FİNANSBANK A.Ş.

Issue of US$750,000,000 4.875% Notes due 2022
under its US$2,000,000,000 Global Medium Term Note Programme
Issue price: 99.671%

The US$750,000,000 4.875% Notes due 2022 (the "*Notes*") are being issued by Finansbank A.Ş., a banking institution organised under the laws of the Republic of Turkey ("*Turkey*") as a public joint stock company registered with the İstanbul Trade Registry under number 237525 (the "*Bank*" or the "*Issuer*"), under its US$2,000,000,000 Global Medium Term Note Programme (the "*Programme*").

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "*Securities Act*") or the securities laws of any State or other jurisdiction of the United States and are being offered: (a) for sale to qualified institutional buyers (each a "*QIB*") as defined in, and in reliance upon, Rule 144A under the Securities Act ("*Rule 144A*") and (b) for sale in offshore transactions to persons who are not "U.S. persons" ("*U.S. persons*") as defined in, and in reliance upon, Regulation S under the Securities Act ("*Regulation S*"). For a description of certain restrictions on sale and transfer of investments in the Notes, see "Plan of Distribution" herein and "Subscription and Sale" and "Transfer and Selling Restrictions" in the Base Prospectus (as defined under "Documents Incorporated by Reference" below).

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

The Notes will bear interest from (and including) 18 May 2017 (the "*Issue Date*") to (but excluding) 19 May 2022 (the "*Maturity Date*") at a fixed rate of 4.875% *per annum*. Interest will be payable semi-annually in arrear in equal instalments on the 19th day of each May and November in each year (each an "*Interest Payment Date*") up to (and including) the Maturity Date; *provided* that if any such date is not a Payment Business Day (as defined in Condition 7.6), then such payment will be made on the next Payment Business Day but without any further interest or other payment being made in respect of such delay. Principal of the Notes is scheduled to be repaid on the Maturity Date, but may be repaid earlier under certain circumstances described herein and in the Base Prospectus. For a more detailed description of the Notes, see "Terms and Conditions of the Notes" herein.

This prospectus (this "*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 Prospectus as meeting the requirements imposed under Irish and European Union ("*EU*") law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC ("*MiFID I*") and/or that are to be offered to the public in any member state of the European Economic Area (the "*EEA*"). Application has been made to the Irish Stock Exchange plc (the "*Irish Stock Exchange*") for the Notes to be admitted to its official list (the "*Official List*") and to trading on its regulated market (the "*Main Securities Market*"); *however*, no assurance can be given that such application will be accepted. References in this Prospectus to the Notes being "listed" (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of MiFID I.

Application has been made to the Capital Markets Board (the "*CMB*") of Turkey, in its capacity as competent authority under Law No. 6362 (the "*Capital Markets Law*") of Turkey relating to capital markets, for the issuance and sale of the Notes by the Bank outside of Turkey. The Notes cannot be sold before the approved issuance certificate (*ihraç belgesi*) has been obtained from the CMB. The CMB issuance certificate relating to the issuance of notes under the Programme based upon which the offering of the Notes is conducted was obtained on 7 June 2016 and (to the extent (and in the form) required by applicable law) an approval of the CMB relating to the Notes will also be obtained from the CMB on or before the Issue Date.

The Notes are expected to be rated at issuance "BBB-" (stable outlook) by Fitch Ratings Ltd. ("*Fitch*") and "Ba1" (negative outlook) by Moody's Investors Service Limited ("*Moody's*" and, together with Fitch and Standard & Poor's Credit Market Services Europe Limited, the "*Rating Agencies*"). The Bank has also been rated by the Rating Agencies, as set out on page 129 of the Base Prospectus. Each of the Rating Agencies is established in the EU and is registered under Regulation (EC) No. 1060/2009, as amended (the "*CRA Regulation*"). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes are being offered in reliance upon Rule 144A and Regulation S by each of Citigroup Global Markets Limited, HSBC Bank plc, ING Bank N.V., London Branch, J.P. Morgan Securities plc, QNB Capital LLC and Standard Chartered Bank (each an "*Initial Purchaser*" and, collectively, the "*Initial Purchasers*"), subject to their acceptance and right to reject orders in whole or in part. It is expected that: (a) delivery of the Rule 144A Notes will be made in book-entry form only through the facilities of The Depository Trust Company ("*DTC*") against payment therefor in immediately available funds on the Issue Date (*i.e.*, the fifth Business Day following the date of pricing of the Notes; such settlement cycle being referred to herein as "*T+5*")), and (b) delivery of the Regulation S Notes will be made in book-entry form only through the facilities of Euroclear Bank SA/NV ("*Euroclear*") and/or Clearstream Banking S.A. ("*Clearstream, Luxembourg*"), against payment therefor in immediately available funds on the Issue Date.

Initial Purchasers

Citigroup	**HSBC**	**ING**
J.P. Morgan	**QNB Capital**	**Standard Chartered Bank**

The date of this Prospectus is 16 May 2017.

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

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in (including incorporated by reference into) this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus (including the information incorporated herein by reference) is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

This Prospectus is to be read in conjunction with all documents (or parts thereof) that are incorporated herein by reference (see “Documents Incorporated by Reference”). This Prospectus shall be read and construed on the basis that such documents (or, as applicable, the indicated parts thereof) are incorporated into, and form part of, this Prospectus.

To the fullest extent permitted by law, none of the Initial Purchasers accepts any responsibility for the information contained in (or incorporated by reference into) this Prospectus or any other information provided by the Issuer in connection with the Notes or for any statement made, or purported to be made, by an Initial Purchaser or on its behalf in connection with the Issuer or the issue and offering of the Notes (or beneficial interests therein). Each Initial Purchaser accordingly disclaims all and any liability that it might otherwise have (whether in tort, contract or otherwise) in respect of the accuracy or completeness of any such information or statements. The Initial Purchasers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor or potential investor in the Notes of any information coming to their attention.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied by (or with the consent of) the Issuer in connection with the Notes. Any such information or representation must not be relied upon as having been authorised by the Issuer or any of the Initial Purchasers.

Neither this Prospectus nor any other information supplied by (or on behalf of) the Issuer or an Initial Purchaser or their respective affiliates in connection with the Notes: (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Initial Purchasers or their respective affiliates that any recipient of this Prospectus or any other information supplied in connection with the Notes should invest in the Notes. Each investor contemplating investing in the Notes should: (i) determine for itself the relevance of the information contained in (including incorporated by reference into) this Prospectus, (ii) make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and (iii) make its own determination of the suitability of any such investment in light of its own circumstances, with particular reference to its own investment objectives and experience, and any other factors that may be relevant to it in connection with such investment, in each case based upon such investigation as it deems necessary.

Neither this Prospectus nor, except to the extent explicitly stated therein, any other information supplied in connection with the Notes or the issue of the Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Initial Purchasers or their respective affiliates to any person to subscribe for or invest in the Notes. This Prospectus is intended only to provide information to assist potential investors in deciding whether or not to subscribe for or purchase Notes (or beneficial interests therein) in accordance with the terms and conditions specified by the Initial Purchasers.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes (or beneficial interests therein) shall in any circumstances imply that the information contained herein is correct at any time subsequent to the date hereof (or, if such information is stated to be as of an earlier date, subsequent to such earlier date) or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same.

None of the Initial Purchasers or the Issuer or any of their respective counsel or other representatives is making any representation to any offeree or investor in the Notes regarding the legality of its investment under any applicable laws. Each investor in the Notes should consult with its own advisers as to the legal, tax, business, financial and related aspects of an investment in the Notes.

GENERAL INFORMATION

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

The distribution of this Prospectus and/or the offer or sale of Notes (or beneficial interests therein) might be restricted by law in certain jurisdictions. None of the Issuer or the Initial Purchasers represent that this Prospectus may be lawfully distributed, or that the Notes (or beneficial interests therein) 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 that is intended to permit a public offering of the Notes (or beneficial interests therein) or distribution of this Prospectus in any jurisdiction in which action for that purpose is required. Accordingly: (a) no Notes (or beneficial interests therein) may be offered or sold, directly or indirectly, and (b) neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except (in each case) under circumstances that will result in compliance with all applicable laws. Persons into whose possession this Prospectus or any Notes (or beneficial interests therein) come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus, any advertisement or other offering material and the offering and sale of Notes (or beneficial interests therein). In particular, there are restrictions on the distribution of this Prospectus and the offer and/or sale of Notes (or beneficial interests therein) in (*inter alia*) the United States, the EEA (including the United Kingdom), Turkey, Japan, the People's Republic of China (the "*PRC*"), Thailand, Singapore and the Hong Kong Special Administrative Region of the PRC. See "Plan of Distribution" herein and "Transfer and Selling Restrictions" in the Base Prospectus.

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

Any investor in the Notes should ensure that it is able to bear the economic risk of an investment in the Notes for an indefinite period of time.

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

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

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

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

(d) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets, and

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

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

The Issuer has obtained the approved issuance certificate (*ihraç belgesi*) from the CMB dated 7 June 2016 and numbered 29833736-105.03.01-E.6563 (the "*CMB Approval*") and the BRSA approval dated 21 April 2017 and numbered 20008792-101.01[31]-E.6545 (the "*BRSA Approval*" and, together with the CMB Approval, the "*Approvals*") required for the issuance of the Notes. In addition to the Approvals, pursuant to Communiqué VII-128.8 on Debt Instruments of the CMB (the "*Communiqué on Debt Instruments*"), the Issuer is required to apply to the CMB for approval via electronic signature on or before the Issue Date in order to proceed with the sale and issuance of the Notes; *however*, as of the date of this Prospectus, the CMB's system allowing such application has not become operational yet. Therefore, unless such system becomes operational before the Issue Date, the written approval of the CMB (which might be in the form of a tranche issuance certificate (*tertip ihraç belgesi*)) in respect of the Notes must be obtained by the Issuer from the CMB on or before the Issue Date in order to proceed with the sale and issuance of the Notes. As the Issuer is required to maintain all authorisations and approvals of the CMB necessary for the offer, sale and issue of notes under the Programme, the scope of the Approvals might be amended and/or new approvals from the CMB and/or the BRSA might be obtained from time to time. Pursuant to the Approvals, the offer, sale and issue of the Notes have 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, as amended (the "*Banking Law*") and related law, the Capital Markets Law numbered 6362 and the Communiqué on Debt Instruments and related law.

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

Monies paid for the purchases of Notes (or beneficial interests therein) are not protected by the insurance coverage provided by the Savings Deposit Insurance Fund (*Tasarruf Mevduatı Sigorta Fonu*) (the "*SDIF*") of Turkey.

Pursuant to the Communiqué on Debt Instruments, the Issuer is required to notify the Central Registry Agency (*Merkezi Kayıt İstanbul*) (trade name: Central Registry İstanbul (*Merkezi Kayıt İstanbul*)) ("*Central Registry İstanbul*") within three İstanbul business days from the Issue Date of the amount, Issue Date, ISIN (if any), interest commencement date, maturity date, interest rate, name of the custodian and currency of the Notes and the country of issuance.

Notes offered and sold to QIBs in reliance upon Rule 144A (the "*Rule 144A Notes*") will be represented by beneficial interests in one or more Rule 144A Global Note(s) (as defined in the Base Prospectus). Notes offered and sold pursuant to Regulation S in offshore transactions to persons who are not U.S. persons (the "*Regulation S Notes*") will be represented by beneficial interests in a global note in registered form (the "*Regulation S Registered Global Note*" and, together with the Rule 144A Global Note(s) for the Rule 144A Notes, the "*Global Notes*").

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

STABILISATION

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

Notwithstanding anything herein to the contrary, the Bank may not (whether through over-allotment or otherwise) issue more Notes than have been authorised by the CMB.

ALTERNATIVE PERFORMANCE MEASURES

To supplement the Bank's consolidated and unconsolidated financial statements presented in accordance with the BRSA Accounting and Reporting Regulations, the Bank uses certain ratios and measures included in this Prospectus that might be considered to be "alternative performance measures" (each an "*APM*") as described in the ESMA Guidelines on Alternative Performance Measures (the "*ESMA Guidelines*") published by the European Securities and Markets Authority on 5 October 2015. The ESMA Guidelines provide that an APM is understood as "a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework." The ESMA Guidelines also note that they do not apply to APMs: "disclosed in accordance with applicable legislation, other than the applicable financial reporting framework, that sets out specific requirements governing the determination of such measures."

The APMs included in this Prospectus are not alternatives to measures prepared in accordance with the BRSA Accounting and Reporting Regulations and might be different from similarly titled measures reported by other companies. The Bank's management believes that this information, when considered in conjunction with measures reported under the BRSA Accounting and Reporting Regulations, is useful to investors because it provides a basis for measuring the organic operating performance in the periods presented and enhances investors' overall understanding of the Group's financial performance. In addition, these measures are used in internal management of the Group, along with financial measures reported under the BRSA Accounting and Reporting Regulations, in measuring the Group's performance and comparing it to the performance of its competitors. In addition, because the Group has historically reported certain APMs to investors, the Bank's management believes that the inclusion of APMs in this Prospectus provides consistency in the Group's financial reporting and thus improves investors' ability to assess the Group's trends and performance over multiple periods. APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with the BRSA Accounting and Reporting Regulations. Please see "Presentation of Financial and Other Information - Alternative Performance Measures" in the Base Prospectus.

For the Group, measures that might be considered to be APMs in this Prospectus (and that are not defined or specified by the BRSA Accounting and Reporting Regulations, IFRS or any other legislation applicable to the Bank) include (without limitation) the following (such terms being used in this Prospectus as defined below):

average shareholders' equity as a percentage of average total assets: For a particular period, unless stated otherwise, this is: (a) the average shareholders' equity for such period *as a percentage of* (b) the average total assets for such period.

average spread: For a particular period, this is: (a) the weighted average interest rate of the Group's average interest-earning assets *minus* (b) the weighted average interest rate on the Group's average interest-bearing liabilities.

cash loan-to-deposit ratio: As of a particular date, this is: (a) the total amount of cash loans excluding non-performing loans ("*NPLs*") as of such date *divided by* (b) total deposits as of such date.

cost of funding: For a particular period and indebtedness, this is: (a) interest expense on such indebtedness for such period *divided by* (b) average amount of such indebtedness for such period (calculated by averaging the amount thereof as of the balance sheet date immediately prior to the commencement of such period (*i.e.*, for any year, December 31 of the previous year) and each intervening month-end date).

coverage ratio: For a particular period, this is: (a) specific provisions as of such date *divided by* (b) NPLs as of such date.

dividend pay-out ratio: For a particular period, this is: (a) the amount of dividends paid with respect to the net income for such period *as a percentage of* (b) the net income for such period.

free capital ratio: As of a particular date, this is: (a) the Group's total shareholders' equity as of such date *minus* the Group's fixed assets, investment property, investments in equity participations (*i.e.*, the sum of investment in associates (Net), investment in subsidiaries (Net) and jointly controlled entities (joint ventures) (Net)) and NPLs net of specific provisions as of such date *as a percentage of* (b) the Group's total assets as of such date.

gross operating income: For a particular period, this is the sum of interest income, fees and commissions received, dividend income, trading income/loss and other operating income for such period with no deductions for interest expense or fee and commission expense.

liquid asset ratio: As of a particular date, this is: (a) the Group's total amount of cash and balances with banks, money market placements, trading securities portfolio and available-for-sale securities as of such date *divided by* (b) the Group's total assets as of such date.

net interest income as a percentage of average interest-earning assets: For a particular period, this is: (a) net interest income for such period *as a percentage of* (b) the average interest-earning assets for such period.

NPL ratio: As of a particular date, this is: (a) NPLs as of such date *as a percentage of* (b) the aggregate amount of loans and receivables (performing) and NPLs as of such date.

