of deposits and participation funds are treated as privileged creditors with respect to the part of their accounts not subject to insurance, pursuant to article 206, line three of the Execution and Bankruptcy Law No. 2004, and receive their receivables after the payment of the receivables of the SDIF and the claims of the state and social security organisations covered by the Law No. 6183 in the case of the bankruptcy of credit institutions.

The resources available to the SDIF pursuant to Article 130 of the Banking Law are: (a) insurance premiums paid by banks; (b) deposits, custody accounts, contributions/funds and claims that have been prescribed; (c) contributions deposited by the founders of a bank in an amount equal to 10% of the minimum capital deposited within one year following the commencement of their activities; (d) if permission is granted by the BRSA for the acquisition of shares beyond the limits set forth in the Banking Law, 1% of the nominal or market value of all allocated shares; (e) 50% of judicial and 90% of administrative fines imposed on account of violation of the provisions of the Banking Law; (f) revenue from the assets of the SDIF and other revenues; and (g) the funds to be transferred to the SDIF and not sought by their owners for ten years (whereas a certain notification procedure is followed by SDIF annually) following a voluntary liquidation of a bank in accordance with the Banking Law.

Under Article 131 of the Banking Law, the SDIF may, in extraordinary situations, borrow with the authorisation of the Treasury or borrow long-term government securities from the Treasury. Principles and procedures regarding government securities, including interest rates and terms and conditions of repayments to the Treasury, are determined jointly by the Treasury and the SDIF.

Cancellation of Banking License

According to Article 67 of Banking Law, if the results of consolidated and unconsolidated audits show that:

- the assets of a bank are likely to become insufficient to cover its obligations as they become due;
- the bank is not complying with liquidity requirements;
- the bank's profitability is not sufficient to conduct its business in a secure manner due to disturbances in the relation and balance between expenses and profit;
- the regulatory equity capital of such bank is not sufficient or is likely to become insufficient;
- the quality of assets of such bank have been impaired in a manner potentially weakening its financial structure;
- the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA;
- such bank fails to establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems, or any other factor impedes the audit; or
- imprudent acts of such bank's management materially increase the risks stipulated under the Banking Law and relevant legislation or potentially weaken the bank's financial structure,

then, depending on which events listed above are applicable, the BRSA may require the board of directors of such bank to take one or more of the following actions or any other actions that the BRSA deems necessary:

- to increase its equity capital;
- not to distribute dividends for a temporary period and to transfer its distributable dividend to the reserve fund;
- to increase its loan provisions;
- to stop extension of loans to its shareholders;
- to dispose of its assets in order to strengthen its liquidity;
- to limit or stop its new investments;
- to limit its salary and other payments;
- to cease its long-term investments;
- to comply with the relevant banking legislation;

- to cease its risky transactions by re-evaluating its credit policy; and/or
- to take all actions to decrease any maturity, foreign exchange and interest rate risks,

for a period determined by the BRSA and in accordance with a plan approved by the BRSA.

In the event the aforementioned actions are not taken by that bank or its financial structure cannot be strengthened despite the fact that such actions have been taken, or the BRSA determines that taking such actions will not lead to a result, then the BRSA may require such bank:

- to strengthen its financial structure, increase its liquidity and/or capital adequacy;
- to dispose of its fixed assets and long-term assets within a reasonable time determined by the BRSA;
- to decrease its operational and management costs;
- to postpone its payments under any name whatsoever, excluding the regular payments to be made to its members;
- to limit or prohibit extension of any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors;
- to convene an extraordinary general assembly in order to change the members of the board of directors or assign new member(s) to the board of directors, in the event any board member is responsible for the failure to comply with the relevant legislation or the increase in risk as set out above; and/or
- to implement short-, medium- or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank, and the members of the board of directors and the shareholders with qualified shares must agree to the implementation of such plan in writing.

In the event that the aforementioned actions are not taken by that bank, or its financial structure cannot be strengthened despite the fact that such actions have been taken, or the BRSA determines that taking these actions will not lead to a result, then the BRSA may require such bank:

- to limit or cease its business or its whole organisation by its field of activity for a temporary period, including its relations with its local or foreign branches and correspondents;
- to apply various restrictions, including restrictions on rate ratio and maturity with respect to resource collection and utilisation;
- to remove from office (in whole or in part) its members of the board of directors, general manager and deputy general managers and department and branch managers and obtain approval from the BRSA as to the persons to be appointed to replace these;
- to make available long-term loans, provided that these will not exceed the amount of deposit or participation funds subject to insurance, and be served by the shares of other assets of the controlling shareholders;
- to limit or cease its non-performing operations and to dispose of its non-performing assets;
- to merge with one or several banks;

- to procure new shareholders in order to increase its equity capital; and/or
- to cover its losses with its equity capital.

In the event that: (a) the aforementioned actions are not (in whole or in part) taken by such bank within a period of time stipulated by the BRSA or in any case within twelve months; (b) the financial structure of such bank has not been strengthened despite the fact that such actions have been taken; (c) the BRSA determines that taking these actions will not strengthen the bank's financial structure; (d) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation fund owners and the security and stability of the financial system; (e) such bank cannot cover its liabilities as they become due; (f) the total amount of the liabilities of such bank exceeds the total amount of its assets; or (g) the controlling shareholders or managers of such bank are found to have utilised such bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the licence of such bank to engage in banking operations and/or accept deposits, and transfer the management, supervision and control of the shareholding rights (excluding dividends) of such bank to the SDIF for the purpose of the whole or partial transfer or sale of such bank to third persons or merger thereof, provided that the loss is deducted from the share capital of the current shareholders.

In the event that the licence of a bank to engage in banking operations and/or to accept deposits is revoked, then that bank's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including preliminary injunction) against such bank would be discontinued as from the date on which the BRSA's decision to revoke such bank's licence is published in the Official Gazette. From the date of revocation of such bank's licence, the creditors of such bank may not assign their rights or take any action that could lead to the assignment of their rights. The SDIF must take measures to protect the rights of depositors and other creditors of such bank. The SDIF is required to pay the insured deposits of such bank either by itself or through another bank it may designate. In practice, the SDIF may designate another bank that is under its control. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking licence is revoked.

Annual Reporting

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (that are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual reports. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable, as well as suitable for auditing, analysis and interpretation.

Furthermore, Turkish companies (including banks) are required to comply with the Regulation regarding Determination of the Minimum Content of the Companies' Annual Reports published by the Ministry of Customs and Trade, as well as the Corporate Governance Communiqué, when preparing their annual reports. These reports include the following information: management and organisation structures, human resources, activities, financial situations, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

Banks cannot settle their balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorised to take necessary measures where it is determined that a bank's financial statements are misrepresented.

When presenting a bank's financial reports to the approval of the board of directors, the chairman of the board, audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records. In addition, foreign banks must have the members of the board of managers of their Turkish branches sign the annual reports.

Independent auditors must approve all annual reports that banks present to their general assemblies.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

Further, banks are required to submit and publish activity reports that comply with the BRSA's established guidelines. These reports include the following information: management and organisation structures, human resources, activities, financial situations, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

The Regulation on Procedures and Principles of Preparation and Publication of Annual Activity Reports by the Banks regulates the procedures and principles regarding the annual activity reports of banks to be published at the end of each fiscal year. According to the regulation, among other things, a bank's financial performance and the risks that it faces need to be assessed in the annual activity report. The annual activity report is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual general assembly of the bank. Each bank must keep a copy of such report in its headquarters and each branch and publish it on its website at the latest by the end of May following the end of relevant fiscal year.

Disclosure of Financial Statements

With the Communiqué on Financial Statements to be Disclosed to the Public published in the Official Gazette No. 28337 dated 28 June 2012, new principles of disclosure of annotated financial statements of banks were promulgated. The amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios are reflected in the requirements relating to information to be disclosed to the public and new standards of disclosure of operational, market, currency and credit risk. In addition, new principles were determined with respect to the disclosure of position risks relating from (inter alia) securitization transactions and investments in quoted stocks.

Financial Services Fee

Pursuant to Tariff 8 of the Law on Fees No. 492, as amended by the Law No. 5951, banks are required to pay a financial services fee for each of their branches each year. The amount of the fee is determined by reference to the population of the district in which the relevant branch is located.

Corporate Governance Principles

On 3 January 2014, the Corporate Governance Communiqué was published by the CMB and entered into force, providing certain compulsory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on the Borsa İstanbul, including Akbank. There are certain other additional miscellaneous corporate governance requirements under other Turkish law and regulations which it will remain subject to (i.e., those that apply to non-listed companies and banks).

As of the date of this Base Prospectus, Akbank is subject to the Corporate Governance Principles stated in the banking regulations and the regulations for capital markets that are applicable to banks. Where Akbank does not comply with any of the non-mandatory principles applicable to it under the

Corporate Governance Communiqué, it will explain any such non-compliance in its annual Corporate Governance Principles Compliance Report, which is published as part of Akbank's annual report.

The Corporate Governance Communiqué contains principles relating to: (a) companies' shareholders, (b) public disclosure and transparency, (c) the stakeholders of companies and (d) the board of directors. A number of principles are compulsory, while the remaining principles apply on a "comply or explain" basis. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalisation and the market value of their free-float shares, subject to recalculation on an annual basis. Akbank is classified as a "Tier 1" company.

The mandatory principles under the Corporate Governance Communiqué include provisions relating to: (a) the composition of the board of directors, (b) appointment of independent board members, (c) board committees, (d) specific corporate approval requirements for related party transactions, transactions that may result in a conflict of interest and certain other transactions deemed material by the Corporate Governance Communiqué and (e) information rights in connection with general assembly meetings.

Listed companies are required to have independent board members, which should constitute one third of the board of directors and should not be fewer than two; *however*, publicly traded banks are required to appoint three independent board members to their board of directors, which directors may be selected from the members of the bank's audit committee; *provided* that at least one member should meet the mandatory qualification required for independent board members as set out in the applicable legislation. The Corporate Governance Communiqué further initiated a pre-assessment system to determine the "independency" of individuals nominated as independent board members in "Tier 1" companies (for banks, to the extent such independent board members are not members of that bank's audit committee). Those nominated for such positions must be evaluated by the "Corporate Governance Committee" or the "Nomination Committee," if any, of the board of directors for fulfilling the applicable criteria stated in the Corporate Governance Communiqué. The board of directors is required to prepare a list of nominees based upon this evaluation for final review by the CMB, which is authorized to issue a "negative view" on any nominee and prevent their appointment as independent members of the board of directors. The Corporate Governance Communiqué also requires listed companies to establish certain other board committees.

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" are described as the lease, transfer or establishment of rights in rem (other than establishment of rights in rem by financial institutions resulting from their general course of business) over the total or a substantial part of the listed company's assets, acquire or lease of a material asset, establishing privileges or changes in the scope of current privileges and delisting of the company. 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).

The CML authorises the CMB to require listed companies to comply with the corporate governance principles in whole or in part and to take certain measures with a view to ensure compliance with the new principles, which include requesting injunctions from the court or filing lawsuits to determine or to revoke any unlawful transactions or actions that contradict with these principles.

Anti-Money Laundering

Turkey is a member country of the FATF and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. In Turkey, all banks are obligated to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money laundering set forth in Law No. 5549 on Prevention of Laundering Proceeds of Crime. See “*Risk Factors—Risks related to Turkey—The Financial Action Task Force may not find the progress of Turkey’s CFT regime sufficient in an on-site visit.*”

Minimum standards and duties under such law and related legislation include customer identification, record keeping, suspicious transaction reporting, employee training, monitoring activities and the designation of a compliance officer. Suspicious transactions must be reported to the Financial Crimes Investigation Board.

New measures against the financing of terrorist activities in Turkey were introduced with the entry into force of the Law on Combating the Financing of Terrorism on 16 February 2013 (“the **CFT Law**”). The CFT Law expands the scope of the offence of financing of terrorism (as currently defined under Turkish anti-terrorism laws). The CFT Law also presents new principles and mechanisms for identifying and freezing terrorist assets and facilitates the implementation of United Nations Security Council decisions, in particular, those relating to entities and/or individuals place on sanction lists.

New Consumer Loan, Provisioning and Credit Card Regulations

On 8 October 2013, the BRSA introduced new regulations that aim to limit the expansion of individual loans, especially credit card instalments. The rules: (a) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements, (b) set a limit of TL 1,000 for credit cards issued to consumers who apply for a credit card for the first time if their income cannot be determined by the bank, (c) require credit card issuers to monitor cardholders’ income levels before each limit increase of the credit card, (d) increase the risk weight for instalment payments of credit cards with a term: (i) between one and six months from 75% to 100%, (ii) between six and twelve months from 150% to 200% and (iii) greater than 12 months from 200% to 250% and (e) increase the minimum monthly payment required to be made by cardholders. Before increasing the limit of a credit card, a bank should monitor the income level of the consumer. A bank should not increase the limit of the credit card if the aggregate card limit exceeds four times the consumer’s monthly income. In addition, after 1 January 2014, minimum payment ratios for credit card limits up to TL 20,000 will be incrementally increased to ratios between 30% and 40% until 1 January 2015. These new regulations might result in slowing the growth and/or reducing the profitability of Akbank’s credit card business.

The New Consumer Protection Law, published in the Official Gazette No. 28835 dated 28 November 2013 and entered into force on 7 May 2014, imposes new rules applicable to Turkish banks, such as requiring banks to offer to its customers at least one credit card type for which no annual subscription fee (or other similar fee) is payable. Furthermore, while a bank is generally permitted to charge its customers fees for accounts held with it, no such fees may be payable on certain specific accounts (such as fixed term loan accounts and mortgage accounts). In addition, the consumers have the right of withdrawal from consumer credit agreements (except for mortgage loans) within 14 days without presenting any reason or penalty payment. For mortgage loans, if the payments are made before the relevant maturity dates, the prepayment fee cannot be more than 2% of the prepaid amount which is calculated upon the required interest discount, whereas for the loans of which the remaining maturity is less than 36 months the prepayment fee cannot be more than 1% of such amount.

On 31 May 2013, the Regulation on Procedures and Principles Regarding the Application of the Law on the Prevention of the Financing of Terrorism became effective, which provides the procedures and

principles for the decision-making, execution and termination of the freezing of assets, as well as for the management and supervision of frozen assets. In the event that the FATF finds the new measures introduced with the CFT Law to be insufficient, then such FATF measures as described above may be imposed on Turkey.

TURKISH SECURITIES MARKET

Introduction

There has been an organised securities market in Turkey since 1866, although by the late 1970s the market had been substantially dormant for many years. In 1981, the Capital Markets Law was enacted, which established the Capital Markets Board (**CMB**) as the main regulatory body with responsibility for the supervision and regulation of the Turkish securities markets. The Istanbul Stock Exchange was re-established in 1985 and recommenced operations in early 1986.

The Role of the CMB

The principal function of the CMB is to assist the development of the securities market in Turkey and thereby contribute to the efficient allocation of financial resources in the Turkish economy and to ensure adequate protection for investors. The CMB supervises and regulates, among others, public companies, banks and other financial intermediaries, mutual funds, investment corporations, investment consulting firms and rating firms that offer their services to institutions operating in the capital markets. CMB is authorised to request any kind of information and documents to determine their compliance with the Capital Markets Law, CMB's regulations, communiqués, decisions and other relevant legislation.

The New Capital Markets Law

The CML entered into force on 30 December 2012 and introduces major changes to the Turkish capital market regime. The registration requirement for public offerings and private placements has been abolished. Under the new regime, the issuer in a public offering is required to prepare a prospectus (*izahname*) or, in the case of a private placement, an issuance certificate (*ihraç belgesi*). Both the prospectus and the issuance certificate are subject to the CMB's approval. The new law also facilitates subsequent offerings to be made by the same issuer by introducing a simplified approval procedure, which would be applicable for a term of 12 months from the approval of the original prospectus.

Further, the CML contains important amendments relating to (i) the issue of new shares below their nominal value; (ii) corporate governance principles; (iii) public disclosure rules; (iv) listing requirements; (v) profit distribution; (vi) exit rights and squeeze-outs; (vii) reporting requirements; (viii) regulatory sanctions and administrative fines; (ix) collective investment schemes; and (x) certain capital market instruments including derivatives and capital market activities in line with European Union legislative standards.

Borsa Istanbul

A new stock exchange named Borsa Istanbul (**BIST**) has been established to replace the Istanbul Stock Exchange and the Istanbul Gold Exchange with the enactment of the CML. Borsa Istanbul became operative as of 5 April 2013. It has assumed the assets and liabilities of the Istanbul Stock Exchange and the Istanbul Gold Exchange (which have both ceased to exist), and Borsa Istanbul functions as a stock exchange and gold exchange in Turkey.

Turkish Derivatives Exchange

The Turkish Derivatives Exchange (**TurkDEX**) is the first and only private derivatives exchange in Turkey on which futures and option contracts are traded, with a licence from the CMB to trade derivative instruments. TurkDEX started its operations in 2001 following a resolution by the State

Ministry and Cabinet. TurkDEX is based in İzmir. Currently TurkDEX trades futures contracts in respect of certain commodities, electricity, indices, interest rate and currencies.

The shareholders of TurkDEX are the Union of Chambers and Commodity Exchanges of Turkey, the Istanbul Stock Exchange, Izmir Mercantile Exchange, Yapi ve Kredi Bankası A.Ş. Akbank T.A.Ş. Vakıf Investment Securities, Türkiye Garanti Bankası A.Ş., Is Investment Securities, the Association of Capital Market Intermediary Institutions of Turkey, ISE Settlement and Custody Bank and the Industrial Development Bank of Turkey.

On TurkDEX, through “leveraging”, an investor is able to take larger trading positions without having to invest the full amount of a contract by putting up the initial margin that is required for it. Investors on TurkDEX can make “short sales” (selling securities, commodities, etc. that they do not yet actually own). The local withholding tax is applied on the income derived from derivatives (i) with underlying shares and (ii) with an underlying share index at a rate of 0% for all types of investors.

On the other hand, in the case of capital gains derived by resident and non-resident real persons from other types of derivatives, the applicable rate of withholding tax is 10%. A 0% withholding tax rate is applied on the income derived from these remaining types of derivatives, if such income is derived by resident or non-resident capital companies, Turkish investment funds and similar foreign investment funds, as described under Turkish tax legislation. It was announced in the CMB bulletin dated 29 August 2012 numbered 2012/35 that derivatives exchange agreements based on a single BIST share certificate will be traded on the BIST, and that the relevant draft legislation can be submitted to the BIST by the CMB.

Public Disclosure Platform

All listed companies are required to disclose their financial statements, explanatory notes, material events and all other disclosures through the “Public Disclosure Platform” (valid from 1 June 2009), which is an electronic system developed jointly by the CMB, the BIST and TUBITAK (The Scientific and Technological Research Council of Turkey) that uses internet and electronic signature technologies. The system is operated and managed by the BIST.

The system enables all users to access both current and past notifications of a listed company, to obtain current announcements and up-to-date general information about listed companies in an open and timely manner and to make basic comparisons among, and an analysis of, listed companies.

The internet address of the system is www.kap.gov.tr.

Disclosure Requirements

Companies whose shares are listed on the BIST are required to comply with the information and disclosure requirements thereof. There are two types of disclosure requirements, one relating to financial statements and the other relating to material events.

Disclosure of Financial Statements

Disclosure requirements regarding financial statements are set out below:

- Financial statements must be presented on an annual and quarterly basis according to CMB standards.
- Audited year-end consolidated financial statements and reports prepared in accordance with the Turkish Accounting Standards (TMS) and Turkish Financial Reporting Standards (TFRS) must be announced to the public within 70 days following the end of the accounting period.

- Reviewed interim period consolidated financial statements must be announced to the public within 40 days following the end of the accounting period.
- The CMB has issued Communiqué No. II-14.1 “Communiqué on Principles on Financial Reporting in Capital Markets”, which sets out a comprehensive set of accounting principles. According to this Communiqué, financial statements must be prepared in accordance with the Turkish Accounting Standards (TMS) and Turkish Financial Reporting Standards (TFRS)..
- All listed companies are required to comply with the CMB regulations.

Disclosure of Material Events

Under the Communiqué on Material Events No: II-15.1 (published in the Official Gazette dated 23 February 2014 and numbered 28891) (the **Communiqué on Material Events**), listed companies must disclose continuous information and insider information to the public. The Communiqué on Material Events defines insider information as information, events or circumstances which may have impact on the value or price of capital market instruments and on the investment decisions of investors and which has not yet been disclosed to the public. The CMB is yet to publish a guideline for the detailed implementation of the Communiqué on Material Events.

As per the Communiqué on Material Events, a company may, at its own risk, choose to delay disclosure of insider information to protect its legitimate interests, provided that such delay does not mislead the public and the company remains able to keep such information confidential. As soon as the reason for delay in disclosure disappears, the company is obliged to disclose the insider information, as required by the Communiqué on Material Events, stating the decision for delay and its grounds. The companies or real persons or legal entities acting for or on behalf of the companies must prepare a list of persons who have access to insider information either as a result of their employment with the company or by other means, deliver such list to the CMB and the relevant stock exchange if required and keep this list updated.

Continuous Information

Continuous information is defined as all information other than insider information subject to public disclosure as outlined under the provisions of the law (what constitutes continuous information is set out in the bullet points below). The requirement relating to the disclosure of continuous information to the market is borne by:

- shareholders (whether real persons or legal entities or other real persons or legal entities acting in concert with this real person or legal entity) in circumstances in which the shares or voting rights held by them (individually or with other real persons or legal entities acting in concert), directly or indirectly, equal, exceed or fall below (having previously exceeded) 5%, 10%, 15%, 20%, 25%, 33%, 50%, 67, and 95% of the aggregate share capital or total voting rights; and
- the founding shareholders in circumstances in which the shares or voting rights of the investment funds of a founder, directly or indirectly, are equal to or exceed 5%, 10%, 15%, 20%, 25%, 33%, 50%, 67%, and 95% of the share capital or total voting rights or decrease below such ratios.

FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Covered Bonds will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**) and Registered Covered Bonds will be issued in “offshore transactions” to non U.S. persons in reliance on the exemption from registration provided by Regulation S or otherwise in transactions that are exempt from the registration requirements of the Securities Act.

Bearer Covered Bonds

Each Tranche of Bearer Covered Bonds will initially be represented by a temporary global Covered Bond in bearer form (a **Temporary Bearer Global Covered Bond**) without Coupons or Talons (each as defined in “*Terms and Conditions of the Covered Bonds*”) or, if so specified in the applicable Final Terms, a permanent global Covered Bond (a **Permanent Bearer Global Covered Bond** and, together with the Temporary Bearer Global Covered Bond, each a **Bearer Global Covered Bond**) which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

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

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

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

The applicable Final Terms will specify that a Temporary Bearer Global Covered Bond or a Permanent Bearer Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Covered Bonds with, where applicable, Coupons and Talons attached upon either (i) not less than 60 days’ written notice at any time from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global

Covered Bond) to the Fiscal Agent as described therein or (ii) only upon the occurrence of an Exchange Event as described therein. **Exchange Event** means (i) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available, or (ii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bearer Global Covered Bonds (and any interests therein) exchanged for definitive Bearer Covered Bonds. The Issuer will promptly give notice to Covered Bondholders in accordance with Condition 14 of the “*Terms and Conditions of the Covered Bonds*” if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or the common depository for Euroclear and Clearstream, Luxembourg, as the case may be, on their behalf (acting on the instructions of any holder of an interest in such Permanent Bearer Global Covered Bond) may give notice to the Fiscal Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Fiscal Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent.

The following legend will appear on all Bearer Covered Bonds, Coupons and Talons (other than Temporary Bearer Covered Bonds or Bearer Covered Bonds issued in compliance with TEFRA C) which have an original maturity of more than one year:

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

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

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

Bearer Covered Bonds shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purposes of their immobilisation in accordance with article 4 of the Belgian law of 14 December 2005.

Registered Covered Bonds

The Registered Covered Bonds of each Tranche 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 Covered Bond in registered form (a **Regulation S Global Covered Bond**), which will be deposited either with a custodian for DTC, and registered in the name of Cede & Co. as nominee of DTC, for the accounts of Euroclear and Clearstream, Luxembourg, or, if so specified in the applicable Final Terms, by a registered Covered Bond in definitive form (a **Definitive Regulation S Registered Covered Bond**). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Covered Bonds, Regulation S Global Covered Bonds, 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 11 (Transfers of Registered Covered Bonds) of the “*Terms and Conditions of the Covered Bonds*”, and may not be held otherwise than through Euroclear or Clearstream, Luxembourg, and such Regulation S Global Covered Bond will bear a legend regarding such restrictions on transfer.

Registered Covered Bonds of each Tranche of such Series offered and sold in the United States or to U.S. persons or to, or for the account or benefit of, U.S. persons, may only be offered or sold in private transactions to QIBs. The Registered Covered Bonds of each Tranche sold to QIBs pursuant to Rule 144A will be represented by a Global Covered Bond in registered form (a **Rule 144A Global Covered Bond** and, together with a Regulation S Global Covered Bond, a **Registered Global Covered Bond**) which will be deposited with a custodian for DTC, and registered in the name of Cede & Co., as nominee of, DTC.

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

Payments of principal, interest and any other amount in respect of the Registered Global Covered Bonds will, in the absence of provision to the contrary, be made to the persons shown on the Register (as defined in Condition 5.4 of the *“Terms and Conditions of the Covered Bonds”*) as the registered holder of the Registered Global Covered Bonds on the relevant Record Date. None of the Issuer, any Paying Agent and the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Payments of the principal, interest and any other amount in respect of the Registered Covered Bonds in definitive form will, in the absence of provision to the contrary, be made to the person shown on the Register as the registered holder of the Registered Covered Bonds on the relevant Record Date immediately preceding the due date for payment in the manner provided in that Condition 5.4.

Interests in a Registered Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for definitive Registered Covered Bonds without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) in the case of Covered Bonds registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depositary for the Covered Bonds 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, (ii) in the case of Covered Bonds registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available, or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Covered Bonds represented by the Registered Global Covered Bond in definitive form. The Issuer will promptly give notice to Covered Bondholders in accordance with Condition 14 of the *“Terms and Conditions of the Covered Bonds”* if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Covered Bond) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar

Transfers of Interests

Interests in a Registered Global Covered Bond may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Covered Bond. No beneficial owner of an interest in a Registered Global Covered Bond will be able to exchange or transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and/or Clearstream, Luxembourg, in each case, to the extent applicable.

General

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Covered Bonds*”), the Fiscal Agent shall arrange that, where a further Tranche of Covered Bonds is issued which is intended to form a single Series with an existing Tranche of Covered Bonds but is to be consolidated with such existing Tranche on a date after the Issue Date of the further Tranche, the Covered Bonds of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP number, which are different from the common code, ISIN and CUSIP assigned to Covered Bonds of any other Tranche of the same Series until such time as the further Tranche is so consolidated, which shall not be prior to the expiry of any applicable distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Covered Bonds of such further Tranche.

A Covered Bond may be accelerated by the holder thereof in certain circumstances described in Condition 9.3 of the “*Terms and Conditions of the Covered Bonds*”. In such circumstances, where any Covered Bond is still represented by a Global Covered Bond and the Global Covered Bond (or any part thereof) has become due and repayable in accordance with the Conditions of such Covered Bonds and payment in full of the amount due has not been made in accordance with the provisions of the Global Covered Bond, then the Global Covered Bond will become void at 8.00 p.m. (London time) on such day. At the same time holders of interests in such Global Covered Bond credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 18 December 2014 and executed by the Issuer.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Covered Bonds issued under the Programme.

[NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF NOTES DESCRIBED BELOW. THE CENTRAL BANK OF IRELAND HAS NEITHER APPROVED NOR REVIEWED THIS FINAL TERMS]¹

[Date]

AKBANK T.A.Ş.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds] (the Covered Bonds)

under the €1,000,000,000 Covered Bond Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 23 December 2014 [and the supplement[s] to the Base Prospectus dated [date] [which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (the **Prospectus Directive**) (the **Base Prospectus**). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]]². Full information on the Issuer and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented].] [The Base Prospectus [and the Final Terms] have been published on [the website of the Issuer] [and] [the website of Irish Stock Exchange (www.ise.ie) and the website of the Central Bank of Ireland (www.centralbank.ie)] [and the Final Terms have been published on the website of the Issuer.]]

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

- | | | | |
|----|-----|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | (a) | Series Number: | [●] |
| | (b) | Tranche Number: | [●] |
| | (c) | Series which Covered Bonds will be consolidated and form a single Series with: | [●]/[Not Applicable] |
| | (d) | Date on which the Covered Bonds will be consolidated and form a single Series with the Series specified above: | [The Covered Bonds will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/the next Coupon date/exchange of the Temporary Global Covered |

¹ Covered Bonds having a maturity of less than one year and/or which are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive may be issued under this Programme, in which case, this disclaimer should be included.

² Delete where the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive.

- Bond for interests in the Permanent Global Covered Bond, as referred to in paragraph 23 below, which is expected to occur on or about [date]]/[Not Applicable]]
2. Specified Currency or Currencies: [●]
 3. USD Payment Election: [Applicable/Not Applicable]
(Only applicable for Turkish Lira denominated Covered Bonds)
 4. Aggregate Nominal Amount of Covered Bonds admitted to trading: [●]
 - (a) Series: [●]
 - (b) Tranche: [●]
 5. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●] (if applicable)]
 6. (a) Specified Denominations: [●]
 (As referred to under Condition 1)
(N.B. Covered Bonds must have a minimum denomination of €100,000 (or equivalent))

(Note – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:

“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Covered Bonds in definitive form will be issued with a denomination above [€199,000].”)
 - (b) Calculation Amount: [●]

(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
 7. (a) Issue Date: [●]
 - (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]

(N.B. An Interest Commencement Date will not be relevant for certain Covered Bonds, for example Zero Coupon Covered Bonds.)

- (i) Period to Maturity Date: [●]
- (ii) Period from Maturity Date up to Extended Maturity Date: [Not Applicable] [Maturity Date]
8. (a) Maturity Date: *[Fixed rate – specify date]/[Floating rate – Interest Payment Date falling in or nearest to specify month]*
- (b) Extended Maturity Date: [Applicable/Not Applicable]
- [[●]/Interest Payment Date falling in or nearest to [●]] (*see paragraph [17] below*)
- In accordance with the Conditions and these Final Terms, if the Issuer fails to redeem the Covered Bonds in full on the Maturity Date, the maturity of the principal amount outstanding of the Covered Bonds will automatically be extended to the Extended Maturity Date without constituting an event of default or giving holders of the Covered Bonds any right to accelerate payments on the Covered Bonds. In that event, the interest rate payable on and the interest periods and Interest Payment Dates in respect of the Covered Bonds will change from those that applied up to the Maturity Date and the Issuer may redeem all or part of the principal amount outstanding of those Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date, all in accordance with the Conditions and these Final Terms. See Conditions 4.4 and 6.9.
9. Interest Basis:
- (a) Period to (and including) Maturity Date: [[●] per cent. Fixed Rate]
- [[●] month [[LIBOR/EURIBOR/TRYIBOR] +/- [●] per cent].
- [[●] per cent. Floating Rate]
- [Zero Coupon]
- (*see paragraphs [14, 15, 16] below*)
- (b) Period from (but excluding) Maturity Date up to (and including) Extended Maturity Date: [Not Applicable]
- [[●] per cent. Fixed Rate]

[[●] month [LIBOR/EURIBOR/TRYIBOR] +/-
[●] per cent.]

[Floating Rate]

(see paragraphs [17, 18] below)

10. Redemption/Payment Basis:
(Condition 6 (other than Condition 6.1)) Subject to any purchase and cancellation or early redemption, the Covered Bonds will be redeemed on the Maturity Date at [●] per cent. of their nominal amount
11. Change of Interest Basis or Redemption/Payment Basis: [Not applicable] [from Fixed to Floating] [from Floating to Fixed]
(As referred to under Conditions 4 and 6.9)
12. Call Options: [Issuer Call]
[Not Applicable]
(see paragraph [19] below)
13. (a) Status of the Covered Bonds: Unsubordinated
(b) Date Board approval for issuance of Covered Bonds obtained: [●] [Not Applicable] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Covered Bonds)*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE (TO (AND INCLUDING) THE MATURITY DATE)

14. Fixed Rate Covered Bond Provisions: [Applicable/Not Applicable]
(As referred to under Condition 4.1) *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [●] per cent. per annum payable [annually/semi-annually/quarterly] in arrear on each Interest Payment Date]
- (b) Interest Payment Date(s): [[●] in each year from (and including) [●] up to (and including) the Maturity Date] [●]
- (c) Fixed Coupon Amount(s): [[●] per Calculation Amount] [Not Applicable]
(Applicable to Covered Bonds in definitive form)
- (d) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]] [Not

		Applicable]
	<i>(Applicable to Covered Bonds in definitive form)</i>	
(e)	Day Count Fraction:	[Actual/Actual (ICMA)] [30/360]
(f)	Determination Date(s):	[[●] in each year] [Not Applicable]
	<i>(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)</i>	
15.	Floating Rate Covered Bond Provisions:	[Applicable/Not Applicable]
	(As referred to under Condition 4.2)	<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(a)	Specified Period(s)/Specified Interest Payment Dates:	[●] [[●], subject to adjustment in accordance with the Business Day Convention set out in (b) below/ [●], not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
(b)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention] [Not Applicable]
(c)	Additional Business Centre(s):	[●]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Fiscal Agent):	[●]
(f)	Screen Rate Determination:	
	– Reference Rate and Relevant Financial Centre:	Reference Rate: [●] month [currency] [LIBOR/EURIBOR/TRYIBOR] [●]
		Relevant Time: [●]
		<i>(11.00 a.m. in the case of LIBOR and EURIBOR, and 11.30 a.m. in the case of TRYIBOR)</i>

		Relevant [London][Brussels][Istanbul]	Financial [Istanbul]	Centre:
–	Interest Date(s):	Determination	[●]	
			(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR and the second Istanbul business day prior to the start of each Interest Period if TRYIBOR)	
–	Relevant Screen Page:		[●]	
			(In the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)	
(g)	ISDA Determination:		[Applicable/Not Applicable]	
–	Floating Rate Option:		[●]	
–	Designated Maturity:		[●]	
–	Reset Date:		[●]	
			(In the case of a LIBOR- or EURIBOR-based option, the first day of the Interest Period)	
(h)	Linear Interpolation:		[Not Applicable]/[Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation [specify for each short or long interest period]	
(i)	Margin(s):		[+/-][●] per cent. per annum	
(j)	Minimum Rate of Interest:		[●] per cent. per annum	
(k)	Maximum Rate of Interest:		[●] per cent. per annum	
(l)	Day Count Fraction:		[Actual/Actual (ISDA)] [Actual/Actual]	
			[Actual/365]	
			[Actual/365 (Fixed)]	
			[Actual/365 (Sterling)]	

[Actual/360]

[30/360]

[360/360]

[Bond Basis]

[30E/360]

[Eurobond Basis]

[30E/360(ISDA)]

16. Zero Coupon Covered Bond Provisions: [Applicable/Not Applicable]

(As referred to under Condition 4.2) *(If not applicable, delete the remaining subparagraphs of this paragraph)*

(a) Accrual Yield: [●] per cent. per annum

(b) Reference Price: [●]

(c) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 6.5(c) and 6.9 apply]

(d) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]

(e) Additional Business Centre(s): [●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE (FROM (BUT EXCLUDING) THE MATURITY DATE UP TO (AND INCLUDING) THE EXTENDED MATURITY DATE , WHERE APPLICABLE

17. Fixed Rate Covered Bond Provisions: [Applicable/Not Applicable]

(See Conditions 4.1, 4.4 and 6.8)

(a) Rate(s) of Interest: [Not Applicable] [●] per cent per annum payable [annually/semi-annually/quarterly/monthly] in arrear on each Interest Payment Date]

(b) Interest Payment Date(s): [Not Applicable] [[●] in each month from (and including [●]) up to (and including) the Extended Maturity Date]

(c) Fixed Coupon Amount(s): [Not Applicable] [●] per Calculation Amount

(d) Broken Amount(s): [Not Applicable] [●] per Calculation Amount,

- payable on the Interest Payment Date falling
[in/on] [●]
- (e) Day Count Fraction (subject to paragraph 30): [Not Applicable] [Actual/Actual (ICMA)] [30/360]
- (f) Determination Date(s): [[●] in each year] [Not Applicable]
- (g) Business Day Convention: [●]
18. Floating Rate Covered Bond Provisions: [Applicable/Not Applicable]
- (See Conditions 4.2, 4.4 and 6.8)
- (a) Specified Period(s)/Specified Interest Payment Dates: [Not Applicable] [●]
- (b) Business Day Convention: [Not Applicable] [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (c) Additional Business Centre(s): [Not Applicable] [●]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Not Applicable] [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Fiscal Agent): [Not Applicable] [●]
- (f) Screen Rate Determination: [Not Applicable]
- Reference Rate and Relevant Financial Centre: Reference Rate: [●] month [LIBOR/ EURIBOR/ TRYIBOR] [●]
Relevant Financial Centre: [London/Brussels/Istanbul]
- Interest Determination Date(s): [●]
- Relevant Screen Page: [●]
- (g) ISDA Determination: [[Applicable/Not Applicable]
- Floating Rate Option: [●]
- Designated Maturity: [●]
- Reset Date: [●]
- (h) Margin(s): [Not Applicable] [+/-][●] per cent. per annum

- (i) Minimum Rate of Interest: [Not Applicable] [●] per cent. per annum
- (j) Maximum Rate of Interest: [Not Applicable] [●] per cent. per annum
- (k) Day Count Fraction: [Not Applicable]
- [Actual/365]
- [Actual/365 (Fixed)]
- [Actual/365 (Sterling)]
- [Actual/360]
- [30/360]
- [Bond Basis]
- [Eurobond Basis]
- [30E/360(ISDA)]
- [30E/360]
- (See Condition 4 for alternatives)*

PROVISIONS RELATING TO REDEMPTION

19. Issuer Call: [Applicable/Not Applicable]
- (As referred to under Condition 6.4)
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount(s): [[●] per Calculation Amount]
- (c) If redeemable in part: [Applicable/Not Applicable]
- Minimum Redemption Amount: [●] per Calculation Amount
- [Maximum] Redemption Amount: [●] per Calculation Amount
20. Final Redemption Amount of each Covered Bond: [[●] per Calculation Amount/[●]]
21. Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default: [Condition 6.5 is applicable] [[●] per Calculation Amount]
- (As referred to under Condition 6.5)

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

22. Form of Covered Bonds:

[Bearer Covered Bonds:

Temporary Bearer Global Covered Bond exchangeable for a Permanent Bearer Global Covered Bond which is exchangeable for Definitive Bearer Covered Bonds [on not less than 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Global Covered Bond exchangeable for Definitive Covered Bonds on and after the Exchange Date]

[Permanent Bearer Global Covered Bond exchangeable for Definitive Covered Bonds [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]

(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Covered Bonds in paragraph 8 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Covered Bonds which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)

[Registered Covered Bonds:

Regulation S Global Covered Bond registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg exchangeable for Definitive Registered Covered Bonds [upon an Exchange Event]][at any time at the request of the Issuer]]

[Definitive Regulation S Registered Covered Bond]

23. Additional Financial Centre(s):

[Not Applicable/give details]

(As referred to under Condition 5.6)

(Note that this paragraph relates to the date of payment and not Interest Period end dates to which paragraph 17(b) relates)

24. Talons for future Coupons to be attached

[Yes, as the Covered Bonds have more than 27

to Definitive Covered Bonds (and dates on which such Talons mature): coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No.]

(As referred to under the Introduction to the Conditions of the Covered Bonds)

THIRD PARTY INFORMATION

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

Signed on behalf of **AKBANK T.A.Ş.:**

By:

Duly authorised

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING:

- (a) Listing and Admission to trading: [Application has been made to the Irish Stock Exchange for the Covered Bonds to be admitted to the Official List and for trading on its regulated market with effect from [●].] [Not Applicable.]
- (b) Estimate of total expenses related to admission to trading: [●]

2. RATINGS:

Ratings:

The Covered Bonds to be issued [have been]/[are expected to be] assigned the following ratings)/[The following ratings reflect ratings assigned to Covered Bonds of this type issued under the Programme generally]:

[insert details] by *[insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms]*

[Each of *[defined terms]* is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).]

[Insert legal name of credit rating agency] is established in the EU and is not registered under Regulation (EC) No. 1060/2009 (the **CRA Regulation**).]

[Insert legal name of credit rating agency] is not established in the EU but the rating it has given to the Covered Bonds is endorsed by *[insert legal name of credit rating agency]*, which is established in the EU and registered under Regulation (EC) No. 1060/2009 (the **CRA Regulation**).]

[Insert legal name of credit rating agency] is not established in the EU but is certified under Regulation (EC) No. 1060/2009 (the **CRA Regulation**).]

[Insert legal name of credit rating agency] is not established in the EU and is not certified under Regulation (EU) No. 1060/2009, (the **CRA Regulation**) and the rating it has given to the Covered Bonds is not endorsed by a credit rating

agency established in the EU and registered under the CRA Regulation.]

(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

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

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

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

4. YIELD: *(Fixed Rate Covered Bonds only)*

Indication of yield: [●]

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

5. HISTORIC INTEREST RATES: *(Floating Rate Covered Bonds only)*

Details of historic [LIBOR/EURIBOR/TRYIBOR] rates can be obtained from [Reuters].

6. OPERATIONAL INFORMATION:

(a) ISIN Code: [●]

(b) Common Code: [●]

(c) *[(Insert here any other relevant codes such as CUSIP and CINS codes)]*: [Not Applicable/given name(s) and number(s)]

(d) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme (together with the address of each such clearing system) and the relevant identification number(s): [[●]/Not Applicable]

(e) Delivery: Delivery [against/free of] payment

- (f) Names and addresses of additional Paying Agent(s) (if any): [●]
- (g) Deemed delivery of clearing system notices for the purposes of Condition 14: Any notice delivered to Covered Bondholders through the clearing systems will be deemed to have been given on the [first/second] [business] day after the day on which it was given to such clearing system.

7. DISTRIBUTION

- (a) Method of distribution: [Syndicated/Non-syndicated]
- (b) If syndicated, names of Managers: [Not Applicable/*give names*]
- (c) Date of [Subscription] Agreement: [●]
- (d) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- (e) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (f) U.S. Selling Restrictions: [Regulation S Compliance (Category 2)]; [TEFRA D/TEFRA C not applicable]

TERMS AND CONDITIONS OF THE COVERED BONDS

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

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by Akbank T.A.Ş. (the **Issuer**) pursuant to the Agency Agreement (as defined below).

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

- (a) in relation to any Covered Bonds represented by a global Covered Bond (a **Global Covered Bond**), units of each Specified Denomination in the Specified Currency;
- (b) (in the case of Bearer Covered Bonds) definitive Bearer Covered Bonds issued in exchange for a Global Covered Bond;
- (c) (in the case of Registered Covered Bonds) definitive Registered Covered Bonds; and
- (d) any Global Covered Bond.