NPLs to total shareholders' equity: As of a particular date, this is: (a) NPLs as of such date *divided by* (b) the total shareholders' equity as of such date.

spread: For a particular period, this is: (a) the average interest rates earned on average interest-earning assets (excluding reserves held at the Central Bank and interest earned thereon) during such period *minus* (b) the average interest rates accrued on average interest-bearing liabilities during such period.

Reconciliations for the above APMs to the applicable financial statements are not included as they are not required by the ESMA Guidelines in these circumstances, including as a result of Article 29 thereof where the items described in the APM are directly identifiable from the financial statements (*e.g.*, where an applicable APM is merely a calculation of one item in the financial statements as a percentage of another item in the financial statements).

The following are definitions of certain terms that are used in the calculations of the APMs listed above (such terms as so defined above having the same meaning when used elsewhere in this Prospectus):

average interest-bearing liabilities: For a particular period, this is: (a) for the purpose of the calculation of "spread," the total of daily averages of total deposits excluding demand deposits, repo and money market funds, funds borrowed and marketable securities issued since December 31 of the previous year, and (b) for the purpose of the calculations under the section entitled "Selected Statistical and Other Information - Average

Balance Sheet and Interest Data," unless stated otherwise, the sum of the monthly averages of total deposits excluding demand deposits, funds borrowed, funds provided under repurchase agreements, marketable securities issued and subordinated debt calculated by averaging the amount of interest-bearing liabilities as of the balance sheet date immediately prior to the commencement of such period (*i.e.*, for any year, December 31 of the previous year) and each intervening month-end date.

average non-interest-bearing liabilities: Unless stated otherwise, the sum of the monthly averages of demand deposits, provisions, tax liabilities and other liabilities calculated by averaging the amount of non-interest-bearing liabilities as of the balance sheet date immediately prior to the commencement of such period (*i.e.*, for any year, December 31 of the previous year) and each intervening month-end date.

average non-interest-earning assets: Unless stated otherwise, the sum of the monthly averages of cash and balances with the Central Bank (non-interest earning portion), derivative financial assets held for trading, equity participations, non-performing loans net of specific provisions, tangible assets and other assets calculated by averaging the amount of non-interest-earning assets as of the balance sheet date immediately prior to the commencement of such period (*i.e.*, for any year, December 31 of the previous year) and each intervening month-end date.

CERTAIN DEFINED TERMS, CONVENTIONS AND OTHER CONSIDERATIONS IN RELATION TO THE PRESENTATION OF INFORMATION IN THIS PROSPECTUS

In this Prospectus, "*Bank*" means Finansbank A.Ş. on a standalone basis and "*Group*" means the Bank and its subsidiaries (or, with respect to consolidated accounting information, entities that are consolidated into the Bank).

In this Prospectus, any reference to "*law*" shall (unless the context otherwise requires) be deemed to include legislation, regulations and other legal requirements.

In this Prospectus, all references to "*Turkish Lira*" and "*TL*" refer to the lawful currency for the time being of Turkey, "*euro*" and "*€*" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, and "*U.S. Dollars*", "*US$*" and "*$*" refer to United States dollars.

Where third-party information has been used in this 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 published information by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Without prejudice to the generality of the foregoing statement, third-party information in this Prospectus, while believed to be reliable, has not been independently verified by the Issuer or any other party.

The language of this Prospectus is English. Certain legal 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 laws. In particular, but without limitation, the titles of Turkish legislation and regulations and the names of Turkish institutions referenced herein (and in the documents incorporated herein by reference) have been translated from Turkish into English. The translations of these titles and names are direct and accurate.

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RISK FACTORS

Prospective investors in the Notes should consider carefully the information contained in this Prospectus and the documents (or parts thereof) that are incorporated herein by reference, and in particular should consider all the risks inherent in making such an investment, including the information under the heading "Risk Factors" on pages 12 to 45 (inclusive) of the Base Prospectus (as supplemented through the date hereof) (the "Programme Risk Factors"), before making a decision to invest.

In investing in the Notes, investors assume the risk that the Issuer might become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors that individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur as the Issuer might not be aware of all relevant factors and certain factors that it currently deems not to be material might become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in the Programme Risk Factors a number of factors that might materially adversely affect its business and ability to make payments due under the Notes.

In addition, a number of factors that are material for the purpose of assessing the market risks associated with the Notes are also described in the Programme Risk Factors. Prospective investors should also read the detailed information set out elsewhere in (or incorporated by reference into) this Prospectus and reach their own views prior to making any investment decision; *however*, the Bank does not represent that the risks set out in the Programme Risk Factors or herein are exhaustive or that other risks might not arise in the future.

The Programme Risk Factors are (except to the extent noted otherwise herein) incorporated by reference into this Prospectus and, for these purposes, references in the Programme Risk Factors to "Notes" shall be construed as references to the Notes described in this Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents (or the indicated parts thereof) that have previously been published or are published simultaneously with this Prospectus and have been filed with the Central Bank of Ireland shall be incorporated into, and form part of, this Prospectus:

(a) the sections of the Base Prospectus of the Bank dated 27 April 2017 (the "*Original Base Prospectus*") as supplemented on 8 May 2017 (the "*Base Prospectus*") relating to the Programme and titled as set out in the table below (*it being understood* that such supplement is also incorporated by reference herein and the sections of the Original Base Prospectus set out in the table below should be read in conjunction with such supplement):

(b) the audited consolidated BRSA financial statements of the Group as of and for each of the years ended 31 December 2014, 2015 and 2016 (including any notes thereto and the independent auditor's report thereon) (the "*BRSA Consolidated Annual Financial Statements*"),

(c) the audited unconsolidated BRSA financial statements of the Bank as of and for each of the years ended 31 December 2014, 2015 and 2016 (including any notes thereto and the independent auditor's report thereon) (with the BRSA Consolidated Annual Financial Statements, the "*BRSA Annual Financial Statements*"),

(d) the unaudited consolidated BRSA financial statements of the Group as of and for each of the three month periods ended 31 March 2016 and 2017 (including any notes thereto and the independent auditors' report thereon) (the "*BRSA Consolidated Interim Financial Statements*"), and

(e) the unaudited unconsolidated BRSA financial statements of the Bank as of and for each of the three month periods ended 31 March 2016 and 2017 (including any notes thereto and the independent auditor's report thereon) (with the BRSA Consolidated Interim Financial Statements, the "*BRSA Interim Financial Statements*"; the BRSA Interim Financial Statements with the BRSA Annual Financial Statements being the "*BRSA Financial Statements*").

With respect to each of the BRSA Financial Statements, please see "Other General Information – Independent Auditors" below.

Following the publication of this Prospectus, a supplement might be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 16 of the Prospectus Directive in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus that is capable of affecting the assessment of the Notes.

Any statement contained in a document (or a portion thereof) that is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein or in any other document (or, as applicable, relevant portion thereof) incorporated by reference herein, or in any supplement hereto, modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents (or parts thereof) incorporated by reference into this Prospectus are available on the Bank's website at http://www.qnbfinansbank.com/en/investor-relations/financial-information/Default.aspx.

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

The contents of any website (except for the documents incorporated by reference into this Prospectus to the extent set out on any such website) referenced in this Prospectus do not (and shall not be deemed to) form part of (and are not incorporated into) this Prospectus.

OVERVIEW OF THE OFFERING

The following overview does not purport to be complete but sets out certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. The following is indicative only and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus (including in the Base Prospectus). See, in particular, "Terms and Conditions of the Notes" set out on pages 65 to 97 of the Original Base Prospectus.

Issue:	US$750,000,000 4.875% Notes due 2022 issued under the US$2,000,000,000 Global Medium Term Note Programme of the Bank.
Interest and Interest Payment Dates:	The Notes will bear interest from and including the Issue Date (*i.e.*, 18 May 2017) at the rate of 4.875% *per annum*, payable semi-annually in arrear in equal instalments on each Interest Payment Date (*i.e.*, 19 May and 19 November in each year); *provided* that, as described in Condition 7.6, if any such date is not a Payment Business Day, then such payment will be made on the next Payment Business Day but without any further interest or other payment being made in respect of such delay. The first interest payment (representing a full six months of interest) will be made on the first Interest Payment Date.
Maturity Date:	Unless previously redeemed or purchased and cancelled as provided in the Conditions, the Notes will be redeemed by the Bank at their principal amount on the Maturity Date (*i.e.*, 19 May 2022).
Use of Proceeds:	The net proceeds of the offering of the Notes will be used by the Bank for general corporate purposes.
Status:	The Notes will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Bank and (subject as provided above) will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Bank, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
Negative Pledge:	Subject to certain exceptions set out in Condition 4, so long as any Note remains outstanding, the Bank will not create or have outstanding any Security Interest upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness unless the Bank, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that: (a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness, (b) another Security Interest or (whether or not it includes the giving of a Security Interest) another arrangement is provided for the benefit of the Noteholders as is approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders or (c) such Security Interest is provided as is approved by an Extraordinary Resolution of the Noteholders. See "Terms and Conditions of the Notes – Condition 4" in the Base Prospectus.

Certain Covenants:	The Bank will agree to certain covenants, including covenants limiting transactions with affiliates. See "Terms and Conditions of the Notes – Condition 5" in the Base Prospectus for the details of such covenants and the exceptions to them.
Taxation; Payment of Additional Amounts:	All payments in respect of the Notes by or on behalf of the Bank 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 the withholding or deduction of the Taxes is required by law. In that event, the Bank will (subject to certain exceptions set out in Condition 9) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction will equal the respective amounts that would have been receivable in respect of the Notes in the absence of the withholding or deduction. See "Taxation – Certain Turkish Tax Considerations" and "Terms and Conditions of the Notes – Condition 9" in the Base Prospectus. All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to FATCA or any law implementing an intergovernmental approach to FATCA, as provided in Condition 7.1 and, in accordance with Condition 9.1, no additional amount will be payable by the Issuer in respect of any such withholding or deduction.
Optional Redemption for Tax Reasons:	The Notes may be redeemed at the option of the Bank in whole, but not in part, at any time at their Early Redemption Amount (as such is specified in the Final Terms) together with interest accrued and unpaid to (but excluding) the date of redemption if: (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 16 May 2017, on the next Interest Payment Date, the Bank would be required to: (i) pay additional amounts in respect of the Notes as provided or referred to in Condition 9, and (ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the applicable prevailing rate on 16 May 2017, and (b) such requirement cannot be avoided by the Bank taking reasonable measures available to it.
Events of Default:	The Notes will, subject to customary grace periods and exceptions set out in Condition 11, be subject to certain events of default, including (among others) non-payment, breach of obligations, cross-acceleration and certain bankruptcy and insolvency events. The holder of any Note may give notice to the Bank that such Note is, and it shall accordingly forthwith

become, immediately due and repayable at its Early Redemption Amount, together with interest accrued and unpaid to (but excluding) the date of repayment, if any Event of Default shall have occurred and be continuing. See “Terms and Conditions of the Notes - Condition 11” in the Base Prospectus.

Form, Transfer and Denominations:

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

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

Notes will be issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.

ERISA:

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

Governing Law:

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

Listing and Admission to Trading:

Application has been made by the Bank to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market; *however*, no assurance can be given that such application will be accepted.

Turkish Selling Restrictions:

The offer and sale of the Notes (or beneficial interests therein) are subject to restrictions in Turkey in accordance with applicable CMB and BRSA laws. See “Transfer and Selling Restrictions - Selling Restrictions - Turkey” in the Base Prospectus.

Other Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act or the securities laws of any State or other jurisdiction of the United States and the Notes (or beneficial interests therein) may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S) except to QIBs in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes (or beneficial interests therein) is also subject to restrictions in (*inter alia*) in (*inter alia*) the United States, the EEA (including the United Kingdom), Turkey, Japan, the People's Republic of China (the "*PRC*"), Thailand, Singapore and the Hong Kong Special Administrative Region of the PRC.. See "Transfer and Selling Restrictions – Selling Restrictions" in the Base Prospectus.
Risk Factors:	There are certain factors that might affect the Issuer's ability to fulfill its obligations under the Notes. The material of these are set out under "Risk Factors" in the Base Prospectus and include risks related to the Group and its business, the Group's relationship with the Issuer's principal shareholders, Turkey and the Turkish banking industry. In addition, there are certain other factors that are material for the purpose of assessing the risks associated with the Notes, including certain market risks. See "Risk Factors."
Issue Price:	99.671% of the principal amount of the Notes.
Yield:	4.950% *per annum*.
Regulation S Registered Global Note Security Codes:	ISIN: XS1613091500 Common Code: 161309150
Rule 144A Global Note(s) Security Codes:	CUSIP: 31772DAC6 ISIN: US31772DAC65 Common Code: 161320153
Representation of Noteholders:	There will be no trustee.
Expected Ratings:	"BBB-" (stable outlook) by Fitch and "Ba1" (negative outlook) by Moody's.
Fiscal Agent, Transfer Agent and Principal Paying Agent:	The Bank of New York Mellon, London Branch
Registrar and Paying Agent:	The Bank of New York Mellon SA/NV, Luxembourg Branch
United States Paying Agent and Transfer Agent:	The Bank of New York Mellon, New York Branch

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

The following discussion and analysis of the consolidated financial position and results of operations of the Group covers the financial years ended 31 December 2014, 2015 and 2016 and the first three months of 2017. Unless otherwise specified, the financial information presented in this discussion has been extracted from the BRSA Financial Statements without material adjustment. This section should be read in conjunction with such BRSA Financial Statements and the other financial information included in (including incorporated by reference in) this Prospectus (including the sections entitled "Presentation of Financial and Other Information" and "Risk Factors - Risks related to the Group's Business - Audit Qualification" in the Base Prospectus). The BRSA Financial Statements have been prepared in accordance with the BRSA Accounting and Reporting Regulations as described in "Presentation of Financial and Other Information" in the Base Prospectus. For a discussion of current significant differences between the BRSA Accounting and Reporting Regulations and IFRS, see Appendix A ("Overview of Significant Differences between IFRS and BRSA Accounting Principles") to the Base Prospectus.

The BRSA Financial Statements incorporated by reference herein, all of which are in English, were prepared as convenience translations of the corresponding Turkish language BRSA financial statements (which translations the Bank confirms were direct and accurate). The English language BRSA Financial Statements were not prepared for the purpose of their incorporation by reference herein.

Certain information contained in the discussion and analysis set forth below and elsewhere in this Prospectus includes "forward-looking statements." Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. See the section entitled "Cautionary Statement Regarding Forward-Looking Statements" in the Base Prospectus.

The Group's financial condition and results of operations depend significantly upon the macro-economic, political and regulatory conditions prevailing in Turkey and prospective investors should consider the factors set forth under "Risk Factors – Risks related to the Group's Business" and "Risk Factors – Risks related to Turkey" in the Base Prospectus.

The discussion and analysis of the financial position and results of operations of the Group in this Prospectus are based upon the BRSA Financial Statements. As the Group has historically presented its financial statements to investors and potential investors using the BRSA Accounting and Reporting Regulations and uses such financials for regulatory requirements, the Bank's management believes that providing BRSA financial data in this Prospectus will provide for a consistent presentation of the Group's financial performance.

Introduction

The Bank is a Turkish private commercial bank that, as of 31 March 2017, provided products and services to approximately 5.3 million customers, including retail banking customers, SME banking customers, corporate and commercial banking customers and other customers in Turkey. As of 31 March 2017, the Group had total assets of TL 112,139.8 million, total loans and receivables (which includes loans and receivables and loans at fair value through profit and loss (hereinafter referred to as "*total loans and receivables*")) of TL 68,894.6 million, total deposits of TL 60,272.2 million and total equity of TL 10,949.9 million. The Group's total assets as of 31 March 2017 were 7.5% greater than the TL 104,325.8 million of total assets as of 31 December 2016, itself a 27.4% increase from TL 88,049.1 million as of 31 December 2015, which was a 45.9% increase compared to TL 76,835.1 million as of 31 December 2014. The Group's net profit for the first three months of 2017 was TL 446.1 million (an increase of 160.2% from TL 171.4 million for the first three months of the previous year), while its net profit for 2016 was TL 1,238.3 million, a 82.0% increase from TL 680.4 million for 2015, which was a 25.7% decrease compared to TL 915.9 million for 2014. As of 31 March 2017, the Bank was the fifth largest private bank in Turkey in terms of total loans and equity.

Since its initial entry to the Turkish banking market in 1987, the Bank has grown its branch network significantly. The Bank's branch network increased from 309 branches as of 31 December 2006 to 604 branches as of 31 March 2017. As of such date, the Bank's branch network consisted of 579 full-service branches, 17 retail-only branches, four corporate-only branches and four commercial-only branch located in 53 commercial centres in Turkey, mainly in İstanbul, İzmir, Ankara and Antalya. The Bank also has a branch at the Atatürk Airport Free Trade Zone in İstanbul and one branch in Bahrain.

In addition to its branch network, the Group has made significant investments in alternative delivery channels such as automated teller machine ("*ATM*") and point-of-sale ("*POS*") networks, internet banking, mobile banking and a call centre. In October 2012, the Group launched Enpara.com, an online banking platform designed to provide banking and payment services to retail customers in Turkey without the use of any physical branches. Since its establishment, Enpara.com has grown its registered customer base from 18,000 customers to over 695,094 customers as of 31 March 2017, with 77.1% of such customers not having been pre-existing customers of the Group.

The Group has three main business segments: retail banking, SME banking and corporate and commercial banking, additional information about each of which is provided below:

- *Retail Banking*. The Group's retail banking activities consist primarily of mortgages, consumer lending, credit and debit card services, deposits, investments and insurance products. The Group's offerings to retail customers are divided into three main further sub-groups: (a) private banking, which serves individuals with liquid assets under management exceeding TL 1,000,000 through customised service offerings, (b) the affluent segment, which serves individuals with assets under management from TL 100,000 to TL 1,000,000, offering features such as dedicated relationship managers and a diverse set of banking and non-banking services and benefits, and (c) the mass market segment with a wide variety of products and services. Retail banking has been one of the principal drivers of the Group's growth during recent years. As of 31 March 2017, the Group had approximately 4.0 million retail banking customers (excluding credit card customers) and the Group had performing retail loans and receivables (including mortgage, retail credit card and consumer loans (which comprise personal need loans, overdrafts and auto loans)) of TL 21,902.1 million, representing 31.8% of the Group's total loans and receivables (representing total gross loans, including financial assets at fair value through profit and loss, *minus* specific provisions).

- *SME Banking*. The Bank's SME banking activities consist primarily of revolving credit lines, instalment loans, overdrafts, business housing loans and demand deposits. As one of the first banks in Turkey to focus on this segment, the Bank started its SME banking operations at the beginning of 2003 to support Turkish small businesses. The SME banking segment consists of: (a) Agricultural Banking, (b) SME Banking Small Enterprises, which serves enterprises with annual revenues of up to TL 4 million, and (c) SME Banking Medium Enterprises, which serves enterprises with annual revenues from TL 4 million to TL 40 million. In recent years, SME banking has represented an increasingly important part of the Group's overall loan portfolio. As of 31 March 2017, the Group's SME banking operations had more than 387,500 active customers and performing loans and receivables of TL 22,525.6 million, representing 32.7% of the Group's total loans and receivables.

- *Corporate and Commercial Banking*. The Group's corporate and commercial banking activities primarily consist of traditional and non-cash lending, project and structured finance, trade finance, cash management, corporate syndication, secondary market transactions, deposit taking and certificated debt instruments. The corporate and commercial banking segment consists of: (a) corporate banking, which serves large businesses (including multinational corporations), and (b) commercial banking, which serves enterprises with annual revenues from TL 20 million to TL 300 million. As of 31 March 2017, the Group's corporate and commercial banking operations had approximately 11,000 customers and performing loans and receivables of TL 24,466.9 million, representing 35.5% of the Group's total loans and receivables.

The Group also undertakes leasing, factoring, insurance and investment banking activities through its subsidiaries and other affiliates. The Bank's registered office is located at Esentepe Mahallesi, Büyükdere Cad., Kristal Kule Binası, No:215, Şişli, İstanbul, Turkey, telephone number +90-212-318-5155. Its registration number is 237525.

Significant Factors Affecting the Group's Financial Condition and Results of Operations

The Group's financial condition, results of operations and prospects depend significantly upon the macro economic, political and regulatory conditions prevailing in Turkey as well as other factors. The impact of these and other potential factors might vary significantly in the future and many of these factors are outside the control of the Group. Prospective investors should (among other things) consider the factors set forth under "Risk Factors" in the Base Prospectus and "Risk Factors" herein. The following describes the most significant of such factors since the beginning of 2014.

Political Developments

On 15 July 2016, the Turkish government was subject to an attempted coup by a group within the Turkish army. The Turkish government and the Turkish security forces (including the Turkish army) took control of the situation in a short period of time and the ruling government remained in control. Following the coup attempt, there have been arrests of numerous individuals, including senior members of the military, police and judiciary, as well as suspension, dismissal, travel bans and legal proceedings against police officers, public employees and a number of individuals in the business community. As of the date of this Prospectus, investigations with respect to the attempted coup are on-going. There might be further arrests and actions taken by the government in relation to these investigations, including changes in policies and laws. Although, through the date of this Prospectus, the Group's operations have not been materially affected by the attempted coup, the political and social circumstances following the attempted coup and its aftermath (including ratings downgrades of Turkey and the Bank) or any other political developments might have a negative impact on the Turkish economy (including the value of the Turkish Lira, international investors' willingness to invest in Turkey and domestic demand), the institutional and regulatory framework in Turkey and/or Turkey's international relations, which, in turn, might have an impact on the Group's financial condition and results of operations.

On 20 July 2016, the government declared a 90 day state of emergency in the country, entitling the government to exercise additional powers. Under Article 120 of the Turkish Constitution, in the event of serious indications of widespread acts of violence aimed at the destruction of the free democratic order, a state of emergency may be declared in one or more regions of, or throughout, the country for a period not exceeding three months; *however*, this period may be extended. The state of emergency has been extended three times (most recently on 19 April 2017) for additional three month periods pursuant to Article 121 of the Turkish Constitution and might be further extended.

For additional information, see "Risk Factors - Risks related to Turkey - Political Developments" in the Base Prospectus.

Turkish Economy

The majority of the Group's operations are in Turkey, and its business and results of operations are significantly affected by general economic conditions in Turkey. As of 31 March 2017, 93.7% of the Group's total assets were in Turkey. Accordingly, the Group's results of operations and financial condition have been and will continue to be significantly affected by Turkish economic factors, including the economic growth rate, the rate of inflation and fluctuations in interest and exchange rates (see "Interest Rates" and "Exchange Rates" below).

The following table provides certain macro-economic indicators for Turkey, including real GDP, inflation rates and the Central Bank's overnight TL interest rate for each of the indicated periods:

	As of and for the year ended 31 December			As of and for the three months ended
	2014	2015	2016	31 March 2017[5]
Nominal GDP at current prices (TL millions)	2,044,466	2,337,530	2,590,517	NA
Real GDP growth[1]	5.2%	6.1%	2.9%	NA
Deficit/surplus of consolidated budget/GDP	(1.1)%	(1.0)%	(1.1)%	NA
Consumer Price Inflation[2]	8.2%	8.8%	8.5%	11.29%
Producer Price Inflation[2]	6.4%	5.7%	9.9%	16.09%
Central Bank overnight TL interest rate, period-end	7.50%	7.25%	7.25%	7.25%
Central Bank weekly TL repo rate, period-end[3]	8.25%	7.50%	8.00%	8.00%
Refinancing rate of the Central Bank, period-end	11.25%	10.75%	8.50%	9.25%
Nominal appreciation (depreciation) of the Turkish Lira against the U.S. Dollar[4]	(8.6)%	(25.4)%	(21.5)%	(4.40)%
CPI-based real effective exchange rate appreciation (depreciation) (2003=100)	4.7%	(7.1)%	(5.5)%	(2.8)%
Total gross gold and international currency reserves, period-end (U.S. Dollars, millions)	126,448	113,251	106,101	105,678

Sources: TurkStat for nominal GDP at current prices, real GDP growth, inflation, Turkish Ministry of Finance, General Directorate of Public Accounts, for deficit/surplus of consolidated budget and Central Bank for reference overnight interest rate, refinancing rate, nominal appreciation (depreciation) of the Turkish Lira against the U.S. Dollar, real effective exchange rate and total gross gold and international currency reserves.

(1) On 12 December 2016, Turkstat changed the method of calculation to determine economic growth in Turkey and revised the figures announced for the previous periods that were calculated in line with the former method. The figures in this table reflect GDP growth revised in line with the calculations made with the new method.

(2) Annual percentage change of the applicable index.

(3) The Central Bank announces the weekly repo lending rate as the reference rate.

(4) Central Bank buying rates.

(5) The Central Bank policy rate and benchmark yield rows provide the figures as of 31 March 2017. The budget deficit row provides the figure for the three month period ended 31 March 2017. The GDP-related rows indicate "NA" as such information is not yet available. The consumer price inflation, exports, imports, trade deficit and current account deficit rows provide the figures for the last twelve months as of 31 March 2017.

Interest Rates

One of the primary factors influencing the Group's profitability is the level of interest rates in Turkey, which in turn influences the return on its securities portfolio and its loan and deposit rates. Interest earned and paid on the Group's assets and liabilities reflect, to a certain degree, inflation, expectations regarding inflation, shifts in short-term interest rates set by the Central Bank and movements in long-term real interest rates. The fluctuations in short-term and long-term interest rates impact the Group's net interest income differently based upon the re-pricing profile of the Group's interest-earning assets and interest-bearing liabilities. Although the impact of decreasing interest rates earned on assets has had a direct and material impact on the Group's profitability, and the Group has been further negatively affected by competitive pressures from both the public and private sector banks to raise or maintain interest rates on deposits in order to attract and retain depositors, the Group has utilised alternative sources for raising funds with lower costs compared to deposits, thereby mitigating this competitive pressure. In addition, the Group actively monitors the interest rate risk of its assets and liabilities and executes hedging derivatives (particularly interest rate swaps) in order to limit interest rate risk within desired levels and regulatory limits.

Because the Group's interest-bearing liabilities (principally deposits) generally re-price faster than its interest-earning assets, changes in the short-term interest rates in the economy generally are reflected in the rates of interest paid by the Group on its liabilities before such interest rates are reflected in the rates of interest earned by the Group on its assets. Therefore, when short-term interest rates fall, the Group is both positively affected (for example, the value of its fixed rate securities portfolio may increase and its interest margins can improve), but can also be negatively impacted (for example, through the decline in net interest margins on assets funded by 0% interest rate demand deposits). On the other hand, when short-term rates increase, the Group's interest margin is generally negatively affected as it will generally pay higher interest rates on its interest-bearing liabilities before it can modify the rates of its interest-earning assets. An increase in long-term rates generally has at least a short-term negative effect on the Group's net interest margin because its interest-earning assets generally have a longer re-pricing duration than its interest-bearing liabilities and because a portion of its interest-earning assets have fixed rates of interest; *however*, such an increase generally leads to higher interest margins following the re-pricing and replacement of assets at higher yields. In addition, rising interest rates are expected to reduce the value of the Group's existing investment securities portfolio while ultimately being expected to result in increased interest income on additional assets included in this portfolio.

The following table sets forth the net interest margin of the Group for the periods indicated.

	2014	2015	2016	For the three months ended 31 March 2016	For the three months ended 31 March 2017
Net interest margin	5.6%	6.2%	6.4%	6.0[(1)]%	6.6[(1)]%
Average spread	2.7%	2.5%	2.8%	2.6%	2.7%

(1) Represents annualised figures.

Margins have frequently been subject to pressure from the tightening of monetary policy in Turkey and high levels of competition. In 2015 and 2016, tight liquidity conditions persisted throughout the year and the Bank closely monitored its funding costs. Accordingly, during such years, the Bank's main pillar of asset liability management was diversifying its funding portfolio with cheaper funding sources, which effectively helped to widen its net interest margin during the period. The Group's primary sources of funding for the periods under review have typically been short-term deposits, funds borrowed, marketable securities issued and repurchase ("repo") transactions with the Central Bank. The Group's cost of funding in relation to repo transactions and deposit-based funding generally decreases as the Central Bank rates decrease and vice-versa.

In light of interest rate fluctuations that have had, and are expected to continue to have, a negative impact on margins, the Group's strategy is to seek to increase its business volumes and to focus on cost control, profitability and asset quality. The Group also engages in hedging activities with respect to interest rates and, during the periods under review, expenses with respect to such hedging activities generally had a negative impact on the Group's net interest margins. For example, in 2016, the Group incurred a net trading loss of TL 661.5 million, which was primarily attributable to TL 718.0 million in trading losses from derivatives resulting from the net interest expenses for swap transactions. In addition to movements in market interest rates and the impact from the Group's hedging activities with respect to interest rates, a key variable impacting changes in the Group's interest income and interest expense has been competition among both Turkish private and public sector banks, which has intensified over the periods under review and has negatively impacted, and is expected to continue to negatively impact upon, the Bank's net interest margin (see "Risk Factors – Risks related to the Group's Business – Competition in the Turkish Banking Sector" in the Base Prospectus).

The fixed/floating composition of the Group's assets and liabilities is mainly determined by general market trends and customer demands. As a result, due to the highly competitive banking environment, the Group's ability to change the composition of loans and deposits within a short period of time is limited. On the other hand, the Group tries to diversify its total securities portfolio in terms of maturity and re-pricing periods in order to balance the duration mismatch of the entire balance sheet. In addition, the Group uses derivatives for hedging purposes to keep the duration mismatch of the balance sheet within the limits established by the Board of Directors.

Exchange Rates

A significant portion of the Group's assets and liabilities are denominated in foreign currencies, particularly the U.S. Dollar and the euro (30.7% of total assets and 52.1% of total liabilities as of 31 March 2017). While the Group monitors its net position in foreign currencies (*i.e.*, the amount by which its foreign currency risk-bearing assets differ from its foreign currency-denominated liabilities) and each of the Bank and the Group is required to comply with foreign currency position limits promulgated by the BRSA, each of the Bank and the Group has maintained and likely will continue to maintain gaps between the balances of its foreign currency-denominated assets and liabilities. The limit imposed by the BRSA is defined as an amount *plus/minus* 20% of the total capital used in the calculation of regulatory capital adequacy ratios.

Historically, the Bank has sought to maintain a balance between such assets and liabilities based upon the actual composition of its balance sheet and off-balance sheet positions at any time and, as a general matter, does not enter into any speculative positions. Under BRSA rules, any foreign exchange gains and losses are accounted for together with any gains and losses from the Group's investment in foreign exchange-based derivative financial instruments (*e.g.*, currency swaps).