The Covered Bonds and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 18 December 2014 and made between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent and exchange agent (the **Fiscal Agent** and the **Exchange Agent**, which expression shall, in each case, include any successor fiscal agent and exchange agent) and The Bank of New York Mellon as transfer agent (together with the Registrar, as defined below, the **Transfer Agent**, which expression shall include any additional or successor transfer agent) registrar (the **Registrar**, which expression shall include any successor registrar) and any other additional or successor paying agent(s) appointed in accordance with the terms of the Agency Agreement (the **Paying Agents**). Interest-bearing definitive Bearer Covered Bonds have interest coupons (**Coupons**) and, in the case of Covered Bonds which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Covered Bonds, in definitive or global form, and Global Covered Bonds, do not have Coupons attached on issue.

The final terms for this Covered Bond (or the relevant provisions thereof) are set out in Part A of the Final Terms which are attached to or endorsed on this Covered Bond which supplements these terms and conditions (the **Conditions**). References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) which are attached to or endorsed on this Covered Bond. The expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) to the extent implemented in the relevant Member State

of the European Economic Area and includes any relevant implementing measure in the relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

In these Conditions, **Covered Bondholders** means (in the case of Bearer Covered Bonds) the holders of the Covered Bonds and (in the case of Registered Covered Bonds) the persons in whose name the Covered Bonds are registered and shall, in relation to any Covered Bonds represented by a Global Covered Bond, be construed as provided below and **Couponholders** means the holders of the Coupons, and such expression shall, unless the context otherwise requires, include the holders of Talons.

As used herein, **Tranche** means Covered Bonds which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (i) expressed in the applicable Final Terms to be consolidated and form a single series, and (ii) 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, (unless this is a Zero Coupon Covered Bond) Interest Commencement Dates and/or Issue Prices.

The Covered Bondholders and the Couponholders are entitled to the benefit of the deed of covenant (such deed of covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 18 December 2014 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**) and made by the Issuer, and the Deed of Covenant are obtainable 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 Transfer Agent (such agents and the Registrar being together referred to as the **Agents**). If the Covered Bonds are to be admitted to trading on the regulated market of the Irish Stock Exchange, the applicable Final Terms may be obtained, upon request, free of charge, from the registered office of the Issuer and the specified offices of the Paying Agents and will be published either (i) on the Irish Stock Exchange's website (www.ise.ie) and the Central Bank of Ireland's website (www.centralbank.ie), or (ii) on the Issuer's website (www.akbank.com). If the Covered Bonds are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Covered Bondholder holding one or more Covered Bonds, and such Covered Bondholder must produce evidence satisfactory to the Issuer and/or the Paying Agent as to its holding of such Covered Bonds and identity. The Covered Bondholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed Poll (as applicable), the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Covered Bonds are in bearer form (**Bearer Covered Bonds**) or in registered form (**Registered Covered Bonds**) as specified in the applicable Final Terms and, in the case of

definitive Covered Bonds, serially numbered, in the Specified Currency and the Specified Denomination(s), provided that in the case of any Covered Bonds which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Covered Bonds). Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination.

Bearer Covered Bonds may not be exchanged for Registered Covered Bonds and vice versa.

The Covered Bonds are issued pursuant to Capital Markets Law No. 6362, published in the Official Gazette dated 30 December 2012 and numbered 28513 (the **CML**), and Communiqué No. III-59.1 on covered bonds, published on the Official Gazette dated 21 January 2014 and numbered 28889 (as amended by the Communiqué No.III-59.1a published on the Official Gazette dated 5 September 2014 and numbered 29110) (the **Communiqué on Covered Bonds** and, together with the CML, the **Turkish Covered Bond Legislation**). This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond, a Zero Coupon Covered Bond or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Where the applicable Final Terms specifies that an Extended Maturity Date applies to a Series of Covered Bonds, those Covered Bonds may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Zero Coupon Covered Bonds or a combination of any either of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms in respect of the period from the Issue Date to and including the Maturity Date, and Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Zero Coupon Covered Bonds or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms in respect of the period from the Maturity Date up to and including the Extended Maturity Date, subject as specified in the applicable Final Terms.

Definitive Bearer Covered Bonds are issued with Coupons attached, unless they are Zero Coupon Covered Bonds and an Extended Maturity Date is not specified in the applicable Final Terms to the relevant Series of Covered Bonds, in which case references to Coupons and Couponholders in these Conditions are not applicable.

1.2 Title

Subject as set out below, title to the Bearer Covered Bonds and Coupons will pass by delivery, and title to the Registered Covered Bonds will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent, will (except as otherwise required by law) deem and treat the bearer of any Bearer Covered Bond or Coupon and the registered holder of any Registered Covered Bond 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 Covered Bond, without prejudice to the provisions set out in the next succeeding paragraph, and the expressions **Covered Bondholder** and **holder of Covered Bonds** and related expressions shall be construed accordingly.

For so long as any of the Covered Bonds is represented by a Global Covered Bond deposited with and, in the case of a Registered Global Covered Bond, registered in the name of a nominee for a common depositary for Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, société anonyme (**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 Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Covered Bonds 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 Covered Bonds for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Covered Bonds, for which purpose the bearer of the relevant Bearer Global Covered Bond or the registered holder of the relevant Registered Global Covered Bond shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expressions **Covered Bondholder** and **holder of Covered Bonds** 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 Registered Global Covered Bond, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Covered Bonds represented by such Registered Global Covered Bond for all purposes under the Agency Agreement and the Covered Bonds 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.

Covered Bonds which are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer and the Fiscal Agent.

2. STATUS OF THE COVERED BONDS

The Covered Bonds are direct, unconditional and unsubordinated obligations of the Issuer and are, secured by the statutory pledge provided by the Turkish Covered Bond Legislation. The Covered Bonds are issued in accordance with the Turkish Covered Bond Legislation and rank *pari passu* among themselves and with all other obligations of the Issuer that have been provided the same priority as debt instruments issued by the Issuer pursuant to the Turkish Covered Bond Legislation. To the extent that claims in relation to the Covered Bonds and related derivative agreements are not met out of the assets of the Issuer comprising the cover pool (over which the Covered Bonds have a statutory priority, as described above) in accordance with the Turkish Covered Bond Legislation, the residual claims will rank *pari passu* with the unsecured and unsubordinated obligations of the Issuer.

3. COVENANTS

3.1 Maintenance of Authorisations

So long as any of the Covered Bonds 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 the Republic of Turkey (including, for the avoidance of doubt, with the Capital Markets Board (in Turkish: *Sermaye Piyasası Kurulu*) (the **CMB**) and the Banking Regulatory and Supervisory Authority (in Turkish: *Bankacılık Düzenleme ve Denetleme Kurumu*) (the **BRSA**)) for (a) the execution,

delivery or performance of the Agency Agreement, the Deed of Covenant, the Deed Poll and the Covered Bonds 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.

3.2 Transactions with Affiliates

So long as any of the Covered Bonds 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.

3.3 Financial Reporting

So long as any of the Covered Bonds 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 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.

3.4 Overcollateralisation Ratio Covenant

So long as any of the Covered Bonds remains outstanding, the Issuer shall at all times ensure that the nominal value of the Cover Pool is not less than the product of (A) the Turkish Lira Equivalent of the aggregate nominal value of all Covered Bonds outstanding and (B) one plus the Programme Overcollateralisation Percentage.

As used herein:

Programme Overcollateralisation Percentage means the percentage figure as selected from time to time by the Issuer and notified to Moody's (to the address specified by Moody's from time to time) and the Fiscal Agent equal to the highest Series Overcollateralisation Percentage for all Series of Covered Bonds at such time outstanding, provided that there shall be no obligation on the Issuer to select a different Programme Overcollateralisation Percentage and

until a new Programme Overcollateralisation Percentage is selected by the Issuer, the Programme Overcollateralisation Percentage shall be the last figure so notified.

Series Overcollateralisation Percentage means, in respect of a Series of Covered Bonds, the percentage figure required to maintain the then current ratings of the outstanding Covered Bonds under Moody's expected loss methodology, provided that (a) so long as the current rating for a Covered Bond is not below the Issue Date Rating, the percentage shall not be reduced unless Moody's has confirmed in writing to the Issuer that such reduction would not result in any credit rating then assigned to the Covered Bonds by Moody's being reduced, removed, suspended or placed on CreditWatch and (b) so long as the current rating for a Covered Bond is below the Issue Date Rating, the percentage shall not at any time be reduced below the percentage applicable immediately prior to the most recent downgrade below the Issue Date Rating.

Issue Date Rating means, in respect of a Series of Covered Bonds, the rating assigned on the relevant Issue Date.

Turkish Lira Equivalent means, in respect of a Covered Bond which is denominated in (i) a currency other than Turkish Lira, the Turkish Lira equivalent of such amount ascertained using the relevant Covered Bond Swap Rate relating to such Covered Bond and (ii) Turkish Lira, the applicable amount in Turkish Lira.

Covered Bond Swap Rate means, in respect of a Covered Bond, the exchange rate specified in the Covered Bond Swap Agreement relating to such Covered Bond, or, if the Covered Bond Swap Agreement has been terminated, the applicable spot rate.

The Issuer, in its discretion, may increase or, as provided above, decrease the Programme Overcollateralisation Percentage at any time without the consent of the Covered Bondholders and/or the Agents. For the avoidance of doubt, the Issuer is under no obligation to increase the Programme Overcollateralisation Percentage, which may have a negative impact on the rating of the Covered Bonds. The Issuer shall notify the Covered Bondholders of any such change to the Programme Overcollateralisation Percentage in accordance with Condition 14.

3.5 Investor Report

So long as any of the Covered Bonds remains outstanding, the Issuer shall deliver to the Fiscal Agent not later than six Business Days after the end of each quarterly period, an English language copy of the Issuer's investor report prepared in accordance with the Turkish Covered Bond Legislation. Such investor report shall include the Issuer's compliance with the Overcollateralisation Ratio Covenant as specified in Condition 3.4 above.

3.6 Interpretation

For the purposes of this Condition 3:

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.

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

Person means (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 the Issuer, any company (a) in which the Issuer holds a majority of the voting rights, or (b) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors, or (c) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer.

4. INTEREST

4.1 Interest on Fixed Rate Covered Bonds

This Condition 4.1 applies to Fixed Rate Covered Bonds only. The applicable Final Terms contain provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4.1 for full information on the manner in which interest is calculated on Fixed Rate Covered Bonds. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

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

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

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

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

- (a) in the case of Fixed Rate Covered Bonds which are represented by a Global Covered Bond, the aggregate outstanding nominal amount of the Fixed Rate Covered Bonds represented by such Global Covered Bond; or
- (b) in the case of Fixed Rate Covered Bonds in definitive form, the Calculation Amount,

and in each case, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with any other applicable market convention with the written consent of the Issuer. Where the Specified Denomination of a Fixed Rate Covered Bond in definitive form is a multiple of the Calculation Amount, the

amount of interest payable in respect of such Fixed Rate Covered Bond shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

- (a) if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:
 - (i) in the case of Covered Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (ii) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

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

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

4.2 Interest on Floating Rate Covered Bonds

This Condition 4.2 applies to Floating Rate Covered Bonds only. The applicable Final Terms contain provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 4.2 for full information on the manner in which interest is calculated on Floating Rate Covered Bonds. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centres, whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Fiscal Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date. Where Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Relevant Financial Centre, Interest Determination Date(s) and Relevant Screen Page.

(a) Interest Payment Dates

Each Floating Rate Covered Bond bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date, and such interest will be payable in arrear on either:

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

Such interest will be payable in respect of each **Interest Period** (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

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

- (A) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (i) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (ii) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month

which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

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

In these Conditions, **Business Day** means a day which is both:

- I. a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, and each Additional Business Centre specified in the applicable Final Terms; and
- II. either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency or (2) in relation to interest payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(b) Rate of Interest

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

- (i) ISDA Determination for Floating Rate Covered Bonds

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent under an interest rate swap transaction if the Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent were acting as Calculation Agent (as such term is defined in the ISDA Definitions) for that swap transaction under the terms of an agreement incorporating the 2002 ISDA Definitions or the 2006 ISDA Definitions, as specified in the applicable Final Terms, each as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London interbank offered rate (**LIBOR**), on the Euro-zone interbank offered rate (**EURIBOR**) or on the Turkish Lira interbank offered rate (**TRYIBOR**), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

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

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

(ii) Screen Rate Determination for Floating Rate Covered Bonds

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

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Specified Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of paragraph (A) above, no offered quotation appears or, in the case of paragraph (B) above, fewer than three offered quotations appear, in each case as at the Specified Time, the Fiscal Agent shall request the principal London office of each of the Reference Banks to provide the Fiscal Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Fiscal Agent

with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Fiscal Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Fiscal Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Fiscal Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Fiscal Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London interbank market (if the Reference Rate is LIBOR) or the Euro-zone interbank market (if the Reference Rate is EURIBOR) or the Turkish Lira interbank rate (if the Reference Rate is TRYIBOR) or the interbank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any) or, if only one of the Reference Banks provide the Fiscal Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) inform the Fiscal Agent it is quoting to leading banks in the London interbank market (if the Reference Rate is LIBOR) or the Euro-zone interbank market (if the Reference Rate is EURIBOR) or the Turkish Lira interbank rate (if the Reference Rate is TRYIBOR) or the interbank market of the Relevant Financial Centre (if any other Reference Rate is used) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 4.2(b)(ii), the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

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

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4.2(b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of

Condition 4.2(b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Covered Bonds for the relevant interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Covered Bonds which are represented by a Global Covered Bond, the aggregate outstanding nominal amount of the Covered Bonds represented by such Global Covered Bond; or
- (B) in the case of Floating Rate Covered Bonds in definitive form, the Calculation Amount,

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

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

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

- (C) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (D) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (E) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (F) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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

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

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30; and

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

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

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.

- (v) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Fiscal Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one

of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Fiscal Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

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

(vi) Notification of Rate of Interest and Interest Amounts

The Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, (in the case of the Calculation Agent) the Fiscal Agent, each of the other Paying Agents, the Covered Bondholders and any stock exchange on which the relevant Floating Rate Covered Bonds are for the time being listed (by no later than the first day of each Interest Period), and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Covered Bonds are for the time being listed and to the Covered Bondholders in accordance with Condition 14. 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.

(vii) 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 4.2, whether by the Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent, shall (in the absence of wilful default or bad faith or manifest error) be binding on the Issuer, the Fiscal Agent, the other Paying Agents, the Registrar, the Transfer Agent and all Covered Bondholders and Couponholders, and (in the absence of wilful default or bad faith) no liability to the Issuer, the Covered Bondholders or the Couponholders shall attach to the Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Accrual of Interest

Subject as provided in Condition 4.4, each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of

principal is improperly withheld or refused. In such event, interest will continue to accrue in accordance with these Conditions.

4.4 Interest Rate and Payments from the Maturity Date in the event of extension of maturity of the Covered Bonds up to the Extended Maturity Date

- (a) If an Extended Maturity Date is applicable to a Series of Covered Bonds, as specified in the applicable Final Terms, and the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with Condition 6.9, the Covered Bonds shall bear interest from (and including) the Maturity Date to (but excluding) the earlier of the relevant Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full or the Extended Maturity Date, subject to Condition 4.3. In that event, interest shall be payable on those Covered Bonds at the rate determined in accordance with Condition 4.4(b) on the principal amount outstanding of the Covered Bonds in arrear on the Interest Payment Date in each month after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date. The final Interest Payment Date shall fall no later than the Extended Maturity Date.
- (b) If an Extended Maturity Date is applicable to a Series of Covered Bonds, as specified in the applicable Final Terms, and the maturity of those Covered Bonds is extended beyond the Maturity Date in accordance with Condition 6.9, the rate of interest payable from time to time in respect of the principal amount outstanding of the Covered Bonds on each Interest Payment Date after the Maturity Date in respect of the Interest Period ending immediately prior to the relevant Interest Payment Date will be as specified in the applicable Final Terms and, where applicable, determined by the Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent so specified, two Business Days after the Maturity Date in respect of the first such Interest Period and thereafter as specified in the applicable Final Terms.
- (c) In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date and for which an Extended Maturity Date is applicable, as specified in the applicable Final Terms, for the purposes of this Condition 4.4 the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.
- (d) This Condition 4.4 shall only apply to Covered Bonds to which an Extended Maturity Date is applicable, as specified in the applicable Final Terms, and if the Issuer fails to redeem those Covered Bonds in full on the Maturity Date and the maturity of those Covered Bonds is automatically extended up to the Extended Maturity Date in accordance with Condition 6.9.

5. PAYMENTS

5.1 Method of Payment

Subject as provided below, payments in a Specified Currency will be made by credit or transfer to an account in the relevant Specified Currency (or any account to which such Specified Currency may be credited or transferred) maintained by the payee, or, at the option of the payee, by a cheque in such Specified Currency drawn on a bank in any country in which the Specified Currency constitutes legal tender from time to time.

Payments in respect of principal and interest on the Covered Bonds will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 7; and (ii) any withholding or deduction

required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the **Code**), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or any official interpretations thereof (**FATCA**), or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach to FATCA. References to **Specified Currency** will include any successor currency under applicable law.

5.2 Presentation of definitive Bearer Covered Bonds and Coupons

Payments of principal in respect of definitive Bearer Covered Bonds will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or in the case of part payment of any sum due only, endorsement) of definitive Bearer Covered Bonds, and payments of interest in respect of definitive Bearer Covered Bonds will (subject as provided below) be made as aforesaid only against presentation and surrender (or in the case of part payment of any sum due only, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Covered Bonds in definitive bearer form (other than any Long Maturity Covered Bonds (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

5.3 Payments in respect of Bearer Global Covered Bonds

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Bearer Global Covered Bond will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Covered Bonds and otherwise in the manner specified in the relevant Bearer Global Covered Bond against presentation or surrender, as the case may be, of such Bearer Global Covered Bond at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of such Bearer Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Covered Bond by such Paying Agent, and such record shall be prima facie evidence that the payment in question has been made.

5.4 Payments in respect of Registered Covered Bonds

Payments of principal in respect of each Registered Covered Bonds (whether in definitive or global form) will be made against surrender (or, in the case of part payment of any sum due, presentation and endorsement) of the Registered Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the register of holders of the Registered Covered Bonds maintained by the Registrar outside of the United Kingdom (the **Register**) at (a) where in global form, the close of the business day (being for this purpose a day on which Euroclear, Clearstream, Luxembourg and/or DTC, as the case may be, are open for business) before the relevant due date, and (b) in all other cases, the close of business on the 15th day (or, if such 15th day is not a day on which banks are open for business in the city where the specified office of the Registrar is located), the first such day prior to such 15th day before the relevant due date (the **Record Date**). Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Covered Bonds held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency 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 such Specified Currency.

Payments of interest in respect of each Registered Covered Bond (whether in definitive or global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Covered Bond 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 Registered Covered Bond, 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 Registered Covered Bonds 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 Registered Covered Bond on redemption will be made in the same manner as payment of the principal amount of such Registered Covered Bond.

Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond 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 Registered Covered Bonds.

All amounts payable to DTC or Cede & Co., as nominee of DTC, as registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or Cede & Co., as nominee of DTC, for payment in such Specified Currency or conversion into U.S. dollars in accordance with the provisions of the Agency Agreement.

Neither the Issuer nor the Fiscal Agent, the other Paying Agents, the Registrar nor the Transfer Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

If payment in respect of any Registered Covered Bonds is required by credit or transfer as referred to in Condition 5.1 above, application for such payment must be made by the holder to the Registrar not later than the relevant Record Date.

5.5 General provisions applicable to payments

The holder of a Global Covered Bond shall be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Covered Bond 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 Covered Bonds represented by such Global Covered Bond 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 Covered Bond.

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

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Covered Bonds in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

5.6 Payment Day

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which is (subject to Condition 8):

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Covered Bonds in definitive form only, the relevant place of presentation; and
 - (ii) any Additional Financial Centre specified in the applicable Final Terms;
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation), London and any Additional Financial Centre or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and
- (c) in the case of any payment in respect of a Registered Global Covered Bond denominated in a Specified Currency other than U.S. Dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Covered Bond) has elected to receive any part of such payment in U.S. Dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

5.7 Interpretation of Principal and Interest

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

- (a) any additional amounts which may be payable with respect to principal under Condition 7;
- (b) the Final Redemption Amount of the Covered Bonds;
- (c) the Early Redemption Amount of the Covered Bonds;
- (d) the Optional Redemption Amount(s) (if any) of the Covered Bonds;
- (e) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 6.5); and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Covered Bonds.

Any reference in these Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to

interest under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Agency Agreement.

5.8 U.S. Dollar exchange and payments on Turkish Lira-denominated Covered Bonds held other than through DTC

- (a) If “USD Payment Election” is specified in the applicable Final Terms and the Specified Currency is Turkish Lira and interests in the Covered Bonds are not represented by a Registered Global Covered Bond registered in the name of DTC or its nominee, a Covered Bondholder as of the applicable Record Date may, not more than 10 and not less than five Business Days before the due date (the **Relevant Payment Date**) for the next payment of interest and/or principal on a Covered Bond (such period, the **USD Election Period**), give an irrevocable election to any Agent to receive such payment in U.S. Dollars instead of Turkish Lira (each, a **USD Payment Election**). Each Agent to which such an election is given shall notify the Fiscal Agent on the Business Day following each USD Election Period of the USD Payment Elections made by the Covered Bondholders during such USD Election Period and upon its receipt of such notification the Fiscal Agent shall notify the Exchange Agent of the total amount of Turkish Lira (the **Lira Amount**) to be paid by the Issuer in respect of the Covered Bonds the subject of such USD Payment Elections and which is to be converted into U.S. Dollars and paid to the holders of such Covered Bonds on the Relevant Payment Date in accordance with the provisions of this Condition 5.8 and Clause 7 of the Agency Agreement.