Even though the Group seeks to balance its actual foreign exchange position based upon the composition of its portfolio, the Group's financial results are impacted by changes in foreign exchange rates as the Group translates such assets and liabilities, and interest earned from and paid on those assets and liabilities, into Turkish Lira. The overall effect of exchange rate movements on the Group's results of operations depends upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies. The Group recorded net foreign exchange gains of

TL 35.7 million in 2014, net foreign exchange losses of TL 77.0 in 2015 and net foreign exchange gains of TL 34.6 million in 2016 and net foreign exchange gains of TL 34.4 in the first quarter of 2017; *however*, these figures should be considered together with foreign exchange-based derivatives (*e.g.*, currency options and forwards), which are not accounted together with foreign exchange gains and losses. After considering foreign exchange losses together with such derivative financial instruments, the Group recorded net foreign exchange gains of TL 63.0 million in 2014, net foreign exchange gains of TL 55.3 in 2015, net foreign exchange gains of TL 53.0 million in 2016 and net foreign exchange gains of TL 20.5 in the first quarter of 2017.

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

Central Bank Reserve Requirements

From time to time, the Central Bank, with a view toward supporting financial stability, increases the reserve requirement ratios for foreign exchange-denominated liabilities of banks and financing companies in order to encourage the extension of maturities of non-core liabilities. These reserve rate increases have had a material adverse effect on the Bank's profitability as, due to competitive pressures, the Bank has been only partially able to pass on such increases in its overall costs of funding to customers. The Bank tries to mitigate the adverse impact on net interest margins from increases in reserve requirements by benefiting from the flexibilities offered by the Central Bank for fulfilling the reserve requirement obligations of banks. See "Turkish Regulatory Environment – Liquidity and Reserve Requirements" in the Base Prospectus. The Central Bank's actions are frequently taken in part to reduce weakness and volatility in the value of the Turkish Lira by encouraging the banking sector to borrow foreign currencies on a longer-term basis.

In addition to the Central Bank's reserve requirement policy, it introduced the "Reserve Option Mechanism" as a monetary policy tool. Central Bank regulations permit Turkish banks to maintain 60% of their Turkish Lira reserve requirements in U.S. Dollars and 30% of their Turkish Lira reserve requirements in gold. Within the Reserve Option Mechanism facility, the amount of foreign exchange or gold that can be held per unit of Turkish Lira is determined by certain reserve option coefficients and, as the portion of reserve requirements held in foreign exchange or gold increases, a bank has to hold higher amounts of foreign exchange or gold per unit of Turkish Lira. This mechanism provides banks with flexibility to adjust the cost of their Turkish Lira reserve requirements. The Group's policy is to seek to meet its Turkish Lira reserve requirement obligations by holding these assets in order to seek to decrease the total cost of its Turkish Lira reserve requirements; *however*, the 2015 Capital Adequacy Regulation, which entered into force on 31 March 2016, increased risk weights of foreign currency claims on the Central Bank in the form of required reserves from 0% to 50%, while Turkish Lira-denominated claims on the Central Bank continued to be subject to preferential treatment of 0% risk weight. On 24 February 2017, the BRSA published a decision that also enables banks to use a 0% risk weight for foreign currency reserves required to be held with the Central Bank. See "Turkish Regulatory Environment – Capital Adequacy" in the Base Prospectus.

Total Loan Portfolio

The Group has generally sought, and expects to continue to pursue, growth in the size of its loan portfolio. The Group's loans and receivables were TL 62,637.1 million as of 31 December 2016, representing an increase of 9.7% from TL 57,109.5 million as of 31 December 2015, which itself reflected an increase of 13.8% from TL 50,181.4 million as of 31 December 2014. As of 31 March 2017, the Group's loans and receivables amounted to TL 68,894.6 million, a further increase of 10.0% compared to year-end 2016. Although the Group experienced significant growth in its loan portfolio during the first three months of 2017 through, in part, the Group's utilisation of the Credit Guarantee Fund, no assurance can be given that such growth trends will be sustained in future periods or, if sustained, that such continued growth would not have an impact on asset quality.

The Group has placed an increased emphasis on increasing its SME and corporate and commercial banking segments since 2012 and the Group's loan portfolio continued to reflect an increasing share of business banking loans, particularly due to the funding of loans guaranteed by the Credit Guarantee Fund. As of 31 March 2017, 68% of the Group's loans and receivables were to SME and corporate customers, compared to 64%, 61% and 57% as of 31 December 2016, 2015 and 2014, respectively.

Provisioning for Impaired Loans

The Group's results of operations can be significantly affected by the amount of provisions that the Group sets aside for NPLs. The Group classifies loans in line with the provisions of the Regulation on Provisions and Classification of Loans and Receivables. The Bank calculates and allocates specific provisions in accordance with the minimum provision rates required by the relevant regulations. Such legal requirements impose minimum provisions depending upon the category of the non-performing loan, including special provisions in the amounts of at least 20%, 50% and 100%, respectively, being required to be set aside for loans and receivables in Groups III, IV and V (see "Turkish Regulatory Environment – Loan Loss Reserves" in the Base Prospectus). For a discussion of provisions since the beginning of 2014, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations for the Three Months Ended 31 March 2016 and 2017 - Provision for Loan Losses and Other Receivables" and "-Results of Operations for the Years Ended 31 December 2014, 2015 and 2016 - Provision for Loan Losses and Other Receivables" and "Selected Statistical and Other Information - Summary of Loan Loss Experience" below.

As part of the Group's risk management principles and effective management of its loan portfolio, the Group monitors market conditions and selectively sells NPLs when doing so is viewed as maximising recovery rates and returns. The Group sold NPL portfolios amounting to TL 1,153 million and TL 1,195 million in 2014 and 2016, respectively. The Group did not sell any NPLs in 2015 or the first quarter of 2017.

In addition to specific provisions, the Group also makes general reserves for the purpose of the conservatism principle applied by the Group considering the possible result of negative circumstances that might arise from any changes in economic or market conditions. The general reserves allocated by the Group amounted to TL 82 million as of 31 December 2014 and TL 100 million as of 31 December 2015 (of which TL 82 million was allocated in 2014 and the balance in 2015, in each case, which allocations were charged to the income statement as an expense in the applicable period). These general reserves were fully reversed in the last quarter of 2016 and no new such reserves were allocated in the first quarter of 2017. The Group's audit and review reports in the BRSA Financial Statements include a qualification as a result of these general reserves allocated by the Group. See "Risk Factors - Risks related to the Group's Business - Audit Qualification" in the Base Prospectus.

In June 2016, the BRSA published a regulation (which is amended from time to time) that will replace the Regulation on Provisions and Classification of Loans and Receivables as of 1 January 2018 in order to ensure compliance (by 1 January 2018) with the requirements of IFRS and the Financial Sector Assessment Programme, which is a joint programme of the International Monetary Fund and the World Bank. This regulation requires banks to adopt IFRS 9 principles (unless an exemption is granted by the BRSA) related to the assessment of credit risk by the beginning of 2018 and to set aside allowances for expected credit losses in line with such principles.

For further information on the Group's internal loan provision requirements, see Section 2 of the BRSA Financial Statements as of and for the three months ended 31 March 2017.

Total Securities Portfolio

The Group maintains a securities portfolio that primarily includes Turkish government debt securities. The Group's investment securities portfolio amounted to TL 13,836.1 million as of 31 March 2017. Of this amount, TL 6,632.8 million, or 47.9%, was classified as "held to maturity" and the remainder was classified as "available for sale." The Group also had a trading securities portfolio amounting to TL 134.3 million as of 31 March 2017. Interest income derived from the Group's trading securities portfolio and investment securities portfolio amounted to TL 262.3 million for the first quarter of 2017 (accounting for 10.7% of total interest income for the period), TL 843.7 million for 2016 (accounting for 9.3% of total interest income for the year), TL 750.6 million for 2015 (accounting for 9.6% of total interest income for the year) and TL 853.1 million for 2014 (accounting for 12.7% of total interest income for the year). The relative size of the Group's total securities portfolio was 12.5% of total assets as of 31 March 2017, 12.4% as of 31 December 2016, 10.5% as of 31 December 2015 and 12.0% as of 31 December 2014, increasing in recent periods as loan growth lagged behind expectations. From the first quarter of 2013 to the end of January 2015, interest rates decreased in a highly volatile environment; *however*, from January 2015 to the end of December 2015, interest rates increased significantly (up to 360 basis points in the short-end and around 370 basis points in the long-end). Throughout this volatile period, the Group's earnings from its total securities portfolio remained fairly constant. In 2016, the Turkish Lira yield curve decreased approximately 110 basis points in the short-end and increased approximately 50 basis points in the long-end.

The Bank's management expects that trading gains will not continue to be as significant going forward and that changes in the percentage of the Group's assets invested in securities will be driven by movements in its loan portfolio and leading central banks' monetary policies regarding global funding opportunity concerns.

Critical Accounting Policies

The Group's accounting policies are integral to understanding its results of operations and financial condition presented in the BRSA Financial Statements and the notes thereto. The Group's critical and other significant accounting policies are described in Section 2 of the BRSA Financial Statements as of and for the three months ended 31 March 2017. The preparation of these financial statements requires management to make estimates and assumptions on some events that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported period. On an on-going basis, management evaluates its estimates and judgments, including those related to allowance for contingencies, litigation and arbitration. Management bases its estimates and judgments upon historical experience and on various other factors that the Bank's management believed to be reasonable under the circumstances. The Group's actual results may differ from the estimates under different assumptions, judgments or conditions.

The Bank's management believes that the following significant accounting policies require critical judgments or estimates or involve a degree of complexity in application that affects the Group's financial condition and results of operations.

Strategy for the use of financial instruments

The Bank's main sources of funds are customer deposits, securities issuances and funds borrowed in the international markets. Customer deposits bear fixed interest rates and have an average maturity of one to three months. Domestic securities issuances have an average maturity of six months. International securities issuances typically have long maturities with fixed interest rates. Funds borrowed in the international markets generally bear floating interest rates and have an average maturity of three to six months. The Bank manages its liquidity structure so that it is capable of meeting its obligations (when due) by diversifying its funding sources and keeping enough cash and cash equivalents. The maturity of the Bank's different sources of funds and their yields are analysed, to the extent possible, with the then outstanding market conditions with the aim of obtaining higher returns on long-term placements.

Aside from customer deposits, the Bank funds its long-term fixed interest rate Turkish Lira loan portfolio with long-term (up to 10 years) floating interest rate foreign currency funds obtained in the international markets. The Bank frequently converts this foreign currency liquidity into Turkish Lira liquidity with long-term swap transactions (fixed Turkish Lira interest rate and floating foreign currency interest rate swaps). As a result, the Bank generates Turkish Lira-denominated resources for funding long-term loans with fixed interest rates.

The Bank has established limitations on its securities portfolio based upon market risks. Products included in the Bank's securities portfolio are subject to position and risk limits. Position limits restrict the maximum nominal position that the Bank may take on a given product. Risk limits are expressed in terms of value-at-risk ("*VaR*") by taking the risk tolerance as a cap. The maximum VaR amounts are determined for different risk factors, which limits are revised annually.

Information on subsidiaries, associates and entities under common control

The BRSA Financial Statements are prepared in accordance with TAS ("*Turkish Accounting Standards*") 27 "Consolidated and Separate Financial Statements" and the BRSA Communiqué on Preparation of Consolidated Financial Statements of Banks published in the Official Gazette No. 26340 and dated 8 November 2006.

Subsidiaries. Subsidiaries maintain their accounting records and prepare their financial statements in accordance with regulations on accounting and reporting standards promulgated by the CMB and in the Turkish Commercial Code (No. 6102) and the Law on Financial Leasing, Factoring and Financing Companies (No. 6361) published in the Official Gazette on 13 December 2012, as applicable. Certain adjustments and reclassifications are made in the financial statements of the subsidiaries for purposes of fair presentation in accordance with the prevailing regulations and accounting standards set forth in Articles 37 and 38 of the Banking Law and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting issued by the BRSA. Financial subsidiaries are fully consolidated in the BRSA Financial Statements and intercompany balances and income and expenses resulting from intercompany transactions are eliminated.

Associates and entities under common control. The Bank does not consolidate any of its associates in its financial statements. Entities under common control are consolidated by the equity method.

Derivative financial instruments and hedge accounting

The Group enters into forward currency purchase/sale agreements and swap transactions to reduce its foreign currency risk and interest rate risk exposure and manage its foreign currency liquidity risk. The Group also enters into currency and interest rate options, swaption, credit default swap and futures agreements.

Aside from customer deposits, the Bank funds its long-term fixed interest rate Turkish Lira loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained in the international markets. As noted above, the Bank converts the foreign currency liquidity into Turkish Lira liquidity with long term swap transactions, thereby funding its long-term fixed interest rate loans in Turkish Lira and hedging itself against interest rate risk.

In accordance with TAS 39 "Financial Instruments: Recognition and Measurement," derivative instruments are categorised as "hedging purpose" or "trading purpose" transactions. Derivatives are initially recognised at cost including the transaction costs. In addition, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. After their initial recognition, derivative transactions are accounted for at fair value and are presented in the "assets on trading derivatives," "liabilities on trading derivatives," "assets on hedging purpose derivatives" and "liabilities on hedging purpose derivatives" items of the balance sheet depending upon the resulting positive or negative amounts of the computed value. These amounts presented on the balance sheet represent the fair value differences based upon the valuation.

The fair value differences regarding the derivative financial instruments held for the fair value hedge purposes are accounted for under "gains/(losses) from financial derivative transactions," except for any foreign currency valuation differences. These foreign currency valuation differences are accounted for under the "foreign exchange gains/(losses)" account.

To reduce risks resulting from changes in interest rates on customer deposits, which have an average term of one month, the Bank implements cash flow risk prevention accounting policies by means of interest rate swaps. The Bank implements efficiency tests at each balance sheet date for hedging purposes and, as provided by TAS 39, effective swaps are entered into the financial statements under equity "hedging funds," whereas amounts concerning ineffective swaps are reflected in the income statement.

The Bank hedges itself against changes in interest rates related to: (a) long-term government bonds with fixed coupon payments and (b) foreign currency bonds issued by the Bank by using interest rate swaps. The Bank applies fair value hedge accounting to these swaps and performs hedge effectiveness tests at each balance sheet date.

Fair values of: (a) forward foreign currency purchase and sales contracts and currency and interest swap transactions are calculated by using internal pricing models based upon market data and (b) option contracts are calculated with option pricing models. Unrealised gains and losses on such transactions are reflected in the income statement. Futures transactions are accounted for at settlement prices obtained from counterparties, and the related unrealised gains and losses are reflected in the income statement. Credit default swap transactions are accounted for at market prices, and the related unrealised gains and losses are reflected in the income statement.

Interest income and expenses

Interest income and expenses are recognised in the statement of profit or loss for all interest-bearing instruments on an accrual basis using the effective interest rate method. In accordance with the related regulation, interest accruals of non-performing loans are not recorded as interest income until collected.

Fees and commission income and expenses

Fee and commission income and expenses are recognised on an accrual basis over the period the service is provided or using the effective interest rate method, except for certain banking transactions for which income is recognised immediately. Income generated through agreements or through the sale and purchases of assets on behalf of third parties is recorded as income when collected.

Dividend income is accrued when the profit distribution of the subsidiaries, associates and any other entity under common control is approved. Dividend income from subsidiaries is eliminated in the Group's consolidated BRSA Financial Statements by an adjustment of the retained earnings.

Classification and Measurement of Financial Assets

Financial assets consist of cash and cash equivalents and the contractual right to: (a) obtain cash or another financial asset from a counterparty or (b) exchange financial assets with a counterparty or the equity instrument transactions of the counterparty. Financial assets are classified in four categories: "financial assets at fair value through profit or loss," "investment securities available-for-sale," "investment securities held-to-maturity" and "loans and other receivables." The classification of each financial asset is determined at the inception of such financial asset.

Financial assets at fair value through profit or loss. The Bank classified mortgage loans entered between 1 January 2006 and 31 December 2007 as loans under "financial assets at fair value through profit or loss" in compliance with TAS 39. The Bank has not classified mortgage loans entered since 1 January 2008 as "fair value through profit or loss" but rather as loans and other receivables. Interest on related loans is presented in the income statement as "interest on loans" and fair value differences are presented as "securities trading gains/(losses)."