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

- (b) Upon receipt of the Lira Amount from the Issuer and by no later than 11.00 a.m. (London time) on the second Business Day prior to the Relevant Payment Date, the Fiscal Agent shall transfer the Lira Amount to the Exchange Agent, which shall purchase U.S. Dollars with the Lira Amount for settlement on the Relevant Payment Date at a purchase price calculated on the basis of its own internal foreign exchange conversion procedures, which conversion shall be conducted in a commercially reasonable manner and on a similar basis to that which the Exchange Agent would use to effect such conversion for its customers (such rate, taking into account any spread, fees, commission or charges on foreign exchange transactions customarily charged by it in connection with such conversions, the **Applicable Exchange Rate**). In no event shall any Agent be liable to any Covered Bondholder, the Issuer or any third party for the conversion rate so used.

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

- (c) Following conversion of the Lira Amount into U.S. Dollars in accordance with this Condition 5.8 and the Agency Agreement, the Exchange Agent shall notify the Fiscal Agent of: (i) the total amount of U.S. Dollars purchased with the relevant Lira Amount, and (ii) the Applicable Exchange Rate at which such U.S. Dollars were purchased by the Exchange Agent. On each Relevant Payment Date, the Fiscal Agent shall give notice to the Covered

Bondholders of such U.S. Dollar amount and Applicable Exchange Rate in accordance with Condition 14 as so notified to it by the Exchange Agent.

Under the terms of the Agency Agreement, the Fiscal Agent will need to have received cleared funds from the Issuer by no later than 11.00 a.m. (London time) on the second Business Day prior to the Relevant Payment Date in the case of a payment of interest or principal becoming due in order to make any payments to Covered Bondholders on such Relevant Payment Date, including any such payments in U.S. Dollars. If the Fiscal Agent receives cleared funds from the Issuer after such time, then the Fiscal Agent will use reasonable efforts to pay the funds (including any so converted U.S. Dollar amounts) as soon as reasonably practicable thereafter.

- (d) If, for illegality or any other reason, it is not possible for the Exchange Agent to purchase U.S. Dollars with the Lira Amount, then the Exchange Agent will promptly notify the Fiscal Agent, which shall, as soon as practicable upon receipt of such notification from the Exchange Agent, promptly notify the Covered Bondholders of such event in accordance with Condition 14 and all payments on the Covered Bonds on the Relevant Payment Date will be made in Turkish Lira in accordance with this Condition 5, irrespective of any USD Payment Election made.
- (e) To give a USD Payment Election:
 - (i) in the case of Covered Bonds in definitive form, a Covered Bondholder must deliver at the specified office of any Agent, on any Business Day falling within the USD Election Period, a duly signed and completed USD Payment Election in the form (for the time being current) obtainable from any specified office of any Agent and in which the holder must specify a USD bank account to which payment is to be made under this Condition 5.8 accompanied by the relevant Covered Bonds or evidence satisfactory to the Agent concerned that such Covered Bonds will, following the delivery of the USD Payment Election, be held to the Agent's order or under its control until the applicable U.S. Dollar payment is made; and
 - (ii) in the case of Covered Bonds in global form, a Covered Bondholder must, on any Business Day falling within the USD Election Period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear or Clearstream, Luxembourg, as applicable (which may include notice being given on such holder's instruction by Euroclear, Clearstream, Luxembourg or any depositary for any of them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear or Clearstream, Luxembourg, as applicable, from time to time.
- (f) Notwithstanding any other provision in these Conditions to the contrary: (i) all costs of the purchase of U.S. Dollars with the Lira Amount shall be borne pro rata by the relevant Covered Bondholders relative to the Covered Bonds of such Covered Bondholders the subject of USD Payment Elections, which pro rata amount will be deducted from the U.S. Dollar payment made to such Covered Bondholders, (ii) none of the Issuer, any Agent or any other Person shall have any obligation whatsoever to pay any related foreign exchange rate spreads, commissions or expenses or to indemnify any Covered Bondholder against any difference between the U.S. Dollar amount received by such Covered Bondholder and the portion of the Lira Amount that would have been payable to the Covered Bondholder if it had not made the relevant USD Payment Election and (iii) the Issuer shall not have any liability or other obligation to any Covered Bondholder with respect to the conversion into U.S. Dollars of any amount paid by it to the Fiscal Agent in Turkish Lira or the payment of any U.S. Dollar amount to the applicable Covered Bondholders.

5.9 Payments on Covered Bonds held through DTC in a Specified Currency other than U.S. Dollars

In the case of any Covered Bonds represented by a Registered Global Covered Bond registered in the name of DTC or its nominee and denominated in a Specified Currency other than U.S. Dollars, payments in respect of such Covered Bonds will be made in U.S. Dollars unless the participant in DTC with an interest in such Covered Bonds has elected to receive any part of such payment in that Specified Currency in the manner specified in the Agency Agreement and in accordance with the rules and procedures for the time being of DTC.

6. REDEMPTION AND PURCHASE

6.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its **Final Redemption Amount** specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date, subject as provided below if an Extended Maturity Date is applicable, as specified in the applicable Final Terms.

6.2 Redemption for Tax Reasons

If:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7) 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 the date on which agreement is reached to issue the first Tranche of the Covered Bonds (which shall, for the avoidance of doubt and for the purposes of this Condition 6.2, be the date on which the applicable Final Terms is signed by the Issuer), on the next Interest Payment Date the Issuer would be required to:
 - (i) pay additional amounts as provided or referred to in Condition 7; and
 - (ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction, at a rate in excess of the prevailing applicable rates on such date on which agreement is reached to issue the first Tranche of the Covered Bonds; and
- (b) such requirement cannot be avoided by the Issuer taking reasonable measures available to it,

then the Issuer may at its option, having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Covered Bondholders 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 Covered Bonds at any time at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition 6.2, the Issuer shall deliver to the Fiscal Agent: (i) a certificate signed by two Directors of the Issuer stating that the requirement referred to in subparagraph (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and (ii) an opinion of independent

legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

6.3 Redemption due to illegality

If, as a result of any change in, or amendment to, the laws or regulations of the Republic of Turkey or any change or clarification in the application or official interpretation of the laws or regulations of the Republic of Turkey, which change, clarification or amendment becomes effective after the date on which agreement is reached to issue the first Tranche of the Covered Bonds (which shall, for the avoidance of doubt and for the purposes of this Condition 6.3, be the date on which the applicable Final Terms is signed by the Issuer), it has or will, before the next Interest Payment Date, become illegal for the Issuer to allow to remain outstanding any Covered Bonds, then the Issuer may at its option, having given not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Covered Bondholders 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 Covered Bonds at any time at their Early Redemption Amount together (if appropriate) with interest accrued to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition 6.3, the Issuer shall deliver to the Fiscal Agent: (i) a certificate signed by two Directors of the Issuer and (ii) an opinion of independent legal advisers of recognised standing, in each case, stating that it has or will, before the next Interest Payment Date, become illegal for the Issuer to allow to remain outstanding any Covered Bonds as a result of the change, clarification or amendment.

6.4 Redemption at the Option of the Issuer (Issuer Call)

This Condition 6.4 applies to Covered Bonds which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons pursuant to Condition 6.2), such option being referred to as an **Issuer Call**. The applicable Final Terms contain provisions applicable to any Issuer Call and must be read in conjunction with this Condition 6.4 for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Covered Bonds which can be redeemed and the applicable notice periods.

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given (a) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Covered Bondholders in accordance with Condition 14 (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Covered Bonds then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (Redeemed Covered Bonds) will (i) in the case of Redeemed Covered Bonds represented by definitive Covered Bonds, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Covered Bonds represented by a Global Covered Bond, be selected in accordance with the rules of DTC, Euroclear and/or Clearstream, Luxembourg as the case may be. In the case of Redeemed Covered Bonds represented by definitive Covered Bonds, a list of the serial numbers of such Redeemed

Covered Bonds will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

6.5 Early Redemption Amounts

For the purpose of Condition 6.2 above and Condition 9, the Covered Bonds will be redeemed at the Early Redemption Amount calculated as follows:

- (a) in the case of Covered Bonds with a Final Redemption Amount equal to the Issue Price of the first Tranche of the Series, at the Final Redemption Amount thereof;
- (b) in the case of Covered Bonds (other than Zero Coupon Covered Bonds) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their nominal amount; or
- (c) in the case of Zero Coupon Covered Bonds, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

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

where:

RP means the Reference Price per Calculation Amount;

AY means the Accrual Yield expressed as a decimal; and

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

6.6 Purchases

The Issuer or any of its subsidiaries may at any time purchase Covered Bonds (provided that, in the case of definitive Bearer Covered Bonds, all unmatured Coupons and Talons appertaining thereto are purchased therewith) or otherwise acquire in any manner at any price in the open market or otherwise. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

6.7 Cancellation

All Covered Bonds which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Covered Bonds so cancelled and any Covered Bonds purchased and cancelled pursuant to Condition 6.6 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

6.8 Late payment on Zero Coupon Covered Bonds

If the amount payable in respect of any Zero Coupon Covered Bond upon redemption of such Zero Coupon Covered Bond pursuant to this Condition 6 or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Covered Bond shall be the amount calculated as provided in Condition 6.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Covered Bond becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Covered Bonds has been received by the Fiscal Agent or the Registrar and notice to that effect has been given to the Covered Bondholders in accordance with Condition 14.

6.9 Extension of Maturity up to Extended Maturity Date

- (a) An Extended Maturity Date may be applicable to a Series of Covered Bonds, if so specified in the applicable Final Terms.
- (b) If an Extended Maturity Date is specified in the applicable Final Terms as applying to a Series of Covered Bonds and the Issuer fails to redeem all of those Covered Bonds in full on the Maturity Date, the maturity of the Covered Bonds and the date on which such Covered Bonds will be due and repayable for the purposes of these Conditions will be automatically extended up to but no later than the Extended Maturity Date. In that event, the Issuer may redeem all or any part of the principal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date up to and including the Extended Maturity Date. The Issuer (or the institution appointed by the CMB, as may be the case) shall give notice to the Covered Bondholders (in accordance with Condition 14) and the Paying Agents of its intention to redeem all or any of the principal amount outstanding of the Covered Bonds in full at least five Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date.
- (c) In the case of Covered Bonds which are Zero Coupon Covered Bonds up to (and including) the Maturity Date to which an Extended Maturity Date is specified under the applicable Final Terms, for the purposes of this Condition 6.9 the principal amount outstanding shall be the total amount otherwise payable by the Issuer on the Maturity Date less any payments made by the Issuer in respect of such amount in accordance with these Conditions.
- (d) Any extension of the maturity of Covered Bonds under this Condition 6.9 shall be irrevocable. Where this Condition 6.9 applies, any failure to redeem the Covered Bonds on the Maturity Date or any extension of the maturity of Covered Bonds under this Condition 6.9 shall not constitute an Event of Default for any purpose or give any Covered Bondholder any

right to receive any payment of interest, principal or otherwise on the relevant Covered Bonds other than as expressly set out in these Conditions.

- (e) In the event of the extension of the maturity of Covered Bonds under this Condition 6.9, interest rates, interest periods and interest payment dates on the Covered Bonds from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with the applicable Final Terms and Condition 4.4.
- (f) If the Issuer redeems part and not all of the principal amount outstanding of Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date, the redemption proceeds shall be applied rateably across the Covered Bonds and the principal amount outstanding on the Covered Bonds shall be reduced by the level of that redemption.
- (g) This Condition 6.9 shall only apply to Covered Bonds to which an Extended Maturity Date is specified as applicable in the applicable Final Terms and if the Issuer fails to redeem those Covered Bonds in full on the Maturity Date.

7. TAXATION

7.1 Payment without Withholding

All payments of principal and interest in respect of the Covered Bonds and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of any Relevant Jurisdiction unless 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 Covered Bonds or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Covered Bonds or Coupons, as the case may be, 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 Covered Bond or Coupon:

- (a) presented for payment in Turkey; or
- (b) presented for payment by or on behalf of a holder of which is liable for such Taxes in respect of such Covered Bond or Coupon by reason of its having some connection with any Relevant Jurisdiction other than the mere holding of such Covered Bond or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on the last day of the period of 30 days, assuming that day to have been a Payment Day (as defined in Condition 5.6); or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC, European Council Directive 2014/48/EU, or any other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000, or any law implementing or complying with, or introduced in order to conform to, any such Directives; or
- (e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond or Coupon to another Paying Agent in a Member State of the European Union.

For the purposes of these Conditions:

- (i) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Fiscal Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Covered Bondholders in accordance with Condition 14.
- (ii) the **Relevant Jurisdiction** means the Republic of 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 Covered Bonds.

7.2 Additional Amounts

Any reference in these Conditions to any amounts payable in respect of the Covered Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition 7.

8. PRESCRIPTION

The Covered Bonds (whether in bearer or registered form) and Coupons will become void unless claims in respect of principal and/or interest are presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 or any Talon which would be void pursuant to Condition 5.2.

9. ISSUER EVENTS AND EVENTS OF DEFAULT

9.1 Issuer Events

Prior to, or concurrent with the occurrence of an Event of Default, if any of the following events (each, an **Issuer Event**) occurs and is continuing:

- (a) default is made by the Issuer in the payment of any principal due in respect of the Covered Bonds or any of them on the Maturity Date and the default continues for a period of seven days; or
- (b) default is made by the Issuer in the payment of any interest due in respect of the Covered Bonds or any of them and the default continues for a period of 14 days; or
- (c) the Issuer fails to perform or observe (i) any of its other obligations (including, for the avoidance of doubt, undertakings, covenants and/or representations and warranties) under these Conditions or (ii) any of its material obligations under any other Agreement to which the Issuer is a party and, in each case (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 14 days following the service by any Covered Bondholder on the Issuer of notice requiring the same to be remedied; or

- (d) (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment, subject to any applicable grace period; (iii) any security given by the Issuer or any of its Material Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, subject to any applicable grace period; provided that the aggregate principal amount of: (A) any such Indebtedness for Borrowed Money of the Issuer or such Material Subsidiary in the case of subparagraphs (i), (ii) and/or (iii) above, and/or (B) the maximum amount payable by the Issuer or such Material Subsidiary under such guarantee and/or indemnity of the Issuer or such Material Subsidiary has been given in the case of subparagraph (iv) above, exceeds U.S.\$75,000,000 (or its equivalent in other currencies); or
- (e) the Issuer is in breach of any of the Cover Matching Principles; or
- (f)
 - (i) any order is made by any competent court or resolution is passed for the winding-up or dissolution of the Issuer or any of its Material Subsidiaries; or
 - (ii) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part, or any Material Subsidiary ceases or threatens to cease to carry on the whole or substantially the whole, in each case, of its business, save for the purposes of reorganisation on terms approved by an Extraordinary Resolution of Covered Bondholders, or the Issuer or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found by a competent authority bankrupt or insolvent; or
 - (iii) if the Issuer or any of its Material Subsidiaries commences negotiations with one or more of its creditors with a view to the general readjustment or rescheduling of all or a substantial part of its indebtedness; or
 - (iv) if the Issuer or any of its Material Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) (in each case, save for those that are conducted while solvent upon terms approved by an Extraordinary Resolution of Covered Bondholders) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors)

save for, in each case in sub-paragraphs (i) to (iv) above, the solvent voluntary winding-up, dissolution or re-organisation of any Material Subsidiary in connection with any combination with, or the transfer of all or substantially all of its business and/or assets of any Material Subsidiary to, the Issuer or one or more other Subsidiaries of the Issuer; or

- (g) the banking licence of the Issuer is revoked or the management and control of the Issuer is transferred to the SDIF under the provisions of Banking Law (Law No. 5411),

then the Issuer is not permitted to issue any further Covered Bonds, until such event is cured (if it is possible to be cured).

For the avoidance of doubt, an Issuer Event will be deemed to have occurred when the Issuer fails to pay the principal amount outstanding of any Series of Covered Bonds on the Maturity Date where the relevant Series of Covered Bonds is subject to an Extended Maturity Date. This will not however constitute an Event of Default unless the Issuer fails to pay principal due on the Covered Bonds on any applicable Extended Maturity Date or fails to pay interest due on the Covered Bonds.

9.2 Definitions

For the purposes of these Conditions:

Agreement means each of the Agency Agreement, the Cover Monitor Agreement, the Deed of Covenant, the Deed Poll (as applicable), the Programme Agreement, and any bank account agreement, security agreement, deed of charge, swap agreement or other agreement entered into in connection with the Programme to which the Issuer is a party and which is designated as an “Agreement”.

BRSAAS means BRSA accounting standards.

Cover Matching Principles means the tests and requirements set out in the Communiqué on Covered Bonds including, without limitation, the nominal value matching test (*nominal değer uyumu*), the cash flow matching test (*nakit akımı uyumu*), the net present value matching test (*net bugünkü değer uyumu*) and the stress tests.

Cover Monitor Agreement means the cover monitor agreement dated 25 November 2014 entered into between the Issuer and KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik as cover monitor.

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

- (a) any notes, bonds, debentures, debenture stock, loan stock or other securities; or
- (b) any borrowed money; or
- (c) any liability under or in respect of any acceptance or acceptance credit.

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 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,

all as more particularly defined in the Agency Agreement. **Programme Agreement** means the programme agreement dated 18 December 2014 entered into between the Issuer, the arrangers and the dealers.

9.3 Events of Default

The holder of any Covered Bond may give notice to the Issuer if any of the following events (each, an **Event of Default**) shall have occurred and be continuing:

- (a) where an Extended Maturity Date is applicable to a Series of Covered Bonds, as specified in the applicable Final Terms, default is made by the Issuer in the payment of any principal on the Extended Maturity Date in respect of any Series of Covered Bonds, and the default continues for a period of seven days;
- (b) where an Extended Maturity Date is not applicable to a Series of Covered Bonds, as specified in the applicable Final Terms, default is made by the Issuer in the payment of any principal on the Maturity Date in respect of any Series of Covered Bonds, and the default continues for a period of seven days and the default continues for a period of seven days; or
- (c) default is made by the Issuer in the payment of any interest due in respect of any Series of Covered Bonds and the default continues for a period of 14 days.

Following service of such notice, the Covered Bonds of each Series are, and shall accordingly forthwith become, immediately due and repayable at their respective Early Redemption Amounts, together with interest accrued to (but excluding) the date of redemption.

10. REPLACEMENT OF COVERED BONDS, RECEIPTS, COUPONS AND TALONS

Should any Covered Bond Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent (in the case of Bearer Covered Bonds or Coupons) or the Registrar (in the case of Registered Covered Bonds) 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 Covered Bonds Coupons or Talons must be surrendered before replacements will be issued.

11. TRANSFERS OF REGISTERED COVERED BONDS

11.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Covered Bonds 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 Registered Global Covered Bonds will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Covered Bonds in definitive form or for a beneficial interest in another Registered Global Covered Bonds only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement and the relevant Registered Global Covered Bond. Transfers of a Registered Global Covered Bonds registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Covered Bonds, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

11.2 Transfers of Registered Covered Bonds in definitive form

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Covered Bond in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Covered Bond for registration of the transfer of the Registered Covered Bond (or the relevant part of the Registered Covered Bond) 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 8 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Covered Bond in definitive form of a like aggregate nominal amount to the Registered Covered Bond (or the relevant part of the Registered Covered Bond) being transferred. In the case of the transfer of part only of a Registered Covered Bond in definitive form, a new Registered Covered Bond in definitive form in respect of the balance of the Registered Covered Bond not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the transferor.

11.3 Costs of registration

Covered Bondholders 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.

12. AGENTS

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. If any additional Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

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

- (a) so long as the Covered Bonds are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (which may be the Fiscal Agent), in the case of Bearer Covered Bonds, and a Transfer Agent (which may be the Fiscal Agent), in the case of Registered Covered Bonds, 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;

- (b) there will at all times be a Paying Agent in a jurisdiction other than the jurisdiction in which the Issuer is incorporated;
- (c) there will at all times be a Fiscal Agent and a Registrar;
- (d) so long as any of the Registered Global Covered Bonds payable in a Specified Currency other than U.S. Dollars are held through DTC or its nominee, there will at all times be an Exchange Agent; and
- (e) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any variation, termination, appointment or change will be given to the Covered Bondholders promptly 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 Covered Bondholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying 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 paying agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 8.

14. NOTICES

All notices regarding the Covered Bonds shall be published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange (or any other relevant authority) on which the Covered Bonds are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers

All notices regarding the Registered Covered Bonds will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Covered Bonds 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 the Global Covered Bond(s) representing the Covered Bonds 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) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, for communication by them to the holders of the Covered Bonds provided that, for so long as any Covered Bonds 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 shall be deemed to have been given to the holders of the Covered Bonds on the day as is specified in the applicable Final Terms after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg or DTC, as the case may be.

Notices to be given by any Covered Bondholder shall be in writing and given by lodging the same, together (in the case of any Covered Bond in definitive form) with the relative Covered Bond or Covered Bonds, with the Fiscal Agent (in the case of Bearer Covered Bonds) or the Registrar (in the case of Registered Covered Bonds). While any of the Covered Bonds is represented by a Global Covered Bond, such notice may be given by any holder of a Covered Bond to the Fiscal Agent and/or Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Fiscal Agent and/or Registrar and/or Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

15. MEETINGS OF COVERED BONDHOLDERS AND MODIFICATION

15.1 Meetings of Covered Bondholders

The Agency Agreement contains provisions for convening meetings of the Covered Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Covered Bonds, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer or the Covered Bondholders if required in writing by Covered Bondholders holding not less than 5% in nominal amount of the Covered Bonds for the time being remaining outstanding (as defined in the Agency Agreement). The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50% in nominal amount of the Covered Bonds for the time being outstanding (as defined in the Agency Agreement), or at any adjourned meeting one or more persons being or representing Covered Bondholders whatever the nominal amount of the Covered Bonds so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Covered Bonds or Coupons (including modifying the date of maturity of the Covered Bonds or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Covered Bonds or altering the currency of payment of the Covered Bonds or Coupons or amending the Deed of Covenant in certain respects), the quorum shall be one or more persons holding or representing not less than two-thirds in aggregate nominal amount of the Covered Bonds for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in aggregate nominal amount of the Covered Bonds for the time being outstanding (as defined in the Agency Agreement). An Extraordinary Resolution passed at any meeting of the Covered Bondholders shall be binding on all the Covered Bondholders, whether or not they are present at the meeting, and on all Couponholders.

15.2 Modification

The Fiscal Agent and the Issuer may agree, without the consent of the Covered Bondholders or Couponholders, to any modification of any of these Conditions or any 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 Covered Bondholders. Any such modification shall be binding on the Covered Bondholders and the Couponholders and any such modification shall be notified to the Covered Bondholder in accordance with Condition 14 as soon as practicable thereafter. In addition, provided that any arrangements would not have an adverse effect on the then current rating of the Covered Bonds then outstanding, the consent of Covered Bondholders will not be obtained prior to the Issuer opening the Offshore Account(s) pursuant to the Bank Account Agreement(s) and granting security pursuant to a deed of charge.

16. FURTHER ISSUES

Save where to do so would adversely affect the credit rating of the then outstanding Covered Bonds, the Issuer may, from time to time, without the consent of the Covered Bondholders or Couponholders, create and issue further covered bonds having terms and conditions the same as those of the Covered Bonds or the same in all respects save for the amount and date of the first payment of interest thereon, the issue price and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds, provided that such further Covered Bonds will be fungible with the Covered Bonds 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 the Covered Bonds 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, the Covered Bonds and the Coupons and these Conditions, and any non-contractual obligations arising out of or in connection with any of them, are governed by, and shall be construed in accordance with, English law except that the provisions of the Covered Bonds under Condition 2 are governed by, and shall be construed in accordance with, Turkish law.

18.2 Submission to Jurisdiction

The Issuer agrees, for the exclusive benefit of the Covered Bondholders and the Couponholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Covered Bonds and/or the Coupons, including a dispute relating to any non-contractual obligations in connection with the Covered Bonds and the Coupons, and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. To the extent allowed by law, the Covered Bondholders

and the Couponholders may take any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Covered Bonds and the Coupons (including any Proceeding relating to any non-contractual obligations arising out of or in connection with the Covered Bonds and/or the Coupons) 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 English courts according to the provisions of Article 54 of the International Private and Procedural Law of Turkey (Law No. 5718), that in the event that any action is brought in relation to the Issuer in a court in Turkey in connection with the Covered Bonds and/or the Coupons, in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Turkey (Law No. 6100), any judgment obtained in the courts of England in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer, pursuant to the provisions of the first paragraph of Article 193 of the Civil Procedure Code of Turkey (Law No. 6100) and Articles 58 and 59 of the International Private and Procedural Law of Turkey (Law No. 5718).

18.4 Appointment of Process Agent

The Issuer 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 English courts, 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 English courts and appointed an agent for service of process, in terms substantially similar to those set out above.

SUMMARY OF TURKISH LEGISLATION RELATING TO COVERED BONDS

The following is a brief summary of certain features of the covered bond legislation under Turkish law at the date of this Prospectus. The summary does not purport to be, and is not, a complete description of all aspects of the Turkish legislative and regulatory framework pertaining to covered bonds.

1. GENERAL OVERVIEW

The legal framework for Covered Bonds (*teminatlı menkul kıymetler*) is set out under the Capital Markets Law (No. 6362) (the **CML**) and the Communiqué No. III-59.1 on covered bonds (as amended on 5 September 2014 by Communiqué No. III-59.1a) (the **Communiqué on Covered Bonds** and, together with the CML, the **Turkish Covered Bond Legislation**). The Communiqué on Covered Bonds was originally released by the CMB, and came into force, on 21 January 2014 and repealed the Communiqué Serial III No. 33 on the Principles Regarding Mortgage Covered Securities. The Communiqué on Covered Bonds introduced a single piece of legislation governing both mortgage covered bonds (*ITMK*) and asset covered bonds (*VTMK*) (such mortgage covered bonds (*ITMK*), the **Covered Bonds**).

Covered Bonds may only be issued by housing finance corporations (*konut finansmanı kuruluşları*) and mortgage finance corporations (*ipotek finansmanı kuruluşları*). The Communiqué on Covered Bonds defines housing finance corporations as (i) banks extending loans directly to consumers or financing consumers by way of a finance lease for housing finance purposes; and (ii) finance lease companies (*finansal kiralama şirketi*) and financing companies (*finansman şirketi*) which are approved by the BRSA to engage in housing finance activities.

The Communiqué on Covered Bonds allows the issuance of Covered Bonds by way of either public offering or private placement. In respect of domestic private placements, the nominal value per bond must be at least TL 100,000. The Communiqué on Covered Bonds provides for a limit (*tedavül limiti*) on the amount of Covered Bonds outstanding depending on the type of issuer. The limit for issuers which are housing finance corporations is 10% of the total assets of such issuer as set out in the annual audited financial statements of the issuer prepared in accordance with the CMB regulations for the most recent accounting period. The above limit may be increased to 20% of the total assets of the issuer) if the issuer is assigned a long term credit rating by credit rating agencies corresponding to one of the highest three levels within the investment grade rating. The Communiqué on Covered Bonds defines 'credit rating agencies' as (i) those incorporated in Turkey and authorised by the CMB and (ii) foreign credit rating agencies authorised by the CMB to perform credit rating activity in Turkey.

Under the Turkish Covered Bond Legislation, the issuance of Covered Bonds is subject to the approval of the CMB. In the case of standalone international offerings, (being offerings that do not qualify as a public offering in Turkey) an issuance certificate (*ihraç belgesi*) and a tranche issuance certificate (*tertip ihraç belgesi*) relating to the relevant issue must be approved by the CMB, prior to each issuance. Prior to the approval by the CMB of the issuance certificate, the issuer must establish the Cover Pool and register the Cover Assets with the Cover Register. The Communiqué on Covered Bonds allows issuers to establish programmes under which issuers may issue different series of covered bonds within the overall issue limit allocated for the programme by the CMB. In this case, the issuer must obtain an issuance certificate (*ihraç belgesi*) approved by the CMB prior to the establishment of the programme and, prior to each issuance, obtain a tranche issuance certificate (*tertip ihraç belgesi*) to be approved by the CMB for each issuance under the programme.

The CMB's approval of any issuance may be subject to any of the following additional conditions: (i) the issuer may be required to appoint a Turkish bank or another third party guarantor to guarantee the total liabilities arising under the Covered Bonds and, if applicable, any derivative contracts registered with the Cover Register (the **Total Liabilities**); (ii) the issuer may be required to appoint a Turkish insurance company (as defined in the Insurance Law (No. 5684)) to provide coverage in respect of the Total Liabilities; (iii) the issuer may be required to appoint a servicer or cash manager; (iv) the issuer may be required to appoint a bank or mortgage financing corporation to maintain the cover assets; and (v) the sale of Covered Bonds may be restricted to qualified investors only.

Cover assets form a segregated pool of assets ring-fenced for the benefit of the covered bondholders (the **Cover Pool**) in respect of which the investors (the **Covered Bondholders**) and certain other limited secured creditors have a preferential legal claim upon the occurrence of certain statutory events of default, including non-payment by the issuer when due. To distinguish the cover assets (and the cash flows generated from the cover assets) from the general assets of the issuer, the issuer must establish a registry system (the **Cover Register**) either in physical or electronic form in which all cover assets as well as the rights and obligations arising from derivative contracts are registered. In the case of a Cover Register maintained in an electronic format, the Cover Register must be sent to the Central Registry Agency of Turkey (the **CRA**) through electronic means on each day when the Cover Register is updated. This requirement, however, will not be applicable if: (i) the issuer establishes an automated system where the relevant input or information can be provided daily and retrospectively without any manual intervention; and (ii) such system is approved by the Cover Monitor in the System Report (as defined below). The Cover Register consists of records evidencing the existence of the assets in the Cover Pool in the event of a legal dispute or legal action. The CMB may require that the Cover Register is maintained with another entity as well as the issuer.

Until full redemption of the Covered Bonds, the assets in the Cover Pool cannot be used for any other purpose other than securing the Covered Bonds. The issuer cannot transfer, dispose of, pledge or otherwise encumber, or otherwise use the cover assets as security for anything other than the Covered Bonds and related derivatives. In addition, the cover assets cannot be subject to any preliminary measures or injunctions (*ihityati tedbir*) or attachment (*haciz*), even if they are sought to be implemented for the purposes of collection of public receivables (*kamu alacakları*), such as taxes. Further, the Cover Pool would not, upon the occurrence of any insolvency event of the issuer, fall into the issuer's bankruptcy estate (*iflas masası*).

2. THE COVER POOL

The Turkish Covered Bond Legislation prescribes the assets that can be included in the cover pool. The following cover assets (**Cover Assets**) are eligible for inclusion in the Cover Pool, subject to satisfying certain statutory eligibility criteria as described below:

- (a) receivables of banks and financing companies (*finansman şirketleri*) arising from Housing Finance (as defined in paragraph 2.1 below) (**Housing Finance Loans**);
- (b) receivables arising from Housing Finance related financial lease agreements within the scope of the Law on Finance Lease, Factoring and Financing Corporations (No. 6361) (**Financial Lease Receivables** and, together with Housing Finance Loans, **Housing Finance Receivables**);
- (c) commercial loans and receivables of banks, financial lease companies and financing companies, secured by a mortgage registered at the authorised land registry (**Commercial Receivables**);

- (d) Substitute Assets (as defined in paragraph 2.2 below); and
- (e) other assets specified by the CMB.

2.1 Housing Finance Receivables

The CML defines housing finance as (i) extending loans to consumers for the purpose of acquiring residential properties; (ii) leasing of residential properties to consumers by way of a finance lease; (iii) extension of loans to consumers secured by their residential properties; and, (iv) extension of loans to consumers for the refinancing of the aforementioned indebtedness ((i), (ii), (iii) and (iv), together, **Housing Finance**).

Housing Finance Loans may only be included in the Cover Pool (i) if they are secured by mortgages registered with the relevant land registry; or (ii) not secured by a mortgage but are secured by any other eligible security which the CMB deems appropriate. Under Turkish law, a mortgage over property can only be established if the property is fully constructed and duly registered with the land registry. However, pursuant to (ii) above, issuers will be able to include Housing Finance Loans in the Cover Pool even if the financed property is at the project stage and, therefore, are secured by such other eligible security rather than a mortgage. The CMB, however, has not yet published any guidance or taken any legislative action in relation to such eligible security interests, so guidance from the CMB would need to be sought prior to inclusion of such loans in the Cover Pool.

Housing Finance Receivables, Commercial Receivables and certain other assets specified by the CMB need to satisfy the following statutory eligibility criteria in order that they can be included in the Cover Pool:

- (a) the relevant loan must be classified as a Group I loan (Loans of a Standard Nature and Other Receivables) (as further described under the section entitled Loan Loss Reserves at page 161 of this Base Prospectus) by the issuer in accordance with the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside (published in the Official Gazette dated 1 November 2006 and numbered 26333).
- (b) as of the date of registration in the Cover Register, no special loss provisioning has been made in respect of the relevant loan in accordance with the Regulation on Accounting Practices and Financial Statements of Finance Lease, Factoring and Financing Corporations (published in the Official Gazette dated 24 December 2013 and numbered 28861);
- (c) the mortgaged property securing the loans must be (i) located within the borders of the Republic of Turkey; and (ii) insured in accordance with the legal requirements of the mortgaged property so long as the relevant Cover Asset remains registered in the Cover Register;
- (d) the market value of the mortgaged property must have been determined by a valuation firm approved by the BRSA or the CMB during either the utilisation of the loan or the creation of the receivable; and
- (e) in respect of ship finance, aircraft finance or motor vehicle finance related commercial loans, the hull and machinery insurance (*tekne ve makine sigortası*) must be obtained for vessels, the airframe insurance (*gövde sigortası*) must be obtained for aircrafts, and comprehensive insurance (*kasko sigortası*) must be obtained for motor

vehicles. The relevant insurance coverage must be maintained by the borrower so long as the relevant cover asset remains registered in the Cover Register.

2.2 Substitute Assets (*Ikame Varliklar*)

Eligible substitute assets comprising: (i) cash including those generated from the Cover Assets; (ii) short-term debt instruments (*likidite senetleri*) issued by the Central Bank of the Republic of Turkey (**CBRT**); (iii) the Undersecretariat of the Treasury (the **Treasury**)’s domestic and foreign debt instruments; (iv) lease certificates (*sukuk*) issued by asset lease companies (*varlik kiralama şirketi*) established by the Treasury; (v) securities backed by Treasury guarantee falling within the scope of Law on Regulation of Public Finance and Debt Management (No. 4749); (vi) securities issued or guaranteed by governments or central banks of OECD member states; and, (vii) other assets approved and disclosed to the public by the CMB ((i) to (vi) above, the **Substitute Assets**) may also be included in the Cover Pool.

2.3 Derivatives (*Türev Araclar*)

In addition to the eligible Cover Assets described above, the issuer may include certain derivative contracts in the Cover Pool to meet the Total Liabilities and to avoid and manage maturity or currency mismatch between the Cover Assets and the Covered Bonds. Accordingly, the Cover Pool may include rights and receivables of the issuer arising from swaps, futures, forwards and options providing protection to the issuer against interest rate risks and currency risks associated with the Covered Bonds. Derivative contracts need to satisfy the following statutory eligibility criteria in order to be eligible for inclusion in the Cover Pool:

- (a) the derivatives must be traded on an exchange or the derivative counterparty must be a bank, credit institution, insurance company, central clearing agency or an international financial institution and, further, be duly authorised by the competent authority in its home jurisdiction. Furthermore, the counterparty must be assigned, as at the date of the derivatives contract, an investment grade, long-term international credit rating by the credit rating agencies. If the counterparty is located in Turkey, its national credit rating will be taken into account in determining its eligibility. Irrespective of the country of origin, if the credit rating of the counterparty corresponds to the lowest notch within the investment grade scale of the relevant credit rating agency, then it must have been assigned at least a stable outlook.

If the relevant issuer is rated by more than one credit rating agency, the second highest credit rating must be taken into account for determining the credit rating of the relevant issuer.

- (b) the derivative contract cannot be terminated unilaterally by the counterparty, even in the event of the issuer's bankruptcy, until the Covered Bonds are fully redeemed;
- (c) the counterparty must consent to the registration of the derivative contract in the Cover Register; and
- (d) netting of derivative contracts registered with the Cover Register must be done separately from the netting of other derivative contracts between the issuer and the same counterparty which are not registered in the Cover Register.

Furthermore, the derivative contracts must (i) be executed on an arm’s length basis; (ii) entered into on the basis of a fair consideration (determined on the basis of (a) and

(b) below); and (iii) be valued in accordance with reliable and verifiable methods taking into account the following principles:

- (i) the valuation must not be based on the price quotations obtained from the counterparty only;
- (ii) the relevant derivative contract must either have a reliable and up-to-date market value, or in the absence of a reliable and up-to-date market value, its valuation must be based on an adequate and generally accepted pricing model; and
- (iii) provided that the verification of the valuation can be controlled by the issuer or the Cover Monitor on a frequent basis, the verification of the valuation must be made by an independent third party other than the counterparty or alternatively an internal unit of the issuer possessing the knowledge and infrastructure required to perform such task, which must be independent from the relevant units responsible for the management of the Cover Assets.

2.4 Use of Cash Flows from Cover Assets

The issuer may use the cash flows generated from the Cover Assets as it deems appropriate so long as it complies with the Cover Matching Principles and fulfils its obligations under the Total Liabilities at all times.

The issuer may (i) add new eligible assets to, (ii) replace existing Cover Assets with other eligible assets in, or (iii) remove Cover Assets from (provided that such removal does not result in any breach of the Cover Matching Principles), the Cover Pool to maintain or enhance the credit quality of the Cover Pool. The Cover Assets and the derivative contracts failing to meet their respective eligibility criteria after the date of registration with the Cover Register have to remain in the Cover Register to the extent the Issuer does not comply with the Cover Matching Principles and fulfil its obligations under the Total Liabilities and cannot replace with eligible assets and derivative contracts.

2.5 Servicer, Cash Manager and Specialised Institution

The issuer is permitted to delegate certain of its duties under the Turkish Covered Bond Legislation to third parties but this does not discharge its statutory obligations. Accordingly, the issuer may retain a servicer for the administration of the Cover Pool and a cash manager to manage the cash flows generated from the Cover Pool.

In addition, the issuer may delegate some of its duties in respect of administration of the Cover Pool to a specialised institution approved by the CMB (the **Specialised Institution**). Under the Communiqué on Covered Bonds, administration of the Cover Pool includes:

- (a) establishment and maintenance of the Cover Register in accordance with the Communiqué on Covered Bonds;
- (b) collection of payments from the Cover Pool in a timely manner and, in the event of non-payment or a breach of the Cover Matching Principles, depositing such payments into a bank account separate from the issuer's bank general account;
- (c) checking ongoing compliance with the Cover Matching Principles;

- (d) making payments to the covered bondholders and the counterparties of the derivative contracts;
- (e) performance of necessary administrative tasks (such as insurance, tax or similar duties) in respect of the Cover Pool and initiating the claims under the Cover Pool; and
- (f) performance of other administrative tasks set out in the Communiqué on Covered Bonds in respect of the Cover Register and Cover Pool.

The appointment of the Specialised Institution must be notified to the CMB prior to establishment of the programme or the issuance of the Covered Bonds, as the case may be, and the Specialised Institution must be named in the issuance certificate. The issuer must fulfil the following statutory obligations in respect of the Specialised Institution:

- (a) determine whether the Specialised Institution has the necessary technical equipment, systems, financial ability, experience, know-how and human resources to provide the services to the issuer to the required level;
- (b) set the necessary work-flow procedures internally in relation to the services provided by the Specialised Institution and establish the requisite internal control mechanisms; and
- (c) form the necessary organisational structure in order to oversee its compliance with the Turkish Covered Bond Legislation and agreements entered into by it in respect of the services provided by the Specialised Institution.

If the issuer retains a servicer, cash manager or a Specialised Institution, it must enter into agreements with such third parties to ensure the protection of the covered bondholders. These agreements must include provisions providing for necessary measures to ensure that cash collections received under the Cover Assets are deposited with a bank account separate from the issuer's general account(s) upon any breach of the Cover Matching Principles or failure of the issuer to fulfil the Total Liabilities. Furthermore, these measures must also be addressed in the issuance certificate.

In respect of the services to be provided by the abovementioned third parties, the CMB is authorised to: (i) request any information from such third parties; (ii) inspect, gain access to, or obtain samples from, the IT systems, all the books and information, all the records or similar data storage means (including those kept electronically, manually or in a similar format) of such third parties; (iii) audit the transactions and accounts of such third parties; and (iv) obtain any verbal or written information from the authorised persons of such third parties.

2.6 Cover Monitor

In accordance with the Turkish Covered Bond Legislation, the issuer shall, prior to the first issuance of Covered Bonds, appoint an independent audit firm authorised by the CMB to act as cover pool monitor (*teminat sorumlusu*) (the **Cover Monitor**). The Turkish Covered Bond Legislation prohibits the appointment as cover monitor of (i) an audit firm which already renders independent audit services to the issuer; and, (ii) any other Turkish audit firm which is associated with a foreign entity affiliated with the audit firm referred to in item (i) above.

The issuer and the Cover Monitor shall enter into a written agreement, a copy of which must be sent to the CMB within three business days following the execution of the agreement. The cover monitor agreement can only be terminated if there is a valid ground (*haklı sebep*)

evidenced to the CMB in writing and approved by the CMB. Upon the termination of the cover monitor agreement, the former Cover Monitor must provide all the information and documents to the issuer. The CMB is authorised to request the issuer to replace the Cover Monitor or may, in its own discretion, replace the Cover Monitor, if the Cover Monitor fails to fulfil its duties or if it defaults or acts negligently in performing its duties provided for in the Turkish Covered Bond Legislation.

While performing its duties and obligations, the Cover Monitor must comply with the International Service Standard in relation to the Mutually Agreed Procedures Regarding the Financial Information numbered 4400, which is published by the International Commission for the Supervisions and Assurance Standards.

In addition to the statutory Cover Matching Principles (as defined in paragraph 3.1 below) set out in the Turkish Covered Bond Legislation, the issuer may agree, contractually, to be bound by additional cover matching principles. In such case, the cover monitor agreement must address the additional contractual cover matching principles and include provisions regarding their monitoring.