Financial assets at fair value through profit or loss are initially recorded at cost and are measured at fair value in the following periods. The fair value of loans that are classified as "financial assets at fair value through profit or loss" is determined by using the effective interest rates used for similar financial assets within the market. The fair value of public sector debt securities that are classified in the aforementioned group is determined by using the market prices as of the balance sheet date.

Investment securities available-for-sale. Available-for-sale assets represent financial assets other than financial assets at fair value through profit or loss, loans and other receivables and investment securities held to maturity. Premiums and discounts on investment securities available-for-sale are considered during the computation of the internal rate of return and are included in interest income in the income statement. Accrued interest income on investment securities available-for-sale is recognised in the income statement whereas gains and losses arising from the change in the fair values of such securities are reflected in equity under "securities value increase fund"/"unrealised gains/(losses) on securities." When investment securities available-for-sale are sold, collected or otherwise disposed of, the cumulative fair value adjustments under equity are transferred to the income statement.

Real coupons of consumer price inflation-indexed government bonds that are constant throughout their lives and their real principal amounts are preserved from inflation. In addition, payments on such securities are made considering the reference index as of the issue date thereof. In this context, cash flows calculated in line with the Central Bank's inflation expectation are taken into account in the valuation of consumer price inflation-indexed government bonds.

A portion of the Group's eurobond portfolio that has been recognised as available-for-sale securities has been designated as fair value hedged items since early 2009. Those securities are disclosed under "investment securities available-for-sale" in order to be in line with the balance sheet presentation. The fair value differences of hedged items are accounted for under "securities trading gains/(losses)" in the income statement.

In cases where fair value hedge operations cannot be effectively performed as described under TAS 39, fair value hedge accounting is ceased. The fair value differences are amortised through equity until the maturity of the related hedged securities. The fair value differences of related portfolio securities sold prior to maturity are immediately recognised in the income statement.

Investments securities held-to-maturity. Investments held-to-maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding the investment until maturity and the relevant conditions for the fulfillment of such intention, including the funding ability, are satisfied; *provided* that such category excludes loans and receivables.

Loans and other receivables. The Group initially records loans and receivables at cost; except for the loans that are recorded with fair value through profit or loss and loans subject to fair value hedge. In the following periods, these loans are carried at amortised cost by using the effective interest rate method.

The Group enters into swap transactions against Turkish Lira in order to hedge for possible losses that might arise due to changes in the fair value of a portion of the Group's long-term loans, applying fair value hedge accounting as per TAS 39. The Bank accounts for the hedged portion of the loan portfolio at fair value, with the related net gain or loss on swap transactions used as hedging instruments being included in the income statement. When fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortised through the income statement until the maturity of the hedged loans.

Explanations on impairment of financial assets. If: (a) the amount computed by discounting expected future cash flows of a financial asset using the effective interest rate method (if applicable) or (b) the fair value of such financial asset is lower than the carrying value, then the financial asset is considered to be impaired. Provisions are made for impairment of financial assets and recorded in the related expense accounts.

Trading securities. The Group accounts for its trading securities at fair value. Interest income resulting from trading securities is presented as interest income in the income statement, while the difference between the cost and the fair value of trading securities and the gain or loss resulting from the sale of these financial assets before their maturity are presented under "securities trading gains/(losses)."

Provisions for loan losses and other receivables

Provisions are set for loans and other receivables that might be doubtful, with the provisions being reflected in "provision for loan losses and other receivables" in the current period's income statement. In accordance with applicable law, the Bank: (a) classifies those loans and receivables that are potentially uncollectible as non-performing loans and sets aside specific provisions in accordance with applicable law and (b) sets aside additional general provisions. See "Turkish Regulatory Environment – Loan Loss Reserves" in the Base Prospectus.

The Bank also makes specific provisions for "closely monitored" loans as a result of a risk assessment of the loan. These provisions are recorded as liabilities under "other provisions" as "free reserves for possible loan losses." In addition to specific provisions and free reserves for possible loan losses, the Bank makes general loan loss provisions and records them under liabilities as "general provisions."

Collections and reversals for provisioned loans made during a period and collections and reversals for provisioned loans made in prior periods are offset against "provision for loans and other receivables" in the income statement. Collections and reversals on principal made on written-off loans are recorded under "other operating income" and collections and reversals on interest of written-off loans are recorded under "interest on loans."

Write-offs are made only when all or part of a loan is deemed uncollectible and/or in the case of debt forgiveness, in each case in accordance with applicable law. Such loans are written-off after all necessary collection procedures have been completed and the amount of the loss has been determined. Write-offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts previously written-off decrease the amount of the provision for impairment losses on loans and receivables, finance lease receivables and factoring receivables in the income statement.

In June 2016, the BRSA published a regulation (which is amended from time to time) that will replace the Regulation on Provisions and Classification of Loans and Receivables as of 1 January 2018 in order to ensure compliance (by 1 January 2018) with the requirements of IFRS and the Financial Sector Assessment Programme, which is a joint programme of the International Monetary Fund and the World Bank. This regulation requires banks to adopt IFRS 9 principles (unless an exemption is granted by the BRSA) related to the assessment of credit risk by the beginning of 2018 and to set aside allowances for expected credit losses in line with such principles.

Other provisions and contingent liabilities

Provisions (other than specific and general provisions for loans and other receivables) and contingent liabilities are accounted for in accordance with TAS 37 "provisions, contingent liabilities and contingent assets." Such provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Group. Whenever the amount of such obligations cannot be measured, such obligations are regarded as "contingent." If the possibility of an outflow of resources embodying economic benefits becomes probable and the amount of the obligation can reliably be measured, then a provision is made.

Such provisions made during a period are recorded under "other operating expenses" and such provisions made in prior periods but reversed in current periods are accounted for under "other operating income."

Employee Benefits Obligations

According to the related regulation and collective bargaining agreements, the Bank and consolidated Group companies (excluding subsidiaries residing outside of Turkey) are obligated to pay termination benefits for employees who retire, die, quit for their military service obligations, have been dismissed as defined in the related regulation or (for female employees) have voluntarily quit within one year after the date of their marriage. Within the scope of TAS 19 ("Employee Benefits"), the Bank allocates seniority pay provisions for employee benefits by estimating the present value of the probable future liabilities. As the legislations of the countries in which the Bank's non-Turkish subsidiaries operate do not require retirement pay provisions, no provision liability has been recognised for such companies. In addition, provision is also allocated for employees' unused paid vacation.

The Bank had an actuarial valuation made for its pension fund as of 31 December 2016. Based upon the resulting report, a provision for the actuarial and technical deficit was recognised in the BRSA Financial Statements as of and for the year ended 31 December 2016.

Key Performance Indicators

The Group calculates certain ratios in order to measure its performance and compare it to the performance of its main competitors. The following table sets out certain key performance indicators for the Group (and, with respect to the net interest margin, the Bank) for the indicated dates/periods, which indicators are (among others) those used by the Group's management to manage its business:

	As of (or for the year ended) December 31			As of (or for the three months ended)
Ratios	**2014**	**2015**	**2016**	**31 March 2017**
Net interest margin	5.6%	6.2%	6.4%	6.6%
Cost-to-income ratio	51.6%	57.3%	50.0%	46.8%
Liquidity coverage ratio	100.1%	79.8%	82.0%	95.6%
Tier 1 ratio(1)	12.8%	12.0%	12.4%	12.3%
Total regulatory capital ratio(2)	16.9%	15.5%	14.3%	14.0%
NPL ratio	5.2%	6.3%	5.8%	5.6%
Return on average total assets	1.2%	0.8%	1.3%	1.6%
Return on average shareholders' equity	10.8%	7.2%	12.7%	16.8%

(1) The Tier 1 ratio is: (a) the "Tier 1" capital (*i.e.*, the common equity Tier 1 capital *plus* additional Tier 1 capital *minus* regulatory adjustments to common equity) as a percentage of (b) the aggregate of the value at credit risk, value at market risk and value at operational risk. Capital adequacy ratios are calculated in accordance with BRSA guidelines. See "Capital Adequacy" below.

(2) The total regulatory capital ratio is: (a) the result of "Tier 1" capital *plus* "Tier 2" capital (*i.e.*, the "supplementary capital," which comprises general provisions, subordinated debt) *minus* items to be deducted from capital (the "deductions from capital," which comprises items such as unconsolidated equity interests in financial institutions and assets held for resale but held longer than five years) as a percentage of (b) the aggregate of the value at credit risk, value at market risk and value at operational risk. Capital adequacy ratios are calculated in accordance with BRSA guidelines. See "Capital Adequacy" below.

Results of Operations for the Three Months Ended 31 March 2016 and 2017

Overview

The following tables present, for the periods indicated, selected consolidated financial and other data of the Bank and its subsidiaries as of and for the three month periods ended 31 March 2016 and 2017. Investors should read this selected consolidated financial information along with BRSA Financial Statements incorporated by reference into this Prospectus.

	For the three month periods ended 31 March	
	2016	**2017**
Income Statement Data:		
Interest income	2,125,108	2,457,536
Interest expense	(1,091,421)	(1,074,830)
Net interest income	**1,033,687**	**1,382,706**
Fees and commissions received	418,671	505,208
Fees and commissions paid	(80,518)	(74,165)
Net fees and commissions income	**338,153**	**431,043**
Net trading income	(160,932)	(259,012)
Other operating income	24,564	15,411
Dividend income	2	52
Net operating income	**1,235,474**	**1,570,200**
Other operating expenses	(732,052)	(734,712)
Provision for loan losses and other receivables	(283,505)	(278,082)
Gain/loss on equity method	(3,455)	(1,471)
Profit before taxes	**216,462**	**555,935**
Tax charge	(45,026)	(109,870)
Net profit/(loss) for the period	**171,436**	**446,065**

	As of 31 December 2016	As of 31 March 2017
Balance Sheet Data:	*(TL thousands)*	
Cash and balances with the Central Bank	13,103,884	14,097,471
Financial assets at fair value through profit or loss (net)	2,847,693	2,876,099
Banks	312,066	689,980
Money market placements	1,667,618	491,494
Loans and receivables	62,614,093	68,876,024
Investment securities (net)(1)	12,932,620	13,836,083
Investment in equity participations (net)(2)	116,091	114,620
Tangible assets (net)	1,838,308	1,863,879
Intangible assets (net)	288,218	301,477
Current tax asset	4,737	3,872
Deferred tax assets	66,967	37,177
Other assets(3)	8,533,539	8,951,639
Total Assets	**104,325,834**	**112,139,815**
Bank deposits	1,972,985	5,538,567
Deposits from customers(4)	51,892,264	54,733,599
Money market borrowings	6,619,833	4,701,642
Funds borrowed	11,163,545	13,343,563
Other liabilities and provisions(5)	12,607,960	12,659,863
Securities issued (net)	6,331,577	6,629,576
Subordinated loans	3,235,793	3,380,377
Current tax liabilities	198,098	202,743
Deferred tax liabilities	-	-
Total liabilities	**94,022,055**	**101,189,930**
Paid-in capital	3,150,000	3,150,000
Share premium	714	714
Available-for-sale investments reserve, net of tax	(420,153)	(280,018)
Net gains (losses) on cash flow hedges	45,551	105,457
Other capital reserves	(43,654)	(43,654)
Profit reserves	6,329,182	7,565,587
Profit /(loss)	1,236,405	445,890
Total equity attributable to equityholders of the Parent Shareholder	**10,298,045**	**10,943,976**
Minority shares	5,734	5,909
Total shareholders' equity	**10,303,779**	**10,949,885**
Total liabilities and shareholders' equity	**104,325,834**	**112,139,815**
Off-balance sheet commitments and contingencies	**55,251,188**	**61,341,140**

(1) Represents the total of investment securities available-for-sale (net) and investment securities held to maturity (net).
(2) Represents the total of investment in associates (net), investment in subsidiaries (net) and entities under common control (joint ventures) (net).
(3) Represents the total of factoring receivables, lease receivables (net), derivative financial assets hedging purposes, property and equipment held for sale and other assets.
(4) Referred to as "other deposits" in the BRSA Financial Statements.
(5) Represents the total of derivative financial liabilities for hedging purposes, derivative financial liabilities for trading, provisions and other liabilities.

The Group's net profit for the first three months of 2017 was TL 446.1 million, a 160.2% increase compared to TL 171.4 million in the same period of the previous year. This increase was primarily due to a 33.8% increase in net interest income and a 27.5% increase in net fees and commissions income during a period of essentially stable operating expense and provision charges.

Return on average total assets and return on average shareholders' equity for the first three months of 2017 were 1.6% and 16.8%, respectively, reflecting a significant increase from 0.8% and 7.3%, respectively, for the first three months of the previous year. Return on average total assets and return on average shareholders' equity for quarterly periods are calculated on an annualised basis in order to be comparable with the corresponding figures for 2014, 2015 and 2016.

Net Interest Income

The following table shows net interest income details for the indicated periods:

	For the three months ended 31 March		Change
	2016	**2017**	**2017 vs. 2016**
Interest income	*(TL thousands)*		*(%)*
Total interest on loans	1,821,615	2,012,613	10.5%
Interest on loans	1,820,459	2,012,033	10.5%
Interest on financial assets at fair value through profit and loss	1,156	580	(49.9)%
Interest received from reserve deposits	12,585	20,284	61.2%
Interest received from banks	2,013	36,011	1,688.9%
Interest received from money market placements	13,255	29,288	121.0%
Interest received from marketable securities portfolio[1]	201,006	262,280	30.5%
Finance lease income	48,176	63,189	31.2%
Other interest income	26,458	33,871	28.0%
Interest income	**2,125,108**	**2,457,536**	**15.6%**
Interest expense			
Interest on deposits	862,008	752,880	(12.7)%
Interest on funds borrowed	86,967	158,197	81.9%
Interest on money market borrowings	49,428	43,690	(11.6)%
Interest on securities issued	84,201	106,588	26.6%
Other interest expense	8,817	13,475	52.8%
Interest expense	**1,091,421**	**1,074,830**	(1.5)%
Net interest income	**1,033,687**	**1,382,706**	**33.8%**

(1) Excludes interest on loans at fair value, where the change in value is reflected in the income statement.

The Group's net interest income for the first three months of 2017 amounted to TL 1,382.7 million, an increase of 33.8% compared to TL 1,033.7 million for the same period of the previous year. In the first three months of 2017, the Group's interest income increased by 15.6% while interest expense decreased by 1.5% compared to the same period of the previous year. A lower interest expense in the first quarter of 2017 compared to the same period of the prior year was partially due to an increase in the diversification of the Group's funding, with increased wholesale funding facilities being used after the closing of QNB's acquisition of the Bank, and the lower level of Turkish Lira deposit interest rates, which have been on an increasing trend as a result of recent tightening by the Central Bank.

The Group's net interest margin was 6.0% and 6.6% for the first three months of 2016 and 2017, respectively.

Interest Income

The Group's interest income increased by 15.6% to TL 2,457.5 million in the first three months of 2017 from TL 2,125.1 million in the same period of the previous year, which increase was principally due to an increase in interest on loans. Interest on loans increased by 10.5% to TL 2,012.6 million in the first three months of 2017 compared to TL 1,821.6 million in the same period of the previous year, which increase was largely attributable to an increase in the volume of loans and receivables outstanding (see "Financial Condition as of 31 December 2014, 2015 and 2016 and 31 March 2017 – Total Assets").