The Cover Monitor is primarily obliged to perform the following duties, which cannot be delegated to third parties:

- (a) monitoring whether (i) the Cover Register has been duly constituted by way of registering the eligible assets in the Cover Pool; and (ii) the Cover Matching Principles are being complied with following the establishment of the Cover Register;
- (b) where the Cover Register is maintained electronically, reviewing the required cross-checks, automations and authorisations within the information systems of the issuer or the third party servicers to ensure that the assets included in the Cover Register are registered and maintained in accordance with the Turkish Covered Bond Legislation and, based on this review, preparing a system report (the **System Report**) for the issuer, a copy of which is provided to the CMB;
- (c) reviewing the loan documents and other relevant information and documents to confirm the accuracy of the entries made by the issuer in the Cover Register in relation to the addition, removal or replacement of the Cover Assets to, or from, the Cover Register;
- (d) reviewing the accuracy of the stress test results and the compliance of the issuer with the Cover Matching Principles;
- (e) issuing a report on the issuer's ongoing compliance with the Cover Matching Principles (a **Compliance Report**) in any intervals which cannot be less than six months and submitting the Compliance Report to the issuer within 20 business days following the expiration of the relevant accounting period – see further paragraph 3.3 below;
- (f) in the case of breach by the issuer of the Cover Matching Principles, monitoring whether, within one month following the breach, such breach is cured and cash flows collected from the Cover Assets are deposited in an account separate from the issuer's general account(s) and are used for the discharge of obligations of the issuer under the Total Liabilities that are due and payable and making required notifications to the issuer – see further paragraph 4 below;

- (g) in the case of failure by the issuer to fulfil its payment obligations under the Total Liabilities, monitoring whether, within one month following such non-payment, (i) the cash flows collected from the Cover Assets are being deposited in an account separate from the issuer's general account(s) and are used for the discharge of obligations of the issuer under the Total Liabilities which are due and payable; and (ii) the Cover Assets are sufficient to meet the Total Liabilities– see further paragraph 5 below; and,
- (h) performing such other duties as set out in the cover monitor agreement and as required by the CMB.

In the case of offering of Covered Bonds outside of Turkey under a programme, the duties set out in paragraphs (a) and (b) above are not required to be fulfilled where the issuer is seeking to increase the programme limit.

Where the outstanding average principal value of Cover Assets per unit is less than TL 20,000 or the total number of Cover Assets is more than 500 as of the date of the Compliance Report, the monitoring duties set out in paragraphs (a), (b), and (c) above shall be performed over a sufficient sample number of Cover Assets to provide a confidence rate of at least 95%.

The Cover Monitor is entitled to request from the issuer any documents and information it deems necessary and to contact the employees of the issuer for these purposes. The cover monitor agreement must therefore include provisions addressing the inspection rights of the Cover Monitor. In addition, the Cover Monitor is entitled to request from independent audit firms, appraisers, credit rating agencies, land registries and other relevant entities any documents and information it deems necessary.

3. COVER MATCHING PRINCIPLES

3.1 Statutory Principles

The Issuer is required to maintain the Cover Pool in accordance with certain statutory tests known as the cover matching principles (the **Cover Matching Principles**) (*teminat uyum ilkeleri*) which are as follows:

- (a) **Nominal Value Matching (*nominal deger uyumu*) Test:** the nominal value of the Cover Pool must not be less than nominal value of the Covered Bonds. The nominal value calculation is based on the sum of (i) the outstanding principal amounts of loans; (ii) the issue price of discounted debt securities; (iii) the nominal value debt securities issued at a premium and (iv) the mark-to-market value of the derivative contracts. For the avoidance of doubt, the contractual value of derivative contracts is not taken into account in this calculation.
- (b) **Cash Flow Matching (*nakit akımı uyumu*) Test:** The total interest, revenue or similar income expected to be generated from the assets included in the Cover Register within one year following the calculation date must not be less than the similar payments expected to become due under the Covered Bonds during the same period.
- (c) **Net Present Value Matching (*net bugünkü deęer uyumu*) Test:** The net present value of the Cover Pool must exceed the net present value of the Total Liabilities at a rate determined by the issuer at the outset which cannot be less than 2%. The net present value of the Cover Pool shall be calculated taking into account the expected cash flows, predicted prepayment rates and predicted prepayment fees, if applicable.

The calculation of net present values must be based on the accounting principles for financial instruments under the Turkish Accounting Standards, which are substantially similar to IFRS. The issuer or the servicer, as the case may be, shall inform the CMB and the Cover Monitor on the methods employed in calculating the prepayment rates. The Communiqué on Covered Bonds provides that the CMB may introduce different methods for the calculation of net present value.

- (d) **Stress Tests:** The sensitivity of net present value matching to potential changes in interest rates and exchange rates is measured by certain stress tests. The issuer shall perform stress tests, at least once a month and must reach the overcollateralisation rate determined by the issuer, at the outset, which cannot be less than 2% in each of the stress test scenarios set out below.
- (i) In stress tests, expected cash flows from loans and receivables are discounted by using yield curves obtained from the relevant swap rates. If there is no swap rate compatible with the maturity of a loan or receivable, interest rates are derived from using maturities having known interest rates coming prior to and after that maturity. The known interest rate of the latest maturity of loans and receivables will apply to loans and receivables with a longer maturity date that do not have a determinable interest rate.
 - (ii) Expected cash flows are calculated taking into account the predicted prepayment rates and prepayment fees. Prepayment rates are calculated by using (i) the difference between the interest rates of each loan and receivable and the market interest rate compatible with the maturity of such loan and receivable; and (ii) the relevant prepayment statistics of the similar assets for earlier periods. For calculation purposes, the interest rate of a floating rate loan or receivable, as of the calculation date, is assumed to be fixed throughout the life of such loan or receivable.
 - (iii) To assess the impact of interest rate changes, the yield curves obtained from swap rates are shifted upwards and downwards in a parallel manner. This is achieved through reducing and increasing the relevant interest rates applicable for each maturity by 300 basis points for Turkish Lira interest rates and 150 basis points for foreign currency interest rates (the interest rate is deemed zero if the interest rates become negative after the shift).
 - (iv) To assess the impact of currency changes upon the cash flows in foreign currencies, the benchmark currency buy rates announced by the CBRT are increased or decreased by 30%.

If the issuer maintains the minimum overcollateralisation level of 2%, this must consist of the Substitute Assets only, however, if a greater overcollateralisation level is maintained, the portion exceeding such 2% may comprise other assets of the issuer.

3.2 Limitations on Cover Assets

According to the Turkish Covered Bond Legislation, the following Cover Assets shall not be taken into account in calculations in respect of the Cover Matching Principles:

- (a) Any Housing Finance Receivables and Commercial Receivables which do not meet their statutory eligibility criteria;

- (b) the portion of each of the Housing Finance Receivables exceeding 75% of the value of the security collateral;
- (c) the portion of each of the Commercial Receivables exceeding 50% of the value of the security collateral;
- (d) the net present value of Commercial Receivables other than the loans and receivables arising from ship finance and aircraft finance transactions that are secured by mortgage which exceeds 15% of the total net present value of the Cover Assets; and,
- (e) the net present value of Substitute Assets which exceeds 15% of the total net present value of the Cover Assets.

The limitations in paragraphs (b) and (c) above shall be tested by the issuer at least once a year in accordance with the price changes in the security collateral. For the purposes of these limitations, the value of the relevant security collateral shall be based on the most recent valuation. The issuer or the servicer, as the case may be, shall inform the CMB and the Cover Monitor on the method employed in determining the price changes in the security collateral. The CMB may require the issuer to employ a certain method in determining the price changes in security collateral.

The issuer shall, for the purpose of limitations set out in paragraphs (b) and (c) above, determine the price changes in the security collateral based on a generally accepted index, if available. Accordingly, if the issuer identifies a decline in the property prices within a specific geographical region or in general in Turkey, the limitations set out in paragraphs (b) and (c) shall be applied by taking into account the decreased value of the relevant properties. If there are indications that the value of the property declined substantially below the market average, the issuer must ensure that the property is revalued by an appraiser.

The CBRT releases the property price index (*Konut Fiyat Endeksi*) (the **PPI**) on a monthly basis which may be considered as a generally accepted index. The calculation of the PPI is based on the price data of all the properties sold in Turkey irrespective of the construction year of the properties. The price data is obtained from the valuation reports prepared for the purpose of evaluating the mortgage loan applications made to Turkish banks by customers.

The Turkish Covered Bond Legislation is silent on the scenario where the value of the properties increases and there is nothing in the legislation which requires the issuer to maintain that value (as a cap) for future calculations. Accordingly, the issuer should be able to record any increases in value of such properties in the future (where evidence supports this).

3.3 Monitoring ongoing compliance with Cover Matching Principles

The issuer must monitor its compliance with the Cover Matching Principles at least once a month and, furthermore, as and when any amendment is made to the Cover Register. Although the removal of any assets from the Cover Register is not subject to the approval of the Cover Monitor, the CMB may, depending on the issuer and the nature of the issue, require such approval.

The Turkish Covered Bond Legislation requires that the Compliance Report prepared by the Cover Monitor must (i) be published on the website of the issuer and made available for covered bondholders' review on the date of receipt of the Compliance Report by the issuer and (ii) be delivered to the covered bondholders electronically through the CRA, but, in each case, only if such Covered Bonds are domestically cleared – see further paragraph 7 below.

To the extent the covered bonds are issued outside of Turkey and are not domestically cleared, which will be the case for the Covered Bonds issued under this Programme, then these notifications shall be made through methods as may be freely determined by the issuer. To this end, unless otherwise is required by CMB, a summary of the Compliance Report shall be included in the Investor Report (as defined below), which will be available for covered bondholders' review.

Additionally, pursuant to the Turkish Covered Bond Legislation, the issuer must prepare an investor report (the **Investor Report**) on a quarterly basis covering the sums collected from the Cover Pool and the payments made to the covered bondholders. The Investor Report must also be published on the website of the issuer and made available for covered bondholders' review within six days following the end of the relevant accounting period.

4. ISSUER'S BREACH OF COVER MATCHING PRINCIPLES

The Turkish Covered Bond Legislation does not prescribe an exhaustive list of measures to be taken by the issuer in each case of a breach of the Cover Matching Principles. Rather, the Turkish Covered Bond Legislation requires the issuer to promptly take any necessary measures such as restructuring of the Cover Pool or any other similar measures, upon becoming aware of a breach or a potential breach.

The issuer must notify the Cover Monitor as soon as it becomes aware of a breach of the Cover Matching Principles. In such event, until the relevant breach is cured, cash generated from the Cover Assets shall be deposited in a bank account separate from the issuer's general account(s) and used for the discharge of obligations of the issuer under the Total Liabilities that become due and payable during the period of such breach. If, in the opinion of the Cover Monitor, the breach is cured, the sums transferred to the separate bank account shall be returned to the issuer's account and may, thereafter, be used by the issuer.

The Cover Monitor will notify the issuer via a notice (a **Breach Notice**), if the Cover Monitor determines that the breach is continuing or the income generated from the Cover Assets has not been deposited in a bank account separate from the issuer's general account(s) or not used for the satisfaction of the debts of the issuer under the Total Liabilities. The Breach Notice must be published on the website of the issuer.

5. ISSUER'S FAILURE TO FULFIL PAYMENT OBLIGATIONS

The issuer must promptly notify the Cover Monitor if it fails to fulfil its payment obligations under the Total Liabilities. In such case, cash generated from the Cover Assets shall be deposited in a bank account separate from the issuer's general account(s) (whether by directly instructing debtors of the Cover Assets to pay sums into such separate bank account or re-directing funds from the issuer's account) and used for the discharge of obligations of the issuer under the Total Liabilities that become due and payable from the date of non-payment.

The Cover Monitor must monitor whether, within one month following the non-payment, (i) the cash flows generated from the Cover Assets are being deposited in a bank account separate from the issuer's general account(s) and are used solely for the discharge of obligations of the issuer under the Total Liabilities which are due and payable; and (ii) the Cover Assets are sufficient to meet the obligations under the Total Liabilities. The Cover Monitor notifies its findings on these matters to the issuer via a notice (a **Payment Obligation Notice**). The Payment Obligation Notice must be published on the website of the issuer and made available for the covered bondholders' review.

If the Cover Monitor determines that either of the requirements in (i) and (ii) above are not being fulfilled, notice must be served directly on the debtors of the Cover Assets instructing them to pay the sums under the Cover Assets to a designated account held with a bank other than the issuer and not in the issuer's name. Furthermore, the CMB may impose any other measures it deems appropriate.

The creditors of the Total Liabilities (*i.e.* the Covered Bondholders and the counterparties of the derivative contracts) whose receivables are not satisfied out of the Cover Pool are entitled to have direct recourse to other assets of the issuer without being required to wait for the collection of their receivables from the Cover Pool.

6. STATUTORY MEASURES

6.1 Appointment of Administrator

If any of the following events occur, the CMB may appoint an administrator (*idareci*) to manage the Cover Pool:

- (a) the management and control of the issuer is transferred to the SDIF;
- (b) the licence of the issuer is revoked; or
- (c) the issuer becomes bankrupt.

The administrator must either be a bank or a mortgage finance corporation qualifying as an eligible issuer (which may be the Cover Monitor itself, another independent audit company or any other entity which the CMB deems appropriate in its discretion). Upon its appointment, the administrator, without assuming the Total Liabilities, manages the Cover Pool and makes payments to discharge the Total Liabilities to the extent the cash income generated from the Cover Pool is sufficient. On this basis, the Administrator is authorised to sell or purchase assets in the Cover Pool, obtain loans or enter into repo transactions.

The Covered Bondholders and Covered Bond Swap Provider(s) have priority in receiving payments out of the cash collected under the Cover Assets. The fees of the administrator shall also rank *pari passu* with such claims.

The administrator may also transfer the Cover Assets and the Total Liabilities either in full or partially to another bank or mortgage finance institution by obtaining the consent of the CMB. Upon such transfer, the ownership of the Cover Assets would be deemed to pass to the transferee and, hence, the transferee shall be liable for the payments under the Total Liabilities.

6.2 Early Redemption of Covered Bonds by the Administrator

If the administrator cannot find a transferee and the income generated from the Cover Assets is not sufficient to meet the Total Liabilities, it may make the determination, in its discretion, that it is in the best interests of the Covered Bondholders for the Covered Bonds to be redeemed early, in which case, subject to the CMB's approval, the administrator will liquidate the assets in the Cover Pool and the Covered Bonds will be redeemed early.

7. CLEARING OF COVERED BONDS

Pursuant to the Turkish Covered Bond Legislation, the provisions on clearing of debt securities included in the Communiqué on Debt Instruments (No. II-31.1) shall also apply to

Covered Bonds. Accordingly, Covered Bonds that are issued in domestic offerings must be in dematerialised form and registered with the CRA. All relevant records are required to be maintained electronically at the CRA and the Covered Bonds must be held in separate accounts for each bondholder. Covered Bonds to be issued in international offerings also have to be in dematerialised form and registered with the CRA but the CMB may grant, upon the issuer's request, an exemption from the CRA registration requirement. In such event, the issuer is obliged to inform the CRA, within three business days from the date of the issuance, of the issue amount, issue date, ISIN code, maturity date and the first day of the maturity date, coupon rate, identity of the custody institution and the relevant country where the issue is made, and the denomination of the issue. The issuer must also update the CRA within three business days following the occurrence of any change (including any early redemption) in relation to the above information. The Issuer has received the relevant letter from the CMB on 18 December 2014 (No. 12233903.399-1110) in respect of this Programme exempting it from the CRA registration requirement.

MORTGAGE ORIGINATION, ELIGIBILITY AND SERVICING

The descriptions of the Issuer's products and processes in this section relate to the products and processes of the Issuer as at the date of this Base Prospectus, which are subject to change from time to time.

Overview of Housing Finance Lending

Only receivables of the Issuer arising from (i) the extension of loans to consumers for the purpose of acquiring residential properties; (ii) extension of loans to consumers secured by their residential properties; and (iii) extension of loans to consumers for the refinancing of the aforementioned indebtedness may, subject to certain requirements, be included in the Cover Pool.

The Issuer offers a variety of Housing Finance Loans. 100 per cent. of the Housing Finance Loans offered are fixed rate although the Issuer also offers floating rate Housing Finance Loans, where the rate of interest is linked to the Turkey Consumer Prices Index. The total volume of Housing Finance Loans provided by the Issuer is approximately TL 13 billion as of October 2014. As of October 2014, almost 96 per cent. of the Housing Finance Loan portfolio of the Issuer consisted of equal instalment Housing Finance Loans (where borrowers are required to repay the Housing Finance Loan in equal instalments on each monthly payment date), 2 per cent. of the Housing Finance Loan portfolio consisted of interim payment Housing Finance Loans (which require repayments of principal under the Housing Finance Loan on predetermined months) and 2 per cent. of the Housing Finance Loan portfolio consisted of periodical payment Housing Finance Loans (which require repayments of principal on the Housing Finance Loan within specified periods).

General Residential Mortgage Features

Housing Finance Loans originated by the Issuer generally have the following key features (although not all such Housing Finance Loans will be eligible for inclusion in the Cover Pool):

- (a) denominated in Turkish Lira, as Turkish law prohibits the extension of foreign currency loans or foreign currency indexed loans to Turkish resident individuals (although non-Turkish resident individuals may borrow foreign currency loans or foreign currency indexed loans);
- (b) used for the purpose of purchasing or refinancing a residential property (typically a primary residence, but can include a second home, an investment property or a leisure property);
- (c) is either an equal instalment, interim payment or periodical payment Housing Finance Loan (for further details see above);
- (d) include the option for the Borrower to make prepayments, subject to a prepayment fee of (i) 2 per cent. of the outstanding Housing Finance Loan for Housing Finance Loans where the remaining term of the Housing Finance Loan exceeds 36 months or (ii) 1 per cent. of the outstanding Housing Finance Loan for Housing Finance Loans where the remaining term of the Housing Finance Loan is equal to or less than 36 months;
- (e) incur origination fees charged to the Borrower upon origination of the Housing Finance Loan;
- (f) accrue interest on a daily basis;
- (g) have a typical tenor of between 5 and 10 years which corresponds to a weighted average life of 2.5 years and 5 years respectively. The maximum tenor which the Issuer offers in respect of Housing Finance Loans is currently 10 years;

- (h) loan to value ratio cannot be higher than 75 per cent. pursuant to BRSA regulations;
- (i) secured by way of a first lien or mortgage (the **Housing Finance Loan Security**) on the property which is the subject of the Housing Finance Loan. The Housing Finance Loan Security is taken pursuant to a standard format mortgage document stipulating the amount which is secured by the mortgage document and which is registered against the mortgaged property in the relevant land registry;
- (j) payments are made typically by direct debit; and
- (k) each Housing Finance Loan and the related Housing Finance Loan Security is governed by Turkish law.

Mortgage Origination

The Housing Finance Loans are predominately originated through the Issuer's 961 retail branches. Alternative channels such as the internet, partnered real estate agents and construction project sales offices are also used as lead origination channels. Applications through these alternative channels can be handled by the Issuer's retail branches. No mortgage brokers are used in the origination process and the Issuer does not outsource administration of the Housing Finance Loans.

As of October 2014, 78 per cent. of the Housing Finance Loans were originated through the Issuer's retail branches, while 14 per cent. were originated by partnered real estate agents and 8 per cent. were originated through agreements with construction project sales offices, where the Issuer made Housing Finance Loans to individuals for the purposes of acquiring property from the relevant construction projects. All applications are directed to the Issuer's retail branches to be processed. Customer details are recorded in the Issuer's proprietary database (**Customer Database**) together with the details of the Housing Finance Loan, such as the amount, the applicable interest rate, the tenor and the repayment type.

Mortgage Underwriting

The following describes the typical procedure when processing a Housing Finance Loan application:

Application submission by retail branches

All applications are submitted to the centralised Consumer Loans and Credit Cards Approval Division (the **Approval Division**) by retail branches. A relationship manager at the relevant retail branch collects supporting documents and data necessary for the application, such as evidence of income, purpose of the loan, proposed maturity and amount.

Data Gathering and Processing

The necessary data is gathered automatically from sources such as the Kredi Kayıt Bürosu (the **Credit Bureau**), Central Bank of Turkey and the Customer Database. Systematic checks such as fraud, inconsistency and debt to income ratio (**DTI**) and LTV ratio tests are performed automatically.

Decision Making System

The Issuer uses a decision making system (the **Decision Making System**) utilising PowerCurve SM by Experian for mortgage applications. The Decision Making System includes the Issuer's policy rules and customer risk model and it evaluates every application and generates three possible outcomes, as follows:

- (a) if the Decision Making System indicates that a Housing Finance Loan application should be accepted, the Housing Finance Loan can be approved;
- (b) if the Decision Making System indicates that a Housing Finance Loan application should be declined an application may be resubmitted by the retail branch manager for manual evaluation by an underwriter; or
- (c) if the Decision Making System indicates that a Housing Finance Loan application should be reviewed, the application is automatically submitted for manual evaluation by an underwriter.

The Decision Making System can approve loans up to TL 350,000 for low risk applicants and up to TL 150,000 for medium risk applicants, while high risk applicants are rejected. The risk associated with an applicant is determined through the Decision Making System which takes into account a variety of information including, Credit Bureau score, credit card limit usage, number of outstanding loans, years of relationship with banks and employment type.

For the calculation of the DTI, the Decision Making System also calculates an applicant's income by taking into account information obtained from (i) the Credit Bureau, such as credit card limits and monthly loan instalments and (ii) the Customer Database, such as the total assets of the applicants, salary and demographic information. The Decision Making System considers income as declared income by an applicant or income calculated by the Decision Making System.

The Issuer also utilises internal behaviour and application scorecards (the **Scorecards**), however, the Scorecards are primarily used for portfolio risk evaluation purposes. Acceptance, rejection or review determinations are not based on the Scorecards. These decisions are processed through decision trees under the Decision Making System for which Credit Bureau scores, rather than the Scorecard, are the main consideration.

The Scorecards were prepared by FICO and are regularly updated by the Validation Team and Model Development Team who work under the Risk Management Unit.

Valuation of the collateral

If a Housing Finance Loan is approved, a valuation of the property by an independent valuation firm is required.

Underwriting Limits and Underwriters

The Approval Division is managed by a senior vice president of the Issuer who directly reports to the chief credit officer of the Issuer.

The Approval Division is responsible for mortgage, auto loans and other consumer loans underwriting. As of October 2014, there are 41 staff in the Approval Division with an average experience of 7 years in Akbank.

As of October 2014, the underwriting limits of staff of the Approval Division are as described below:

Staff Level	No. of Staff	Underwriting Limit (TL)	
		Mortgage Collateral	Cash Collateral
Assistant Manager	17	200,000	500,000
Manager 2	20	300,000	500,000

Manager		500,000	750,000
Vice President	1	1,500,000	3,000,000
Senior Vice President	1	3,000,000	7,500,000

As of October 2014, applications must satisfy the following criteria:

- (a) LTV is not higher than 75 per cent.;
- (b) DTI not higher than 85 per cent.;
- (c) applicant cannot be older than 75 years;
- (d) applicant requires a minimum salary of TL 600; and
- (e) the relevant property must be secured by way of a first lien security interest.

Valuation of Properties

In line with BRSA and CMB regulations, prior to advancing a Housing Finance Loan, the Issuer will obtain a valuation of the relevant property from an independent valuation firm. A centralised Valuation Control Division assigns specific contracted valuation firms (selected from a panel) to value properties. As of October 2014, the Valuation Control Division consisted of 10 engineers licensed by the CMB.

As of October 2014, there are 47 contracted panel valuation firms covering Turkey. All of those firms are regulated and supervised by the BRSA and the CMB. Valuation firms are liable for faulty and misleading reports. The Appraisal Control Division regularly reviews the performance of the contracted valuation firms.

The valuation firms make a full physical inspection (including checking occupancy, the relevant building licence(s) and the approval of the project) which is based on standardised and certified valuation criteria and make a comprehensive survey of the relevant property.

Monitoring and Collection

When a Housing Finance Loan is overdue by one day, it is recognised as a delinquent loan. Delinquent loans are monitored by the Monitoring Division.

Delinquent Borrowers are categorised using a risk based collection strategy approach, which takes into account the probability of a loan becoming a non-performing loan (NPL). Various actions such as warning letters and text messages, customer calls, site visits and restructuring are taken depending on the risk category of the relevant Borrower and the number of days of delinquency. The Monitoring Division is comprised of a senior vice president, 2 vice presidents, 6 managers and 10 assistant managers, with an average experience of 10 years who are involved in monitoring consumer loans and who are supported by 46 in-house agents and 209 outsourced agents who are responsible for processing calls to borrowers of delinquent loans.

A Housing Finance Loan is classified as a NPL when it has been delinquent for a period of more than 90 days. NPLs are tracked and handled by the NPL Follow-up Unit. The NPL Follow-up Unit is comprised of a senior vice president, two vice presidents, five managers and fifty-two assistant managers, with an average experience of 8.2 years. 23 employees are dedicated to the recovery of consumer loans, including Housing Finance Loans.

While the NPL Follow-up Division is responsible for managing the NPLs, the Legal Advisory Division under the Legal Affairs Unit is responsible for managing and monitoring the enforcement proceedings of delinquent Housing Finance Loans. The Legal Advisory Division has 33 in-house legal experts and works with 468 contracted independent law firms.

The NPL Follow-up Division negotiates the repayment of the Housing Finance Loans with the Borrower, and may offer restructuring of the debt or where the NPL Follow-up Unit has not been able to remedy the non-payment, it may liaise with the Legal Advisory Division to have the security enforced.

Performance of Akbank Housing Finance Loan Portfolio³

As of 2011, 2012, 2013 and October 2014, Akbank's delinquent Housing Finance Loans were TL 347 million, TL 419 million, TL 519 million and TL 587 million respectively, while the outstanding amounts were TL 7.430 million, TL 9.716 million, TL 12.562 million and TL 13.028 million. Therefore, delinquent loans to total outstanding were 4.68%, 4.31%, 4.13% and 4.51% respectively for these years.

As of 2011, 2012, 2013 and October 2014, Akbank's total outstanding non-performing Housing Finance Loans were TL 13 million, TL 14 million, TL 15 million and TL 17 million respectively, while the total outstanding Housing Finance Loans were TL 7.430 million, TL 9.716 million, TL 12.562 million and TL 13.028 million. Therefore, non-performing loans to total outstanding were 0.18%, 0.14%, 0.12% and 0.13% respectively for these years.

For the same years total of TL 4 million, TL 7 million, TL 9 million and TL 9 million of loans had been classified as non-performing, of which TL 3 million, TL 5 million, TL 4 million, TL 5 million of recoveries were made for the same years, respectively, corresponding to a recovery rate 78.94%, 75.75%, 48.27% and 50.78% within each year.

For the same years, prepayments were TL 430 million, TL 436 million, TL 1.150 million and TL 606 million, therefore 5.79%, 4.49%, 9.16% and 4.65% of the total outstanding.

Eligibility Criteria

The Issuer has established a Cover Pool which complies in all material respects with the requirements set out in the Turkish Covered Bond Legislation. For details of the Turkish Covered Bond Legislation see "*Summary of Turkish Legislation Relating to Covered Bonds*". Although the Issuer has a mortgage portfolio of approximately TL13 billion, not all individuals loans are eligible under the Turkish Covered Bond Legislation and the Issuer has selected and assigned and will continue to select and assign loans eligible under the Turkish Covered Bond Legislation.

Monitoring of the Cover Pool

The Issuer has identified the Housing Finance Loans for inclusion in the Cover Pool and such Housing Finance Loans are identified and segregated in the systems of the Issuer in order to separate them from other loans of the Issuer. The Issuer is required to maintain the Cover Pool in accordance with the Cover Matching Principles as mentioned in "*Summary of Turkish Legislation Relating to Covered Bonds*". The Issuer must monitor its compliance with the Cover Matching Principles at least once a month and furthermore as and when any amendment is made to the Cover Register. For further details please see "*Summary of Turkish Legislation Relating to Covered Bonds*".

³ Data has been compiled from the consumer databases of Akbank's Consumer Credits Monitoring Division, Non-Performing Loans Follow up Division and Consumer Banking Division.

The Cover Monitor shall issue a report on the Issuer's ongoing compliance with the Cover Matching Principles in any intervals which can be less than every six months. For further details please see "*Summary of Turkish Legislation Relating to Covered Bonds*".

Enforcement

Under Turkish law, a mortgagee shall apply to the relevant execution office for the enforcement of a mortgage. Upon its application to the execution office, the mortgagor is obliged to make the payment to the mortgagee within 30 (thirty) days or alternatively within 7 (seven) days raise an objection against such payment order. If the mortgagor does not fulfil its payment obligations or raise an objection within such time, the mortgagee can request the enforcement of the relevant mortgaged property at the relevant execution office.

The Enforcement and Bankruptcy Law No. 2004 (**Law No. 2004**) provides the banks with a faster enforcement procedure. Accordingly, if the bank sends a bank statement to the mortgagor through a notary public, stating that the credit balance has become due or, showing the closing of the related current account of the mortgagor, the mortgagor can only object to these bank statements within 8 (eight) days, again through a notary public, and only with this objection can the mortgagor apply to the courts to object to the enforcement of the mortgage.

According to Law No. 2004, the public receivables, taxes, court charges, expenses of the execution office that arise from the mortgaged property shall be paid in the first place. Once these payments are made, then the Issuer has the pre-emptive right over the receivables.

Other than the enforcement of security, there are no other general sources of proceeds from enforcement. Costs associated with the foreclosure process (principally legal fees, duties, expert fees and foreclosure fees) reduce the amounts ultimately received by creditors since they are not generally recoverable from the debtor.

SUMMARY OF CONTRACTS GOVERNED BY ENGLISH LAW

Programme Agreement

Under the terms of a programme agreement dated 18 December 2014 between the Issuer and the Dealers (the **Programme Agreement**), the Issuer and the Dealers have agreed that the Dealers shall be appointed as Dealers under the Programme and will purchase Covered Bonds from the Issuer pursuant to the terms of the Programme Agreement and the relevant subscription agreement.

Agency Agreement

Under the terms of a fiscal agency agreement dated 18 December 2014 between the Issuer, the Fiscal Agent, the Transfer Agent, the Exchange Agent, the Registrar and any paying agent appointed from time to time under the Agency Agreement (together, the **Agents**) (the **Agency Agreement**), the Agents have each agreed to provide the Issuer with certain agency services and have agreed, *inter alia*, to make available for inspection such documents as may be required from time to time by the rules of the Irish Stock Exchange and to arrange for the publication of any notices to be given to the Covered Bondholders.

Deed of Covenant

Under the terms of a deed of covenant dated 18 December 2014 executed by the Issuer in favour of certain accountholders with DTC, Euroclear, Clearstream, Luxembourg and any other agreed clearing system (the **Deed of Covenant**), the Issuer covenants with such accountholders that such accountholders will acquire direct rights of enforcement against the Issuer if (*inter alia*) an event of default occurs.

Covered Bond Swap Agreements

The Issuer may enter into one or more covered bond swap transactions with one or more Covered Bond Swap Providers in respect of each Series of Covered Bonds (each such transaction, a **Covered Bond Swap**). Each Covered Bond Swap will constitute the sole transaction under a single **Covered Bond Swap Agreement**.

Each Covered Bond Swap will provide a hedge against certain interest rate, currency and/or other risks in respect of amounts received by the Issuer under the Housing Finance Loans and other assets in the Cover Pool and amounts payable by the Issuer under the Covered Bonds.

Where required to hedge such risks, there will be one (or more) Covered Bond Swap Agreement(s) and Covered Bond Swap(s) in relation to each Series or Tranche, as applicable, of Covered Bonds.

Under the Covered Bond Swaps on the relevant Issue Date, the Issuer will, if the Covered Bonds are denominated in a currency other than Turkish Lira, pay to the Covered Bond Swap Provider an amount equal to the relevant portion of the amount received by the Issuer in respect of the aggregate nominal amount of such Series or Tranche, as applicable, of Covered Bonds and in return the Covered Bond Swap Provider will pay to the Issuer the Turkish Lira Equivalent of the first-mentioned amount. Thereafter the Covered Bond Swap Provider will pay to the Issuer (or, if applicable to the Paying agent at the direction of the Issuer) on each Interest Payment Date an amount equal to the relevant portion of the amounts that are payable by the Issuer in respect of interest and (in respect of those Series not denominated in Turkish Lira) principal payable under the relevant Series or Tranche of Covered Bonds. In return, the Issuer will periodically pay to the Covered Bond Swap Provider an amount in Turkish Lira calculated by reference to LIBOR plus a spread and, where relevant, the

Turkish Lira Equivalent of the relevant portion of any principal due to be repaid in respect of the relevant Series or Tranche of Covered Bonds.

Each Covered Bond Swap may, in the event that the Issuer fails to pay the principal amount payable to the Covered Bondholders in respect of a Series or Tranche of Covered Bonds on the Maturity Date of such Series or Tranche and where an Extended Maturity Date is applicable to such Series or Tranche as the case may be, provide for payments to be made to and by the Covered Bond Swap Provider on a different basis and timing to permit amounts to be paid to the Covered Bondholders of the relevant of the Series on each Interest Payment Date as set out in the Final Terms. Under the terms of each Covered Bond Swap, in the event that the relevant rating of the Covered Bond Swap Provider or any guarantor of the Covered Bond Swap Provider's obligations is downgraded by a Rating Agency below the rating specified in the relevant Covered Bond Swap Agreement (in accordance with the requirements of the Rating Agencies), the Covered Bond Swap Provider will, in accordance with the relevant Covered Bond Swap Agreement, be required to take certain remedial measures which may include providing collateral for its obligations under the Covered Bond Swap, arranging for its obligations under the Covered Bond Swap to be transferred to an entity with the ratings required by the relevant Rating Agency, procuring another entity with the ratings required by the relevant Rating Agency to become co-obligor or guarantor in respect of its obligations under the Covered Bond Swap Agreement (such guarantee to be provided in accordance with the then-current guarantee criteria of each of the Rating Agencies), or taking such other action as it may agree with the relevant Rating Agency. A failure to take such steps within the time periods set out in the Covered Bond Swap Agreement will, subject to certain conditions, allow the Issuer to terminate the Covered Bond Swap.

A Covered Bond Swap Agreement may also be terminated in certain other circumstances, together with any other events of default and termination events set out in the relevant Covered Bond Swap Agreement (each referred to as a **Covered Bond Swap Early Termination Event**), which may include:

- (a) at the option of any party to the Covered Bond Swap Agreement, if there is a failure by the other party to make timely payments of any amounts due under such Covered Bond Swap Agreement; and
- (b) upon the occurrence of an insolvency of the Covered Bond Swap Provider or any guarantor of the Covered Bond Swap Provider's obligations, or the merger of the Covered Bond Swap Provider without an assumption of its obligations under the relevant Covered Bond Swap Agreement.

The Covered Bond Swap Provider may transfer all its interest and obligations in and under the relevant Covered Bond Swap Agreement to a transferee with minimum ratings in line with the criteria of each of the Rating Agencies, without any prior written consent of the security trustee, subject to certain conditions.

Bank Account Agreement

Prior to the first issue of Covered Bonds denominated in a currency other than Turkish Lira, the Issuer will enter into one or more bank account agreements (the **Bank Account Agreement**) with third party bank account providers. Such bank accounts (the **Offshore Account(s)**) will either be in the name of the Issuer or such third party bank account provider, in each case, subject to prior confirmation that there will not be any adverse effect on the rating of any outstanding Covered Bonds. The Issuer shall be required to maintain such Offshore Accounts in order that certain payments to be made by the Covered Bond Swap Providers can be paid into such Offshore Account(s) in the specified currency(ies) of the relevant Covered Bonds.

Where the relevant Offshore Account is maintained in the name of the Issuer, security will be granted over such account in favour of a security trustee that will hold such security for, *inter alia*, the Covered Bondholders and the Covered Bond Swap Providers. Where the relevant Offshore Account is in the name of the third party account bank provider or custodian, the amounts credited to such account will be held for the benefit of, *inter alia*, the Covered Bondholders and the Covered Bond Swap Providers.

USE OF PROCEEDS

The Issuer will incur various expenses in connection with the issuance of each Tranche of the Covered Bonds, including underwriting fees, legal counsel fees, rating agency expenses and listing expenses. The net proceeds from each issue of Covered Bonds will be applied by the Issuer for its general corporate purposes.

TAXATION

General

Prospective purchasers of Covered Bonds are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Covered Bonds, including, but not limited to, the consequences of receipt of payments under the Covered Bonds and their disposal or redemption.

Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment by a person who is a non-resident of Turkey in Notes of a Turkish company issued abroad. The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Covered Bonds that may be relevant to a decision to make an investment in the Covered Bonds. Furthermore, the discussion only relates to the beneficial interest of a person in the Covered Bonds where the Covered Bonds will not be held in connection with the conduct of trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Base Prospectus, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey resulting either from the existence of a fixed place of business or appointment of a permanent representative. For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes on its trading income made through a permanent establishment or on income otherwise sourced in Turkey.

An individual is a resident of Turkey if such individual has established domicile in Turkey, or stays in Turkey more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Turkish income tax law may not be treated as a resident of Turkey, depending on the characteristics of their stay. A resident individual is liable for Turkish taxes on his or her worldwide income, whereas a non-resident individual is only liable for Turkish taxes on income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term **accounted for** means that a payment is made in Turkey, or if the payment is made abroad, it is recorded in the books in Turkey or apportioned from the profits of the payer or the person on whose behalf the payment is made in Turkey.

Any withholding tax levied on income derived by a non-resident person is the final tax for the non-resident person and no further declaration is required. Any other income of a non-resident person sourced in Turkey that has not been subject to withholding tax will be subject to taxation through declaration where exemptions are reserved.

A Covered Bondholder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Covered Bonds, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Interest paid on notes (such as the Covered Bonds) issued abroad by Turkish corporates is subject to withholding tax. Through the Tax Decrees, the withholding tax rates are set according to the original maturity of notes issued abroad as follows:

- 10% withholding tax for notes with an original maturity of less than one year;
- 7% withholding tax for notes with an original maturity of at least one year and less than three years;
- 3% withholding tax for notes with an original maturity of at least three years and less than five years; and
- 0% withholding tax for notes with an original maturity of at least five years and more.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sources in Turkey with respect to the Covered Bonds may be subject to declaration. However, pursuant to Provisional Article 67 of the Turkish income tax law, as amended by the Law numbered 6111, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporate issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on non-resident persons in respect of capital gains from such Covered Bonds and no declaration is required.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Covered Bonds, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Reduced Withholding Tax Rates

Under current Turkish laws and regulations, interest payments on notes issued abroad by a Turkish corporate to a non-resident holder will be subject to a withholding tax at a rate between 10% and 0% in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of the holder of the notes (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term **beneficial owner** is used), which provides for the application of a lower withholding tax rate than the local rate to be applied by the corporation, then the lower rate may be applicable. For the application of withholding at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the country where the investor is a resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a copy that has been translated by a translation office, to verify that the investor is subject to taxation over its worldwide gains in the relevant country on the basis of resident taxpayer status, as a resident of such country to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding. In the event the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, a refund of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

U.S. Foreign Account Tax Compliance Act

FATCA imposes a new reporting regime and potentially a withholding tax of 30% on certain payments made by a non-U.S. financial institution (a **foreign financial institution** or **FFI** (as defined by FATCA)) to (i) any FFI that does not become a “Participating FFI” by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA, and (ii) any investor (unless otherwise exempt from FATCA) that does not provide

information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as a “U.S. account holder,” which can include non-U.S. entities with substantial U.S. owners (a **Recalcitrant Holder**). The Issuer will be classified as an FFI.

As relevant to payments made by the Issuer, this new withholding regime will apply to “foreign passthru payments” (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to any payments of interest or principal in respect of any Covered Bonds characterised as debt for U.S. federal tax purposes that are issued after the “grandfathering date,” which is the date that is six months after the date on which final U.S. Treasury regulations defining the term “foreign passthru payment” are promulgated, or which are issued before the grandfathering date and materially modified on or after the grandfathering date. If Covered Bonds are issued before the grandfathering date, and additional Covered Bonds of the same series are issued on or after that date, the additional Covered Bonds may not be treated as grandfathered, which may have negative consequences for the existing Covered Bonds (including a negative impact on market price).

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to the “Model 1” and “Model 2” IGAs released by the United States, an FFI in an IGA signatory country could be treated as a “Reporting FI” and such Reporting FI in a Model 1 IGA jurisdiction generally would not be required to withhold from any payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

The United States and Turkey have reached an agreement in substance on the terms of an IGA based largely on the Model 1 IGA, although its terms have not been published. Turkey will be treated as having a Model 1 IGA in effect until December 31, 2014, by which time an IGA must be signed in order for Turkey to continue to be treated as an IGA jurisdiction.

Whilst the Covered Bonds are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Covered Bonds by the Issuer, any paying agent and the Common Depositary, even after the term “foreign passthru payment” is defined and 31 December 2016, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Covered Bonds. Nevertheless, payments made by the participants in the ICSDs and thereafter by any other intermediary FFIs in the custodial chain through to the ultimate investors may constitute withholdable foreign passthru payments as eventually defined, and so investors are encouraged to consider the compliance with FATCA of such participants and intermediaries. Also, it is contemplated, under circumstances that are currently considered remote, that the Covered Bonds may be exchanged into definitive form and so be taken out of the ICSDs. If this were to happen, a non-FATCA compliant holder of a definitive Covered Bond could be subject to FATCA withholding.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Covered Bonds.

EU SAVINGS DIRECTIVE

Under the EU Savings Directive, Member States are required to provide to the tax authorities of other Member States details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria

are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the EU Savings Directive.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

The Proposed Financial Transaction Tax

The European Commission has published a proposal for a Directive for a common financial transactions tax (FTT) in the participating Member States.

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Covered Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of Covered Bonds is, however, expected to be exempt.

Under current proposals, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Covered Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be materially altered prior to any implementation, the timing of which remains unclear, and the extent to which it may ultimately apply (if at all) to dealings in the Covered Bonds is uncertain. Additional Member States may decide to participate. Prospective holders of Covered Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (the **Programme Agreement**) dated 18 December 2014, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Covered Bonds. Any such agreement will extend to those matters stated under “*Form of the Covered Bonds*” and “*Terms and Conditions of the Covered Bonds*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future updates of the Programme and the issue of Covered Bonds under the Programme. Subject to the terms agreed for any specific Tranche of Covered Bonds, the Issuer has agreed to reimburse any relevant Dealer(s) expenses in connection with the issue of a Tranche of Covered Bonds under the Programme and to indemnify any relevant Dealer(s) against certain liabilities which may be incurred by them in connection therewith.

Selling Restrictions

Turkey

The Issuer has obtained the CMB Approval from the CMB and the BRSA approval from the BRSA required for the issuance of Covered Bonds under the Programme. Pursuant to the CMB Approval and the BRSA approval, the offer, sale and issue of Covered Bonds under the Programme has been authorised and approved in accordance with Decree 32, the Banking Law numbered 5411 and its related legislation, the CML and its related regulations. In addition, Covered Bonds (or beneficial interests therein) may only be offered or sold outside of Turkey in accordance with the CMB Approval and the BRSA approval. Under the CMB Approval, the CMB has authorised the offering, sale and issue of any Covered Bonds within the scope of such CMB Approval on the condition that no transaction that qualifies as a sale or offering of Covered Bonds (or beneficial interests therein) by way of public offering or private placement in Turkey may be engaged in. Notwithstanding the foregoing, pursuant to the BRSA decision dated 6 May 2010 No.3665, the BRSA decision dated 30 September 2010 No. 3875 and in accordance with Decree 32, residents of Turkey: (a) may purchase or sell Covered Bonds denominated in a currency other than Turkish Lira (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis in the secondary markets only; and (b) may purchase or sell Covered Bonds denominated in Turkish Lira (or beneficial interests therein) offshore on an unsolicited (reverse inquiry) basis both in the primary and secondary markets.