Interest Expense

The Group's interest expense decreased by 1.5% to TL 1,074.8 million in the first three months of 2017 from TL 1,091.4 million in the same period of the previous year. This decrease was primarily due to a decrease in interest expense on deposits, which more than offset increases in interest expense for funds borrowed and securities issued, with the interest expense on deposits decreasing by 12.7% as a result of a lower levels of Turkish Lira deposits and Turkish Lira deposit interest rates. Interest on funds borrowed increased by 81.9% in the first three months of 2017 compared to the same period of the previous year, principally due to higher interest paid on funds borrowed resulting from the increases in market interest rates and the volume of funds borrowed.

The table below sets forth the Group's cost of funding by source of funding for the indicated years:

	For the three months ended 31 March	
	2016	**2017**
Cost of funding		
Turkish Lira deposits	11.9%	10.3%
Foreign currency deposits	2.0%	2.2%
Total deposits	8.3%	6.5%
Other borrowed funds (Turkish Lira)	8.2%	9.5%
Other borrowed funds (foreign currency)	3.4%	3.4%
Other borrowed funds (total)	4.1%	4.1%

Net Fees and Commission Income

The table below sets forth the components of the Group's net fees and commission income for each of the indicated periods.

	For the three months ended 31 March		Change
	2016	**2017**	**2017 vs. 2016**
	(TL thousands)		*(%)*
Fees and commissions received			
Non-cash loans	16,116	19,208	19.2%
Other	402,555	486,000	20.7%
Total	**418,671**	**505,208**	**20.7%**
Fees and commissions paid			
Non-cash Loans	472	499	5.7%
Other	80,046	73,666	(8.0)%
Total	**80,518**	**74,165**	**(7.9)%**
Net fees and commissions income	**338,153**	**431,043**	**27.5%**

Net fees and commissions income for the first three months of 2017 amounted to TL 431.0 million, an increase of 27.5% compared to TL 338.2 million in the same period of the previous year. This increase was primarily due to an increase in other fees and commission received, principally reflecting higher loan production-related fees, banking services commissions and payment service commissions.

The table below sets forth a breakdown by source of net fees and commissions for the indicated years:

	For the three months ended 31 March	
	2016	**2017**
Card/POS commissions	56.6%	48.3%
Loan commissions	21.8%	27.2%
Deposit account maintenance fees	6.5%	4.1%
Insurance commissions	11.1%	13.5%
Other banking services commissions	3.9%	6.9%

Net Trading Income/(Loss)

The table below sets forth a breakdown of the Group's net trading income/(loss) (net) for each of the indicated periods:

	For the three months ended 31 March		Change
	2016	2017	2017 vs. 2016
	(TL thousands)		*(%)*
Securities trading gains / (losses)	11,737	2,606	(77.8)%
Gains / (losses) from financial derivatives transactions	(152,455)	(296,046)	94.2%
Foreign exchange gains / (losses)	(20,214)	34,428	(270.3)%
Net trading income/ (loss)	**(160,932)**	**(259,012)**	**60.9%**

Net trading loss amounted to TL 259.0 million in the first three months of 2017, an increase of 60.9% when compared to the net trading loss of TL 160.9 million in the same period of the previous year. This increase was mainly due to net interest expense from swaps (negative TL 306.8 million in first quarter of 2017 compared to negative TL 193.7 million in the same period of the previous year) booked under gains/(losses) from financial derivative transactions, which thus should be analysed together with net interest income. This increase was largely a result of an increase in the Group's swap volume, which increased due to the higher level of foreign currency wholesale borrowings converted into TL funding in order to fund the growth in TL loan volume. If the net interest income of swaps were excluded, the remaining net trading gains would have been TL 47.8 million in the first quarter of 2017 and TL 32.7 million in the same period of the prior year, which increase reflects an improvement in trading performance benefiting essentially from exchange rate volatility.

Other Operating Income

Other operating income was limited in the first quarter of both 2016 and 2017, being TL 15.4 million and TL 24.6 million, respectively. There were no material non-recurring items during these periods.

Other Operating Expenses

The table below sets forth the components of the Group's other operating expenses for each of the indicated periods:

	For the three months ended 31 March		Change
	2016	2017	2017 vs. 2016
	(TL thousands)		*(%)*
Personnel costs	302,738	325,188	7.4%
Depreciation charge of tangible assets	34,910	35,560	1.9%
Amortisation charge of intangible assets	26,136	27,667	5.9%
Depreciation on assets to be disposed	1,541	-	(100.0)%
Other operating expenses (general and administrative expenses)	240,270	247,793	3.1%
Operational lease related expenses	56,586	56,265	(0.6)%
Repair and maintenance expenses	30,183	32,166	6.6%
Advertisement expenses	21,507	27,028	25.7%
Other expenses(1)	131,994	132,334	0.3%
Losses on sales of assets	312	38	(87.8)%
Other(2)	126,145	98,466	(21.9)%
Other operating expenses	**732,052**	**734,712**	**0.4%**

(1) Includes credit card and banking services promotion expenses, communication expenses and other operating expenses.

(2) Includes taxes and duties, audit and consultancy expenses and saving deposits insurance fund premium expenses paid to regulatory authorities.

Other operating expenses amounted to TL 734.7 million in the first three months of 2017, a slight increase of 0.4% compared to TL 732.1 million in the same period of the previous year. Within operating expenses, personnel costs experienced a 7.4% increase (essentially in line with inflation) while the remaining categories of other operating expenses declined, in large part due to lower commission refunds to retail clients that are included under "other" in the table above (TL 8.5 million in first quarter of 2017 compared to TL 37.6 million in the same period of the previous year).

Provision for Loan Losses and Other Receivables

The table below sets forth the Group's provision for loan losses and other receivables for each of the indicated periods:

	For the three months ended 31 March		**Change**
	2016	**2017**	**2017 vs. 2016**
	(TL thousands)		*(%)*
Specific provisions for loans and other receivables	288,384	283,072	(1.8)%
General provisions	21,612	26,749	23.8%
Provisions for free reserves on possible losses	-	-	-
Provisions for closely monitored loan losses	(27,022)	(35,303)	(30.7)%
Impairment losses on securities	-	-	-
Financial assets at fair value through profit or loss	-	-	-
Investment securities available-for-sale	-	-	-
Other	531	3,564	571.2%
Provision for loan losses and other receivables	**283,505**	**278,082**	**(1.9)%**

Provision for loan losses and other receivables amounted to TL 278.1 million in the first three months of 2017, a decrease of 1.9% from TL 283.5 million in the same period of the previous year. This decrease was primarily driven by specific provisions, which represent the majority of the provision charges. The level of specific provisions benefited from lower NPL additions and higher NPL collections in the first quarter of 2017 compared to the same period of the previous year. The NPL ratio declined to 5.6% as of 31 March 2017 from 5.8% as of 31 December 2016. An increase in general provision charges in the first quarter of 2017 was largely offset by higher releases from provisions for closely monitored loans. The Group did not sell any NPLs in the first quarter of 2017 or in the first quarter of 2016.

Tax Charge

The Group's tax charge in the first three months of 2016 and 2017 was TL 45.0 million and TL 109.9 million, respectively. The Group's effective tax rate in the first three months of 2016 and 2017 was 20.1% and 19.8%, respectively, both of which were almost identical to the statutory 20% tax rate.

Segmental Information

The tables below present the Group's profit before tax by operating segment for the indicated periods:

	Three months ended 31 March 2016			
	Retail Banking	**Corporate and Commercial Banking[4]**	**Treasury and Head Office**	**Total Operations of the Group**
	(TL thousands)			
Net interest income	385,110	377,683	270,894	1,033,687
Net fees and commissions income	226,321	102,163	9,669	338,153
Other operating income and net trading income	7,323	8,399	(152,090)	(136,368)
Dividend income	-	-	2	2
Operating income[1]	**618,754**	**488,245**	**128,475**	**1,235,474**
Other operating expenses	422,854	247,896	61,302	732,052
Provision for loan losses and other receivables	161,657	148,264	(26,416)	283,505
Gain/(loss) on equity method	-	-	3,455	(3,455)
Profit before taxes[2]	**34,243**	**92,085**	**90,134**	**216,462**
Tax charge[3]				(45,026)
Net profit/ (loss)				**171,436**

(1) Operating income stated in the segmental information corresponds to the Net Operating Income in the financial statements incorporated by reference herein.
(2) Profit before taxes stated in the segmental information corresponds to the Net Operating Income / (Loss) in the financial statements incorporated by reference herein.
(3) Tax charge stated in the segmental information corresponds to the Tax Charge for Continued Operations in the financial statements incorporated by reference herein.

	Three months ended 31 March 2017			
	Retail Banking	Corporate and Commercial Banking[(4)]	Treasury and Head Office	Total Operations of the Group
		(TL thousands)		
Net interest income	410,473	444,791	527,442	1,382,706
Net fees and commissions income	246,604	171,068	13,368	431,043
Other operating income and net trading income	8,988	18,887	(271,476)	(243,601)
Dividend income	-	-	52	52
Operating income[(1)]	**666,065**	**634,746**	**269,389**	**555,935**
Other operating expenses	382,393	279,892	72,427	734,712
Provision for loan losses and other receivables	108,832	199,943	(30,693)	278,082
Gain/(loss) on equity method	-	-	(1,471)	(1,471)
Profit before taxes[(2)]	**174,840**	**154,911**	**226,184**	**555,935**
Tax charge[(3)]				(109,870)
Net profit/ (loss)				**446,065**

(1) Operating income stated in the segmental information corresponds to the Net Operating Income in the financial statements incorporated by reference herein.

(2) Profit before taxes stated in the segmental information corresponds to the Net Operating Income / (Loss) in the financial statements incorporated by reference herein.

(3) Tax charge stated in the segmental information corresponds to the Tax Charge for Continued Operations in the financial statements incorporated by reference herein.

(4) The Corporate and Commercial Banking also includes SME banking.

Segment Analysis

The Group has identified operating segments in a manner consistent with the internal reporting provided to the Board of Directors and manages its business through three main business segments: (a) retail banking, (b) corporate and commercial banking and (c) treasury and head office. The main function of the Treasury Segment is managing the liquidity of the Bank and interest and foreign currency risks resulting from market conditions. This segment works closely with the corporate, commercial, retail and private banking units in order to increase the number of customers and the volume of transactions in the Bank's treasury products.

The increase in profit before taxes in the Group's retail banking segment for the first three months of 2017 was due primarily to higher net interest and commission revenues on higher volumes and lower expenses, benefiting from lower commission refunds to retail clients, while provision charges benefited from lower NPL additions and higher collections.

Profit before taxes of the corporate and commercial banking segment increased for the first three months of 2017 compared to the same period of the previous year, primarily as a result of strong loan volume growth and related commission collections benefiting from the new Credit Guarantee Fund guarantee programme in Turkey.

With respect to the treasury and head office segment, profit before taxes increased for the first three months of 2017 compared to the same period of the previous year primarily due to an increase in volume in parallel with the growth in the bank's overall business, increases in yield from the securities portfolio (due to inflation increases, especially from CPI-linked securities) and the increase in the Group's equity.

Results of Operations for the Years Ended 31 December 2014, 2015 and 2016

Overview

The following tables present, for the periods indicated, selected consolidated financial and other data of the Bank and its subsidiaries as of and for the years ended 31 December 2014, 2015 and 2016. Investors should read this selected consolidated financial information along with BRSA Financial Statements incorporated by reference into this Prospectus.

	2014	2015	2016
Income Statement Data:		*(TL thousands)*	
Interest income	6,700,863	7,835,586	9,034,828
Interest expense	(3,496,338)	(3,752,831)	(4,356,208)
Net interest income	**3,204,525**	**4,082,755**	**4,678,620**
Fees and commissions received	1,616,280	1,653,836	1,767,919
Fees and commissions paid	(219,297)	(266,598)	(323,042)
Net fees and commissions income	**1,396,983**	**1,387,238**	**1,444,877**
Net trading income	(251,727)	(727,321)	(661,533)
Other operating income	385,552	272,748	411,137
Dividend income	263	58	170
Net operating income	**4,735,596**	**5,015,478**	**5,873,271**
Other operating expenses	(2,443,011)	(2,874,440)	(2,938,079)
Provision for loan losses and other receivables	(1,100,491)	(1,207,444)	(1,390,423)
Gain/loss on equity method	(601)	(49,538)	(11,755)
Profit before taxes	**1,191,493**	**884,056**	**1,533,014**
Tax charge	(275,554)	(203,642)	(294,714)
Net profit/(loss)	**915,939**	**680,414**	**1,238,300**

	As of 31 December		
	2014	**2015**	**2016**
Balance Sheet Data:		*(TL thousands)*	
Cash and balances with the Central Bank	8,663,920	9,997,045	13,103,884
Financial assets at fair value through profit or loss (net)	1,399,019	2,368,688	2,847,693
Banks	300,434	318,139	312,066
Money market placements	244,425	87,711	1,667,618
Loans and receivables	50,083,280	57,062,195	62,614,093
Investment securities (net)	9,160,736	9,169,564	12,932,620
Investment in equity participations (net)	189,867	127,847	116,091
Tangible assets (net)	1,472,095	1,581,509	1,838,308
Intangible assets (net)	235,294	270,040	288,218
Current tax asset	269	6,846	4,737
Deferred tax assets	62,179	100,943	66,967
Other assets	5,023,607	6,958,539	8,533,539
Total Assets	**76,835,125**	**88,049,066**	**104,325,834**
Bank deposits	1,423,002	1,556,770	1,972,985
Deposits from customers	40,472,732	46,754,507	51,892,264
Money market borrowings	4,215,752	4,809,261	6,619,833
Funds borrowed	5,853,084	6,066,057	6,066,057
Other liabilities and provisions	7,984,279	10,910,299	12,607,960
Securities issued (net)	5,825,498	5,826,987	6,331,577
Subordinated loans	2,121,712	2,662,119	3,235,793
Current tax liabilities	175,964	57,581	198,098
Deferred tax liabilities	1,488	-	-
Total liabilities	**68,037,511**	**78,643,581**	**94,022,055**
Paid-in capital	2,835,000	3,000,000	3,150,000
Share premium	714	714	714
Available-for-sale investments reserve, net of tax	(51,856)	(244,259)	(420,153)
Net gains (losses) on cash flow hedges	(40,479)	81,175	45,551
Other capital reserves	(49,396)	(45,674)	(43,654)
Profit reserves	4,853,036	5,621,561	6,329,182
Profit or loss	1,072,420	802,739	1,236,405
Total equity attributable to equity holders of the parent shareholder	**8,619,439**	**9,216,256**	**10,298,045**
Minority shares	178,175	189,229	5,734
Total shareholders' equity	**8,797,614**	**9,405,485**	**10,303,779**
Total liabilities and shareholders' equity	**76,835,125**	**88,049,066**	**104,325,834**
Off-balance sheet commitments and contingencies	**40,638,626**	**46,233,364**	**55,251,188**

The Group's net profit for 2016 was TL 1,238.3 million, a 82.0% increase compared to TL 680.4 million in 2015, which increase was principally derived from strong growth in net interest income as a result of higher volumes and increased margins and limited growth in operating expenses and provision charges.

The Group's net profit for 2015 reflected a 25.7% decrease compared to TL 915.9 million in 2014, which decrease was primarily due to higher operating expenses negatively impacted by commission refunds and increased provision charges.

Return on average total assets for 2016 was 1.3%, compared to 0.8% for 2015 and 1.2% for 2014. Return on average shareholders' equity for 2016 was 12.7%, compared to 7.2% for 2015 and 10.8% for 2014.

For 2014, 2015 and 2016, the Group's net operating income was TL 4,735.6 million, TL 5,015.5 million and TL 5,873.3 million, respectively, of which net interest income represented 67.7%, 81.4% and 79.7% and net fees and commissions income represented 29.5%, 27.7% and 24.6%, respectively.

Net Interest Income

The following table shows net interest income details for the indicated periods:

Interest income	2014	2015	Change 2015 vs. 2014	2016	Change 2016 vs. 2015
	(TL thousands)		*(%)*	*(TL thousands)*	*(%)*
Total interest on loans	5,596,739	6,683,487	19.4%	7,722,630	15.5%
Interest on loans	5,579,321	6,675,290	19.6%	7,718,688	15.6%
Interest on financial assets at fair value through profit and loss	17,418	8,197	(52.9)%	3,942	(51.9)%
Interest received from banks	7,045	26,504	276.2%	64,359	142.8%
Interest received from money market placements	45,136	129,650	187.2%	75,509	(41.8)%
Interest received from marketable securities portfolio[1]	853,052	750,612	(12.0)%	843,682	12.4%
Finance lease income	132,799	168,211	26.7%	217,169	29.1%
Other interest income[2]	66,092	77,122	16.7%	111,479	44.5%
Interest income	**6,700,863**	**7,835,586**	**16.9%**	**9,034,828**	**15.3%**
Interest expense					
Interest on deposits	2,652,784	2,819,109	6.3%	3,284,048	16.5%
Interest on funds borrowed	282,935	338,974	19.8%	423,734	25.0%
Interest on money market borrowings	226,551	212,407	(6.2)%	293,348	38.1%
Interest on securities issued	328,255	373,804	13.9%	341,639	(8.6)%
Other interest expense	5,813	8,537	46.9%	13,439	57.4%
Interest expense	**3,496,338**	**3,752,831**	**7.3%**	**4,356,208**	**16.1%**
Net interest income	**3,204,525**	**4,082,755**	**27.4%**	**4,678,620**	**14.6%**

(1) Excluding interest on loans at fair value amounting to TL 17.4 million, TL 8.2 million and TL 3.9 million for 2014, 2015 and 2016, respectively, which are instead included under the line-item "Interest on financial assets at fair value through profit and loss."

(2) Includes "reserve deposits."

The Group's net interest income for 2016 amounted to TL 4,678.6 million, an increase of 14.6% compared to TL 4,082.8 million for 2015. This increase was largely due to an increase in the interest on loans, which itself was largely due to the increase in the volume of loans. In 2016, the Group's interest income increased by 15.3%, which was partially offset by a 16.1% increase in interest expense compared to 2015.

The Group's net interest income for 2015 increased by 27.4% compared to TL 4,082.8 million for 2014, principally due to a 16.9% increase in interest income, which was partially offset by a 7.3% increase in interest expense. The Group's net interest income as a percentage of average interest-earning assets was 5.6% for 2014, 6.2% for 2015 and 6.4% for 2016.

Interest Income

The Group's interest income increased by 15.3% to TL 9,034.8 million in 2016 from TL 7,835.6 million in 2015. This increase was mainly attributable to a 15.5% increase in interest income earned on loans (excluding factoring and leasing), supported by a 10.4% increase in average performing loans and receivables compared to 2015 and higher TL interest rates as a result of increasing yields in the market. The increase in average performing loans and receivables was due to the continued growth in the Group's lending portfolio, particularly to SME and corporate and commercial customers, although such SME and corporate and commercial loan products generally have lower yields compared to retail loan products.

Interest earned on the marketable securities portfolio also grew in 2016, increasing by 12.4% compared to 2015. The increase in interest earned from the marketable securities portfolio was principally due to increased volume resulting from purchases of foreign currency-denominated government bonds. While the Group holds CPI-linked bonds, inflation in 2016 had limited effect in the revenues when compared to 2015 (7.16% and 7.59%, respectively); *however*, starting in October 2016, inflation increased due to the depreciation of the Turkish Lira, leading to higher 2017 inflation prospects (for example, annual consumer price inflation reached 11.87% as of April 2017 and the Central Bank has recently revised its inflation expectation for 2017 upwards to 8.5%). As a result, the Bank's management believes that the Group's interest income in 2017 will be positively impacted by higher interest income from marketable securities due to higher actual inflation CPI-linked securities.

The Group's interest income increased by 16.9% in 2015 from 2014. This increase was mainly due to a 19.4% increase in interest income on loans, which more than offset a 12.0% decrease in interest income from the marketable securities portfolio. The 19.4% increase in interest income on loans and receivables in 2015 was due to a 16.1% increase in average performing loans and receivables as the Group continued to grow its overall loans and receivables by shifting its focus to the SME and corporate and commercial segment away from the retail market in response to changes in the regulatory environment that made retail lending less attractive. The 12.0% decrease in interest income from the marketable securities portfolio was mainly due to a non-recurring gain in 2014 related to alignment of expected inflation used in the valuation of CPI-linked investments to actual inflation.

The table below sets forth the percentage of interest income and portfolio yield from loans for each of the Group's business and retail banking segments for each of the indicated years:

	2014	**2015**	**2016**
		(%)	
Interest income			
Business (including SME)	44.9%	51.1%	54.5%
Retail	55.1%	48.9%	45.5%
Portfolio yield			
Business (including SME)	11.1%	11.1%	11.9%
Retail	13.7%	14.7%	15.3%

Interest Expense

The Group's interest expense increased by 16.1% to TL 4,356.2 million in 2016 from TL 3,752.8 million in 2015. This increase was primarily due to a 16.5% increase in interest expense on customer deposits in 2016 compared to 2015, which in turn was largely due to a 11.0% increase in average deposits. The increase in average deposit balances was primarily due to the Group's continuing effort to increase its deposit base, particularly in relation to demand deposits, which increased by 22.6% in 2016 compared to 2015, and time deposits, which increased by 8.8% over the same period. Total deposits increased by 11.5% in 2016 from year-end 2015.

The Group's interest expense increased by 7.3% in 2015 from TL 3,496.3 million in 2014, due principally to an increase in interest expense on customer deposits. Interest on deposits increased by 6.3% in 2015 compared to 2014 principally as a result of higher volumes of deposits which was partially offset by lower average interest rates on deposits. The table below sets forth the Group's cost of funding by source of funding for the indicated years:

	2014	**2015**	**2016**
Cost of funding			
Turkish Lira deposits	10.4%	10.5%	11.0%
Foreign currency deposits	2.2%	1.9%	2.1%
Total deposits	7.7%	7.4%	7.7%
Other borrowed funds (Turkish Lira)	10.1%	8.1%	8.4%
Other borrowed funds (foreign currency)	3.4%	3.2%	3.3%
Other borrowed funds (total)	4.6%	4.1%	4.2%

Net Fee and Commission Income

The table below sets forth the components of the Group's net fee and commission income for each of the indicated years.

	2014	2015	Change 2015 vs. 2014	2016	Change 2016 vs. 2015
	(TL thousands)		(%)	(TL thousands)	(%)
Fees and commissions received					
Non-cash loans	50,706	58,996	16.4%	69,602	18.0%
Other	1,565,574	1,594,840	1.9%	1,698,317	6.5%
Total	**1,616,280**	**1,653,836**	2.3%	**1,767,919**	6.9%
Fees and commissions paid					
Non-cash Loans	1,576	1,488	(5.6)%	1,702	14.4%
Other	217,721	265,110	21.8%	321,340	21.2%
Total	**219,297**	**266,598**	**21.6%**	**323,042**	**21.2%**
Net fees and commissions income	**1,396,983**	**1,387,238**	**(0.7)%**	**1,444,877**	**4.2%**

Net fees and commissions income for 2016 amounted to TL 1,444.9 million, an increase of 4.2% compared to TL 1,387.2 million in 2015. The increase in net fee and commission income in 2016 was primarily due to an increase in commissions received, partially offset by lower deposit account maintenance fees following a court ruling limiting deposit accounting maintenance fee collection from retail clients. Net fees and commissions income slightly decreased in 2015 compared to 2014, mainly due to the negative effects of new regulations by the BRSA limiting fee collection from retail clients.

The table below sets forth a breakdown by source of net fees and commissions for the indicated years:

	2014	2015	2016
Card/POS commissions	59.8%	55.3%	58.0%
Loan commissions	12.9%	20.3%	22.3%
Deposit account maintenance fees	12.7%	10.7%	4.6%
Insurance commissions	8.9%	9.9%	10.1%
Other banking services commissions	5.7%	3.8%	5.0%

Net Trading Income/(Loss)

The table below sets forth a breakdown of the Group's net trading income/(loss) (net) for each of the indicated years:

	2014	2015	Change 2015 vs. 2014	2016	Change 2016 vs. 2015
	(TL thousands)		(%)	(TL thousands)	(%)
Securities trading gains / (losses)	20,270	27,125	33.8%	17,121	(36.9)%
Gains / (losses) from financial derivatives transactions	(307,721)	(677,491)	120.2%	(713,295)	5.3%
Foreign exchange gains / (losses)	35,724	(76,955)	(314.4)%	34,641	(145.0)%
Net trading income / (loss)	**(251,727)**	**(727,321)**	**188.9%**	**(661,533)**	(9.1)%

The net trading income / (loss) line includes net interest income from swaps, which covers the large majority of the movement through periods. The net interest income from swaps, consisting of TL 718.0 million of losses in 2016, TL 802.1 million of losses in 2015 and TL 349.3 million of losses in 2014, represented the majority of this amount and should be analysed together with net interest income. The increase in this amount in 2015 and 2016 from 2014 is essentially due to the increase in the volume of transaction due to the Group's increase in foreign currency-denominated wholesale funding and the differential in TL/foreign currency (mainly U.S. Dollars and euro) interest rates. When excluding the net interest income from swaps, net trading income / (loss) was TL 56.5 million in 2016, TL 74.8 million in 2015 and TL 97.6 million in 2014. Net trading gains remain not very significant for the Group since its proprietary trading activity is limited, with net gains essentially all resulting from customer business.

Other Operating Income

The table below sets forth other operating income of the Group for each of the indicated years:

	2014	2015	Change 2015 vs. 2014	2016	Change 2016 vs. 2015
	(TL thousands)		*(%)*	*(TL thousands)*	*(%)*
Other operating income	385,552	272,748	(29.3)%	411,137	50.7%

Other operating income in 2016 was 50.7% greater than in 2015. Both of these periods included non-recurring gains, with 2016 having gains from the sale of shares in Visa Europe to Visa Inc amounting to gains of TL 152 million and TL 163 million for a sale of NPLs, while 2015 included gains of TL 195 million from the sale of the Bank's headquarters buildings. Similarly, 2014 also included non-recurring gains from NPL sales (such gains amounting to TL 196 million). A decrease in other income from 2014 to 2015 also resulted from new regulations by the BRSA limiting certain fees and commissions from retail customers.

Other Operating Expenses

The table below sets forth the components of the Group's other operating expenses for each of the indicated years:

	2014	2015	Change 2015 vs. 2014	2016	Change 2016 vs. 2015
	(TL thousands)		*(%)*	*(TL thousands)*	*(%)*
Personnel costs	1,004,628	1,116,533	11.1%	1,218,027	9.1%
Reserve for employee termination benefits	10,586	14,615	38.1%	16,880	15.5%
Impairment losses of tangible assets....................	-	-		-	-
Depreciation charge of tangible assets	135,212	118,887	(12.1)%	140,670	18.3%
Amortisation charge of intangible assets.............	79,822	93,705	17.4%	108,526	15.8%
Impairment losses on assets to be disposed	83	-	(100.0)%	-	-
Depreciation on assets to be disposed..................	3,906	4,050	3.7%	6,164	52.2%
Other operating expenses (general and administrative expenses)	848,051	914,325	7.8%	968,028	5.9%
Operational lease related expenses....................	209,921	228,034	8.6%	224,233	(1.7)%
Repair and maintenance expenses......................	78,772	95,692	21.5%	127,133	32.9%
Advertisement expenses....................................	70,761	67,954	(4.0)%	81,290	19.6%
Other expenses[(1)]...	488,597	522,645	7.0%	535,372	2.4%
Losses on sales of assets......................................	640	6,499	915.5%	2,726	(58.1)%
Other[(2)]...	360,083	605,826	68.3%	477,058	(21.3)%
Other operating expenses	**2,443,011**	**2,874,440**	17.7%	**2,938,079**	2.2%

(1) Includes credit card and banking services promotion expenses, communication expenses and other operating expenses.
(2) Includes taxes and duties, audit and consultancy expenses and saving deposits insurance fund premium expenses paid to regulatory authorities.

Other operating expenses in 2016 and 2015 were significantly impacted by commission refunds to retail clients (which are included under "other" in the table above) amounting to TL 94 million (including related court expenses) in 2016 and TL 203 million (including related court expenses) in 2015. In addition, other operating expenses in 2015 included a TL 33 million fine paid related to an investigation by the Customs and Trade Ministry. When excluding these commission refunds and fine, operating expenses increased by 7.8% in 2016 from 2015 and by 8.0% in 2016 from 2015, both essentially in line with inflation.

Provision for Loan Losses and Other Receivables

The table below sets forth the Group's provision for loan losses and other receivables for each of the indicated years:

	2014	2015	Change 2015 vs. 2014	2016	Change 2016 vs. 2015
	(TL thousands)			*(TL thousands)*	
Specific provisions for loans and other receivables	875,804	909,013	3.8%	1,452,743	59.8%
General provisions	126,370	247,742	96.0%	98,009	(60.4)%
Provisions for free reserves on possible losses	82,000	18,000	(78.1)%	(100,000)	(655.6)%
Provisions for closely monitored loan losses	-	-	-	(66,340)	-
Impairment losses on securities	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-
Investment securities available-for-sale	-	-	-	-	-
Other	16,317	32,689	100.3%	6,011	(81.6)%
Provision for loan losses and other receivables	**1,100,491**	**1,207,444**	9.7%	**1,390,423**	15.2%

The increase in 2016 was primarily driven by a 59.8% increase in specific provisions, partly offset by releases from free reserves and provisions for closely monitored loan losses, following the categorisation of new loans to NPLs. In addition, general provisions were lower in 2016 as 2015 included a non-recurring general provision for a change in regulation relating to consumer loans. Excluding general provisions, the overall provision charge in 2016 grew at a rate higher than the average loan growth due to the higher NPL inflow from consumer and SME loans and increased specific provision coverage from 80% at the end of 2015 to 84% at the end of 2016.

The increase in 2015 was principally due to general provisions as a result of a non-recurring general provision for a change in regulation relating to consumer loans. Specific provisions increased slightly in 2015 from 2014, growing at a rate lower than the average loan growth due to improvements resulting from shifting business from retail to business customers.

The Group monitors market conditions and selectively sells NPLs when doing so is viewed as maximising recovery rates and returns. The Group sold NPL portfolios amounting to TL 1,153 million and TL 1,195 million in 2014 and 2016, respectively. The Group did not sell any NPLs in 2015. The Group's NPL ratio was 5.8% as of 31 December 2016, as compared to 6.3% and 5.2% as of 31 December 2015 and 2014, respectively.

Tax Charge

The Group's tax charge in 2014, 2015 and 2016 was TL 275.6 million, TL 203.6 million and TL 294.7 million, respectively. The Group's effective tax rate in 2014, 2015 and 2016 was 23.1%, 23.0% and 19.2%, respectively. In 2014 and 2015, the variances from the standard tax rate of 20% were due to the higher level of general provisions, which are not subject to deferred tax by the BRSA Principles. In 2016, the effective tax rate benefited from partial tax exempt gain from sale of Visa Europe Ltd. shares to Visa Inc.