Further, pursuant to Article 15(d)(ii) of Decree 32, Turkish residents may purchase or sell Covered Bonds (or beneficial interests therein) offshore on an unsolicited basis provided that such purchase or sale is made through banks or licensed brokerage institutions authorised pursuant to the CMB regulations and the purchase price is transferred through banks. As such, Turkish residents should use banks or licensed brokerage institutions while purchasing the Covered Bonds (or beneficial interests therein) and transfer the purchase price through the banks.

An issuance certificate (*ihraç belgesi*) and/or a tranche issuance certificate (*tertip ihraç belgesi*) in respect of each Tranche of Covered Bonds shall be prepared by, and the CMB Approval thereof shall be obtained by Akbank prior to the issue date of each such Tranche of Covered Bonds. Akbank shall maintain the authorisation and approvals of the CMB as necessary for the offer, sale and issue of Covered Bonds under the Programme.

Monies paid for purchases of Covered Bonds are not protected by the insurance coverage provided by the SDIF.

United States

The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Bearer Covered Bonds

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

Registered Covered Bonds

Offers, sales, resales and other transfers of Registered Covered Bonds in the United States made or approved by a Dealer (including offers, resales or other transfers made or approved by a Dealer in connection with secondary trading) shall be effected pursuant to an exemption from the registration requirements of the Securities Act.

The applicable Final Terms will identify whether TEFRA C or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Covered Bonds of any Series (i) as part of its general distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering and the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Covered Bonds on a syndicated basis, the relevant lead manager, of all Covered Bonds of the Tranche of which such Covered Bonds are a part, other than in an offshore transaction to, or for the account or benefit of, persons that are not U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each distributor to which it sells the Covered Bonds during the applicable distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds other than in an offshore transaction to, or for the account or benefit of, persons that are not U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Covered Bonds, an offer or sale of such Covered Bonds other than in an offshore transaction to a person that is not a U.S. person by any distributor (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State, except

that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression **an offer of Covered Bonds to the public** in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Covered Bonds which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

France

Each of the Dealers and the Issuer has represented and agreed that it has only made and will only make an offer of Covered Bonds to the public in France following the notification of the approval of this Base Prospectus to the *Autorité des marchés financiers* (**AMF**) by the Central Bank of Ireland and in the period beginning on the date of publication of the Final Terms relating to the offer of Covered Bonds and ending at the latest on the date which is 12 months after the date of the approval of this Base Prospectus by the Central Bank of Ireland, all in accordance with Articles L.412-1 and L.621-8 of the French Code *monétaire et financier* and the *Règlement général* of the AMF.

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Covered Bonds under the Programme have been duly authorised by resolutions of the Board of Directors of the Issuer dated 18 December 2014.

Listing of Covered Bonds

This Base Prospectus has been approved by the Central Bank of Ireland as a base prospectus. Application has also been made to the Irish Stock Exchange for Covered Bonds issued under the Programme to be admitted to the Official List and to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive.

Listing Agent

The Bank of New York Mellon SA/NV is acting solely in its capacity as listing agent for the Issuer in connection with the Programme and is not itself seeking admission of Covered Bonds issued under the Programme to the Official List or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

Documents Available

For the life of this Base Prospectus, copies of the following documents will be available in physical form for inspection 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 Akbank;
- (b) the 2013 Akbank BRSA Annual Financial Statements (including EY's audit report dated 5 February 2014 in respect thereof);
- (c) the Akbank 2012 BRSA Annual Financial Statements (including EY's audit report dated 7 February 2013 issued in respect thereof);
- (d) when published, the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer, in each case in English and together with any audit or review reports prepared in connection therewith. The Issuer currently prepares audited consolidated annual, semi-annual and quarterly financial statements in accordance with BRSA Principles and audited consolidated annual and semi-annual financial statements in accordance with IFRS (though the Issuer's IFRS and unconsolidated BRSA financial statements do not constitute a part of, and are not incorporated by reference into, this Base Prospectus);
- (e) the Agency Agreement, the Deed of Covenant and the forms of the Global Covered Bonds, the Covered Bonds in definitive form, the Coupons and the Talons;
- (f) a copy of this Base Prospectus; and
- (g) when published, any future base prospectuses, prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Covered Bond which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be

published under the Prospectus Directive will only be available for inspection by a holder of such Covered Bond and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Covered Bonds and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition, electronic copies of the following financial statements will be available on the Issuer's website at the respective locations:

- (i) the convenience translation into English of the BRSA consolidated unaudited interim financial statements as of 30 June 2014 (including EY's review report dated 28 July 2014 issued in respect thereof), which are published on Akbank's website at: http://www.akbank.com/Documents/IR-Financials-Docs/BRSA/2014/Second_Quarter_Consolidated/AkbankENGKONSOLIDE30-06-2014.pdf ;
- (ii) the convenience translation into English of the 2013 BRSA consolidated financial statements (including EY's audit report dated 5 February 2014 issued in respect thereof), which are published on Akbank's website at: <http://www.akbank.com/Documents/IR-Financials-Docs/BRSA/2013/Consolidated/4th-Quarter-Consolidated/AkbankENGKONSOLIDE31-12-2013.pdf>;
- (iii) the convenience translation into English of the 2012 BRSA consolidated financial Statements (including EY's audit report dated 7 February 2013 issued in respect thereof), which are published on Akbank's website at: <http://www.akbank.com/Documents/IR-Financials-Docs/BRSA/2012/Consolidated/4th-Quarter-Consolidated/31122012BDDKKONSOLIDEENG.pdf>;

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

Each Final Terms relating to Covered Bonds which are admitted to trading on the Irish Stock Exchange's regulated market will also be available on the website of the Irish Stock Exchange and of the Central Bank of Ireland.

Clearing Systems

The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The appropriate Common Code and ISIN for each Tranche of Bearer Covered Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer will make an application for any Registered Covered Bonds to be accepted for trading in book-entry form by DTC. The CUSIP number for each Tranche of Registered Covered Bonds, together with the relevant ISIN and common code, will be specified in the applicable Final Terms. If the Covered Bonds are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

For Covered Bonds to be issued to one or more Dealers, the price and amount of Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. For Covered Bonds to be issued to one or more investors purchasing Covered Bonds directly from the Issuer, the price and the amount of the relevant Covered Bonds to be issued under the Programme will be determined by the Issuer, based on prevailing market conditions, or by agreement between the Issuer and the relevant investor(s).

Significant or Material Change

There has been no significant change in the financial or trading position of either Akbank or the Akbank Group since 30 June 2014 and no material adverse change in the financial position or prospects of either Akbank or the Akbank Group since 31 December 2013.

Litigation

Save as disclosed in the Competition Board Investigations section (page 111), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had, during the 12 months preceding the date of this Base Prospectus a significant effect on the Akbank Group's financial position or profitability.

Independent Auditors

The Akbank BRSA Annual Financial Statements as at 31 December 2013 and 2012, prepared in Turkish, have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member firm of Ernst & Young Global Limited, located at Maslak Mahallesi Eski Büyükdere Caddesi No:27 Daire:54-57-59 Kat 2-3-4 Sarıyer, Istanbul, Turkey. Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. are independent certified public accountants in Turkey and are members of the independent auditors' association. Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. is an institution authorised by BRSA, CMB, Turkish Treasury, Energy Market Regulatory Authority and Public Oversight Accounting and Auditing Standards Authority to conduct independent audits of companies, including banks, in Turkey. Convenience translations of these Annual financial statements have been incorporated by reference in this Base Prospectus. The Akbank BRSA Unaudited Interim Financial Statements as at 30 June 2014, prepared in Turkish, have been reviewed by EY. Convenience translations of these unaudited interim financial statements have been incorporated by reference in this Base Prospectus. 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.

Dealers transacting with the Issuer

The Arrangers, Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Dealers, the Arrangers and their respective affiliates may have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Arrangers, Dealers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Issuer and its affiliates in the ordinary course of their business. Certain of the Arrangers, Dealers and/or their respective affiliates have acted and expect in the future to act as a lender to the Issuer and/or other members of its group and/or otherwise participate in transactions with its group.

In addition, in the ordinary course of their business activities, the Arrangers, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. The Arrangers, certain of the Dealers and their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Arrangers, such Dealers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of Covered Bonds issued under the Programme. The Arrangers, the Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Foreign Text

The language of this Base 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.

GLOSSARY

In this Base Prospectus, the following defined terms have the meanings set out below:

Accrual Period shall mean the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date.

Administrator shall mean the administrator of the bankruptcy estate appointed by the bankruptcy court in the case where a Financial Institution is declared bankrupt.

Agency Agreement shall mean the agency agreement (as amended or supplemented from time to time) between the Issuer, Fiscal Agent and the other agents on 18 December 2014.

Amortised Face Amount shall have the meaning given to it in the Terms and Conditions of the Covered Bonds.

Applicable Procedures shall mean, in relation to the transfer and/or exchange of a beneficial interest in the Registered Global Covered Bond, the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Bearer Covered Bonds shall mean Covered Bonds issued in bearer form.

Business Day shall have the meaning given to it in Condition 4 of the Terms and Conditions of the Covered Bonds.

Calculation Agency Agreement shall mean any calculation agency agreement entered into from time to time between the Issuer and a calculation agent in respect of a Series and/or Tranche of Covered Bonds.

Calculation Agent means, in relation to the Covered Bonds of any Series, the person named as such in the applicable Final Terms and appointed by the Issuer pursuant to the provisions of the Agency Agreement where the Fiscal Agent is acting as Calculation Agent, or pursuant to the provisions of a Calculation Agency Agreement (or any other agreement) where the Fiscal Agent is not acting as Calculation Agent and shall include any successor calculation agent appointed in respect of the Covered Bonds;

Clearstream, Luxembourg shall mean Clearstream Banking, société anonyme.

Common Depositary shall mean the common depositary who receives the Temporary Bearer Global Covered Bonds (which are not intended to be issued in NGCB form) on or prior to the original issue date of the Tranche.

Conditions shall mean the terms and conditions of the Covered Bonds.

Couponholders shall mean the holders of the Coupons and, unless the context requires otherwise, the holders of Talons.

Coupons shall mean the interest coupons on interest-bearing definitive Bearer Covered Bonds.

Cover Pool shall mean the cover pool maintained by the Issuer in accordance with the Turkish Covered Bond Legislation.

Covered Bondholder shall mean the holder of Covered Bonds.

Covered Bonds shall mean those covered bonds issued by the Issuer under the Programme in accordance with the Turkish Covered Bond Legislation.

Day Count Fraction shall have the meaning given to it in Condition 4 of the Terms and Conditions of the Covered Bonds.

Dealer shall mean each entity specified as such in the Programme.

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

Distribution Compliance Period shall mean the period that ends 40 days after completion of the distribution of each Tranche of Covered Bonds, as certified by the relevant Dealer or, as the case may be, the Lead Manager.

DTC shall mean The Depository Trust Company.

EEA shall mean the European Economic Area.

EURIBOR shall mean the Euro-zone interbank offered rate.

Euroclear shall mean Euroclear Bank SA/NV.

Exchange Act shall mean the United States Securities Exchange Act of 1934, as amended.

Exchange Date shall mean the date on which interests in the Temporary Bearer Global Covered Bond are exchanged either for interests in a Permanent Bearer Global Covered Bond or for definitive Bearer Covered Bonds, as the case may be.

Exchange Event shall mean (i) the Issuer has been notified that either Euroclear or Clearstream, Luxembourg has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system satisfactory to the Issuer, the Fiscal Agent, the other Paying Agents and the Covered Bondholder is available, or (ii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 7 which would not be required were the Covered Bonds represented by the Permanent Bearer Global Covered Bond in definitive bearer form and a certificate to such effect signed by two Directors of the Issuer has been given to the Fiscal Agent.

Extended Maturity Date shall mean the automatic monthly extension to the Maturity Date up to but not later than the date specified in the applicable Final Terms, where the Issuer has failed to redeem the relevant Covered Bonds in full on the Maturity Date.

Financial Institutions shall mean the Turkish financial institutions as defined in the Turkish Covered Bond Legislation which may issue covered bonds.

Fiscal Agent shall mean The Bank of New York Mellon, London Branch or any successor agent appointed in accordance with the Agency Agreement.

Fixed Interest Period shall mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Fixed Rate Covered Bond shall mean Covered Bonds which provide for interest based on a fixed rate.

Floating Rate Covered Bond shall mean Covered Bonds which provide for interest based on a floating rate.

Further Covered Bonds shall mean further covered bonds created and issued by the Issuer from time to time having terms and conditions the same as the Covered Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Covered Bonds.

Interest Amount shall mean the amount of interest payable per Calculation Amount on the Floating Rate Covered Bonds for the relevant Interest Period as calculated by the Fiscal Agent or, where the applicable Final Terms specifies a Calculation Agent, the Calculation Agent.

Interest Payment Date shall have the meaning given to it in Condition 4 of the Terms and Conditions of the Covered Bonds.

Investor's Currency shall mean the currency or currency unit in which an investor's financial activities are denominated principally, other than a Specified Currency.

ISDA Definitions shall have the meaning given to it in Condition 4 of the Terms and Conditions of the Covered Bonds.

ISDA Rate shall have the meaning given to it in Condition 4 of the Terms and Conditions of the Covered Bonds.

Issuer shall mean Akbank T.A.Ş.

Issuer Call shall mean the option of the Issuer to redeem certain Covered Bonds.

Legislation shall mean the Turkish Covered Bond Legislation and the Regulation.

LIBOR shall mean the London interbank offered rate.

London Business Day shall mean a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

Long Maturity Covered Bond shall mean a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond shall cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Covered Bond.

Markets in Financial Instruments Directive shall mean Directive 2004/39/EC.

Maturity Date shall mean the scheduled maturity date of such Covered Bonds as set out in the applicable Final Terms.

Moody's shall mean Moody's Investors Service Limited.

Non-exempt Offer shall mean an offer where the applicable Final Terms in relation to the Covered Bonds specify that an offer of those Covered Bonds may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State.

Non-U.S. Dollar Covered Bond shall mean a Covered Bond denominated in a currency other than the U.S. dollar.

Paying Agent shall mean any additional or successor paying agent(s) appointed in accordance with the terms of the Agency Agreement.

Payment Day shall have the meaning given to it in Condition 5 of the Terms and Conditions of the Covered Bonds.

Permanent Bearer Global Covered Bond shall mean a permanent global Covered Bond.

Proceedings shall mean any suit, action or proceedings arising out of or in connection with the Agency Agreement, the Covered Bonds and/or the Coupons.

Programme shall mean the €1,000,000,000 Covered Bond Programme of the Issuer.

Programme Agreement shall mean the Programme Agreement between the Issuer, Barclays Bank plc, HSBC Bank plc, Natixis and the other dealers named therein dated 18 December 2014.

Prospectus Directive shall mean Directive 2003/71/EC.

QIBs shall mean qualified institutional buyers within the meaning of Rule 144A under the Securities Act.

Rating Agency shall mean Moody's.

Record Date shall have the meaning ascribed to it in Condition 5.2 of the Terms and Conditions of the Covered Bonds.

Register shall mean the register of the Covered Bonds and the Cover Pool maintained by the Issuer in accordance with the terms of the Turkish Covered Bond Legislation.

Regulation S Global Covered Bond shall mean a permanent global Covered Bond in registered form, without interest coupons sold outside the United States in reliance on Regulation S of the Securities Act.

Redeemed Covered Bonds shall mean Covered Bonds (or, as the case may be, parts of Registered Covered Bonds) to be redeemed.

Registered Covered Bonds shall mean Covered Bonds issued in registered form.

Registrar shall mean The Bank of New York Mellon (Luxembourg) S.A. or any successor registrar appointed in accordance with the Agency Agreement.

Relevant Date shall mean the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Fiscal Agent or the Registrar, 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 Covered Bondholders in accordance with Condition 14.

Relevant Factor shall mean an index or formula, changes in the prices of securities or commodities, movements in currency exchange rates or other factors, each being reference factors used to determine principal or interest of Covered Bonds.

Relevant Implementation Date shall mean the date on which the Prospectus Directive is implemented in that Relevant Member State.

Relevant Member State shall mean each Member State of the EEA which has implemented the Prospectus Directive.

Restricted Global Covered Bonds shall mean a restricted permanent global covered bond in registered form, without interest coupons sold in private transactions to QIBs.

Securities Act shall mean the Securities Act of 1933, as amended.

Selection Date shall have the meaning given to it in Condition 6 of the Terms and Conditions of the Covered Bonds.

Series shall mean a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (i) expressed to be consolidated and form a single series and (ii) the terms and conditions of which are identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Short-Term Covered Bond shall mean a Covered Bond which has a fixed maturity date not more than one year from the date of issue.

Specified Currency shall mean each Euro, Sterling, U.S. dollars, Yen, Turkish Lira and, subject to any applicable legal or regulatory restrictions and any applicable reporting requirements, any other currency agreed between the Issuer and the relevant Dealer.

Talons shall mean talons for further Coupons.

TARGET2 System shall mean the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

Temporary Bearer Global Covered Bond shall mean the temporary global Covered Bond in bearer form which will initially represent the Bearer Covered Bonds of each Tranche.

Terms and Conditions of the Covered Bonds shall mean, in relation to the Covered Bonds, the terms and conditions to be endorsed on, attached to, or incorporated by reference into, the Covered Bonds, and any reference to a particular numbered Condition shall be construed in relation to the Covered Bonds accordingly.

Territories shall mean certain dependent and associated territories of the EU Member States.

Tranche shall mean Covered Bonds which are identical in all respects (including as to listing).

Transfer Agent shall mean The Bank of New York Mellon (Luxembourg) S.A. and any additional or successor transfer agent(s) appointed in accordance with the terms of the Agency Agreement.

Transfer Certificate shall mean a transfer certificate substantially in the form set out in the Agency Agreement.

Turkish Covered Bond Legislation means Article 59 of the Capital Markets Law No 6362 (published in the Official Gazette dated 30 December 2012 and numbered 28513) and Communiqué III 59.1 on Covered Bonds (published in the Official Gazette dated 21 January 2014 and numbered 28889), as amended by the Communiqué III 59.1a (published in the Official Gazette dated 5 September 2014 and numbered 29110).

Zero Coupon Covered Bonds shall mean Covered Bonds which provide that no interest is payable.

APPENDIX 1

OVERVIEW OF SIGNIFICANT DIFFERENCES BETWEEN IFRS AND BRSA ACCOUNTING PRINCIPLES

BRSA Principles differ from IFRS. Such differences are primarily related to the presentation of financial statements, disclosure requirements (e.g., IFRS 7) and certain accounting policies. BRSA presentation and disclosure requirements are prescribed by relevant regulations and do not always meet IFRS or IAS 34. Among the differences in accounting policies some of the most important are:

Consolidation and Equity Accounting

Only subsidiaries and associates in the financial sector are consolidated and equity accounted, respectively, under BRSA Principles, others are carried at cost or fair value. The definition of control under BRSA Principles is based on the power to appoint or remove the decision-making majority of members of the board of directors or those having control over the majority of the voting rights as a consequence of holding privileged shares or agreements with other shareholders although not owning the majority of capital, whereas in IFRS 10 an investor is deemed to control an investee when the investee is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Associates

The threshold for “significant influence” for associates differs. Under BRSA Principles, if the parent bank has qualified shares (i.e. shares that represent directly or indirectly 10% or more of the capital or voting rights in the associate or that give the privilege to appoint members to the associate’s board of directors even though such rate is below 10%) in the invested entity, unless otherwise proved, it is accepted that the parent bank has significant influence in that associate. In IAS 28 such a threshold is set as 20%.

Specific Provisioning for Loan Losses

BRSA provisioning for loan losses is different from IAS 39 and is based on minimum percentages related to number of days overdue prescribed by relevant regulations, whereas in IFRS, provision for loan loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. Furthermore, according to BRSA, collaterals are included in the calculation of specific reserves using the percentages provided in the regulation by type of collateral; in IAS 39, the calculation of the present value of the estimated future cash flows of a collateralized financial asset is based on the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

General Loan Loss Provisioning

BRSA requires general loan loss provisions to be calculated over on and off balance sheet financial instruments that carry credit risk using specific percentages as defined in the regulation. Instead, IFRS requires portfolio/collective provisioning for groups of loans and receivables sharing similar characteristics and not individually identified as impaired.

Assets Held for Sale

Under BRSA Principles, depreciation of assets held for sale is taken into account for assets with probability of disposal within one year, whereas pursuant to IFRS 5, non-current assets held for sale

are classified to this category only if their sale is highly probable and is expected to be completed within one year and they are carried at lower of cost or fair value less cost to sell.

Deferred Taxation

Certain differences exist in this area. According to IAS 12, income taxes' deferred taxation is calculated based on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the relevant issuer, whereas under BRSA Principles, it is not permitted to recognize deferred tax on general loan loss provisions.

Application Period for Hyperinflationary Accounting

Under BRSA Principles, this period ends at 1 January 2005 whereas under IFRS it ends at 1 January 2006, constituting a one year difference between the two.

Related Party Disclosures

Related party transactions and balances are disclosed in IFRS based on the definition provided in IAS 24, whereas in BRSA such disclosures are based on "risk group" as defined in the Banking Law.

Similar differences with IFRS also exist in the accounting policies and disclosure requirements applied to consolidated subsidiaries, especially those providing leasing services which are subject to specific BRSA policies/requirements.

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