Segmental Information

The tables below present the Group's profit before tax by operating segment for the indicated years:

	2014			
	Retail Banking	**Corporate and Commercial Banking[(4)]**	**Treasury and Head Office**	**Total Operations of the Group**
		(TL thousands)		
Net interest income	1,232,083	1,151,654	820,788	3,204,525
Net fees and commissions income	1,067,346	294,426	35,211	1,396,983
Other operating income and net trading income	330,629	74,381	(271,185)	133,825
Dividend income	-	-	263	263
Operating income[(1)]	**2,630,058**	**1,520,461**	**585,077**	**4,735,596**
Other operating expenses	1,457,569	799,335	186,107	2,443,011
Provision for loan losses and other receivables	623,561	396,105	80,825	1,100,491
Profit before taxes[(2)]	**548,928**	**325,021**	**317,544**	**1,191,493**
Gain/loss on equity method	-	-	(601)	(601)
Tax charge[(3)]	-	-	-	(275,554)
Net profit/ (loss)	-	-	-	**915,939**

	2015			
	Retail Banking	**Corporate and Commercial Banking[(4)]**	**Treasury and Head Office**	**Total Operations of the Group**
		(TL thousands)		
Net interest income	1,560,783	1,396,781	1,125,191	4,082,755
Net fees and commissions income	967,940	382,372	36,926	1,387,238
Other operating income and net trading income	37,479	48,338	(540,390)	(454,573)
Dividend income	-	-	58	58
Operating income[(1)]	**2,566,202**	**1,827,491**	**621,785**	**5,015,478**
Other operating expenses	1,662,259	891,746	320,435	2,874,440
Provision for loan losses and other receivables	726,711	451,454	29,279	1,207,444
Profit before taxes[(2)]	**177,232**	**484,291**	**222,533**	**884,056**
Gain/loss on equity method	-	-	(49,538)	(49,538)
Tax charge[(3)]	-	-	-	(203,642)
Net profit/ (loss)	-	-	-	**680,414**

	2016			
	Retail Banking	**Corporate and Commercial Banking[(4)]**	**Treasury and Head Office**	**Total Operations of the Group**
		(TL thousands)		
Net interest income	1,636,457	1,697,404	1,344,759	4,678,620
Net fees and commissions income	950,210	448,156	46,511	1,444,877
Other operating income and net trading income	177,031	60,179	(487,606)	(250,396)
Dividend income	-	-	170	170
Operating income[(1)]	**2,763,698**	**2,205,739**	**903,834**	**5,873,271**
Other operating expenses	1,585,963	1,033,439	318,677	2,938,079
Provision for loan losses and other receivables	656,335	893,291	(159,203)	1,390,423
Gain/loss on equity method	-	-	(11,755)	(11,755)
Profit before taxes[(2)]	**521,400**	**279,009**	**732,605**	**1,533,014**
Tax charge[(3)]	-	-	-	(294,714)
Net profit/ (loss)	-	-	-	**1,238,300**

(1) Operating income stated in the segmental information corresponds to the Net Operating Income in the financial statements incorporated by reference herein.

(2) Profit before taxes stated in the segmental information corresponds to the Net Operating Income / (Loss) in the financial statements incorporated by reference herein.

(3) Tax charge stated in the segmental information corresponds to the Tax Charge for Continued Operations in the financial statements incorporated by reference herein.

(4) The Corporate and Commercial Banking also includes SME banking.

Segment Analysis

The increase in profit before taxes in the Group's retail banking segment for 2016 was due primarily to higher net interest income on higher volumes, increases in other operating income (principally due to gains from NPL sales) and lower expenses, benefiting from lower commission refunds to retail clients, whereas the decrease in 2015 was due largely to increases in operating expenses on higher commission refunds to retail clients and lower commission income following regulation by the BRSA limiting fees collected from individuals.

The decrease in profit before taxes in the Group's corporate and commercial banking segment for 2016 was due primarily to higher provision charges resulting from deteriorating asset quality, whereas the increase in 2015 was due largely to increases in net interest income benefiting from strong volume growth.

With respect to the treasury and head office segment, profit before taxes increased in 2016 compared to 2015 primarily due to reversal of provisions, an increase in volume in parallel with the growth in the bank's overall business and the increase in the Group's equity. Profit before taxes decreased in 2015 compared to 2014 primarily due to an increase in provisions.

Financial Condition as of 31 December 2014, 2015 and 2016 and 31 March 2017

Total Assets

As of 31 December 2014, 2015 and 2016 and 31 March 2017, the Group's total assets were TL 76,835.1 million, TL 88,049.1 million, TL 104,325.8 million and TL 112,139.8 million, respectively.

The main driver behind the Group's increase of total assets was the growth of performing loans and receivables, which increased by 10.2% to TL 68,310.2 million as of 31 March 2017 from TL 62,014.7 million as of 31 December 2016, itself a 10.0% increase from TL 56,356.7 million as of 31 December 2015, which was a 13.6% increase from TL 49,610.1 million as of 31 December 2014. As of 31 March 2017, 68% of the Group's loans and receivables were to SME and corporate customers, compared to 64%, 61% and 57% as of 31 December 2016, 2015 and 2014, respectively.

Total loans and receivables increased by 10.0% to TL 68,894.6 million as of 31 March 2017 from TL 62,637.1 million as of 31 December 2016, itself an increase of 9.7% from TL 57,109.5 million as of 31 December 2015, which was a 13.8% increase from TL 50,181.4 million as of 31 December 2014. The Group's loan portfolio continued to reflect an increasing share of business banking loans, particularly during the first quarter of 2017 due to the funding of loans guaranteed by the Credit Guarantee Fund. As of 31 March 2017, the portfolio of performing loans was distributed as follows: (a) 34% to corporate and commercial loans, 34% to SME loans, 11% to credit card loans and 21% to consumer loans and (b) 74% of the volume of the loan portfolio was denominated in Turkish Lira and the remainder was denominated in foreign currencies. For an analysis of the loans and receivables to customers type of loan and the borrower's principal economic activity, see "Selected Statistical and Other Information – Assets - Loans and Receivables to Customers and Finance Lease Receivables."

Total Liabilities

As of 31 December 2014, 2015 and 2016 and 31 March 2017, the Group's total liabilities were TL 68,037.5 million, TL 78,643.6 million, TL 94,022.1 million and TL 101,189.9 million, respectively.

The main drivers behind the Group's increase in total liabilities between 31 December 2014 and 31 March 2017 were increases in deposits from customers, funds borrowed and securities issued (net). Deposits from customers amounted to TL 54,733.6 million as of 31 March 2017, an increase of 5.5% from TL 51,892.3 million as of 31 December 2016, itself an increase of 11.0% from TL 46,754.5 as of 31 December 2015, which, in turn, represented an increase of 15.5% from TL 40,472.7 million as of 31 December 2014. Deposits from customers increased significantly during this period as a result of the continuing growth of the Bank's business.

Funds borrowed and securities issued (net) totaled TL 19,973.1 million as of 31 March 2017, an increase of 14.2% compared to TL 17,495.1 million as of 31 December 2016, itself an increase of 47.1% from TL 11,893.0 million as of 31 December 2015, which itself represented an increase of 1.8% compared to funds borrowed and securities issued (net) as of 31 December 2014 of TL 11,678.6 million. The increase in funds borrowed and securities issued (net) between 31 December 2014 and 31 March 2017 was principally a result of increased funding to support the continuing growth of the Bank's business.

Total Shareholders' Equity

As of 31 December 2014, 2015 and 2016 and 31 March 2017 total shareholders' equity of the Group was TL 8,797.6 million, TL 9,405.5 million, TL 10,303.8 million and TL 10,949.9 million, respectively.

The changes in the total shareholders' equity were due primarily to the addition of net profit into equity and changes in the unrealised gain on available-for-sale investments. In each of 2014, 2015, 2016 and the first quarter of 2017, the paid-in capital of the Bank increased as a result of capitalising internal reserves.

Off-Balance Sheet Arrangements

In the normal course of business, the Group enters into various contractual commitments on behalf of its customers and is a party to financial instruments with off-balance sheet risk to meet the financing needs of its customers. These contractual commitments consist of commitments to extend credit, commercial letters of credit and standby letters of credit and guarantees. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of the conditions established in the contract. Commercial letters of credit ensure payment by a bank to a third party for a customer's foreign or domestic trade transactions, generally to finance a commercial contract for the shipment of goods. Standby letters of credit and financial guarantees are conditional commitments issued by the Group to guarantee the performance of a customer to a third party. All of these arrangements are related to the normal lending activities of the Group.

The Group's exposure to credit loss in the events of non-performance by the other party to the financial instrument for commitments to extend credit and commercial and standby letters of credit is represented by the contractual notional amount of those instruments.

The following tables summarise the Group's off-balance sheet financial instruments, which represent credit risk, as of each of the indicated dates:

	As of 31 March 2017	
	(TL thousands, except percentages)	
Letters of guarantee	11,658,011	78.9%
Bank acceptances	1,842,679	12.5%
Letters of credit	1,280,533	8.7%
Total non-cash loans	**14,781,223**	**100.0%**
Other commitments	26,700,075	
Credit card limits	16,660,554	
Total commitments	**58,141,852**	

	As of 31 December					
	2014	**(%)**	**2015**	**(%)**	**2016**	**(%)**
	(TL thousands, except percentages)					
Letters of guarantee	7,414,727	80.9%	9,028,945	86.2%	10,806,715	82.0%
Bank loans	912,287	10.0%	795,562	7.6%	1,255,477	9.5%
Letters of credit	812,318	8.9%	651,319	6.2%	1,121,818	8.5%
Other guarantees	21,077	0.2%	-	-	-	-
Total non-cash loans	**9,160,409**	**100.0%**	**10,475,826**	**100.0%**	**13,184,010**	**100.0%**
Other commitments	12,093,253		18,664,024		24,434,728	
Credit card limits	16,834,644		16,289,856		16,415,910	
Total commitments	**38,088,306**		**45,429,706**		**54,034,648**	

Capital Adequacy

Each of the Bank and the Group is required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures. In accordance with these guidelines, each of the Bank and the Group must maintain a total capital ratio in excess of 8% calculated in accordance with BRSA regulations. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4% higher than the legal capital ratio (see "Turkish Regulatory Environment - Capital Adequacy" in the Base Prospectus for further details).

In order to implement the rules of the report entitled "A Global Regulatory Framework for More Resilient Banks and Banking Systems" published by the Basel Committee on Banking Supervision (the "*Basel Committee*") in December 2010 and revised in June 2011 (*i.e*., Basel III) into Turkish law, the Regulation on the Equities of Banks (the "*Equity Regulation*") and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks (the "*2012 Capital Adequacy Regulation*") each entered into force on 1 January 2014. The Equity Regulation defines capital of a bank as the sum of: (a) principal capital (*i.e*., Tier 1 capital), which is composed of core capital (*i.e.*, Common Equity Tier 1 capital) and additional principal capital (*i.e*., additional Tier 1 capital), and (b) supplementary capital (*i.e*., Tier 2 capital) *minus* capital deductions. Pursuant to the 2012 Capital Adequacy Regulation (as so amended): (i) both the unconsolidated and consolidated minimum common equity Tier 1 capital adequacy ratio are 4.5% and (ii) both unconsolidated and consolidated minimum Tier 1 capital adequacy ratio are 6.0%.

The Bank calculates its capital adequacy ratios according to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks (published in the Official Gazette dated 23 October 2015 and numbered 29511) (the "*2015 Capital Adequacy Regulation*"), which allows the Bank to use ratings of eligible external credit assessment institutions (namely Fitch, S&P, Moody's, Japan Credit Rating Agency, Ltd., DBRS Ratings Ltd. and, as of 12 January 2017, International Islamic Rating Agency) while calculating the risk-weighted assets for capital adequacy purposes. On 27 January 2017, Fitch (which the Bank has been using for such purposes) downgraded Turkey's sovereign credit rating to "BB+" (with a stable outlook) from "BBB-" (with a negative outlook). According to guidance published by the BRSA on 24 February 2017, foreign exchange reserves held with the Central Bank will now be subjected to a 0% risk weight, which amendment offset the negative impact on capital adequacy that otherwise would have resulted from the Fitch downgrade.

The Group maintains regulatory capital adequacy ratios on both a Bank-only and consolidated basis in excess of the regulatory minimums required and recommended levels. The Group's total capital adequacy ratio (calculated pursuant to the BRSA Financial Statements) was 14.0% as of 31 March 2017 compared to 14.3% as of 31 December 2016, 15.5% as of 31 December 2015 and 16.9% as of 31 December 2014. The Group's Tier 1 capital adequacy ratio (calculated pursuant to the BRSA Financial Statements) was 12.3% as of 31 March 2017, 12.4% as of 31 December 2016, 12.0% as of 31 December 2015 and 12.8% as of 31 December 2014.

The following table sets forth the calculation of the Group's capital adequacy ratios as of each of the indicated dates based upon its BRSA Financial Statements:

	As of 31 December			As of 31 March
	2014[(1)]	**2015[(1)]**	**2016[(1)]**	**2017**
	(TL thousands, except percentages)			
Paid-in capital	2,835,000	3,000,000	3,150,000	3,150,000
Paid-in capital inflation adjustments	-	-	-	-
Reserves	4,853,036	5,621,561	6,329,182	7,565,587
Profit	1,072,420	802,739	1,236,405	445,890
Tier 1 Capital (I)	8,569,732	9,094,231	9,922,078	10,498,472
Tier 2 Capital (II)	2,838,169	2,732,231	1,582,608	1,499,272
Deductions (III)	63,941	67,433	63,682	86,158
Own Funds (I+II-III)	11,343,960	11,759,029	11,441,004	11,911,586
Risk Weighted Assets (including market and operational risk)	67,124,024	75,718,152	80,174,960	85,107,881
Capital Ratios:				
Tier 1 Ratio	12.8%	12.0%	12.4%	12.3%
Own Funds/Risk Weighted Assets	16.9%	15.5%	14.3%	14.0%

(1) As of 31 December 2014 and 2015, capital was calculated within the scope of the 2012 Capital Adequacy Regulation. As of 31 December 2016 and 31 March 2017, capital was calculated within the scope of 2015 Capital Adequacy Regulation.

The increases in the Group's capital in each of these periods represented the growth in the Group's retained earnings.

Liquidity and Funding

Overview

The Group's primary funding sources are customer deposits, securities issued and funds borrowed from international lenders.

Deposits constituted 54.5%, 54.9%, 51.6% and 53.7% of total liabilities as of 31 December 2014, 2015 and 2016 and 31 March 2017, respectively. As of 31 March 2017, demand deposits constituted 20.8% of the total deposits of the Group. As of the same date, time deposits represented 79.2% of total deposits, with Turkish Lira-denominated time deposits constituting 55.1% of the total Turkish Lira-denominated deposits. The Bank's management believes that deposits provide a stable funding base.

Funds borrowed and marketable securities issued constituted 15.2%, 13.5%, 16.8% and 17.8% of total liabilities as of 31 December 2014, 2015 and 2016 and 31 March 2017, respectively. In November 2016, the Bank entered into a syndicated loan facility in two tranches amounting to US$103.5 million and €397.6 million with an interest rate of LIBOR *plus* 1.1% *per annum* and EURIBOR *plus* 1.0% *per annum*, respectively. See also "— Source of Financing" below.

The following table sets forth the allocation of the Group's funding as of the indicated dates:

	As of 31 December			**As of 31 March**
	2014	**2015**	**2016**	**2017**
Customer time deposits	**45.1%**	**44.6%**	**40.9%**	**38.7%**
Turkish Lira-denominated	30.6%	28.0%	25.3%	22.3%
Foreign currency-denominated	14.6%	16.6%	15.6%	16.4%
Customer's demand deposits	**7.6%**	**8.5%**	**8.8%**	**10.1%**
Turkish Lira-denominated	4.4%	4.4%	4.6%	4.6%
Foreign currency-denominated	3.2%	4.2%	4.3%	5.5%
Borrowings	**10.4%**	**9.9%**	**13.8%**	**14.9%**
Subordinated notes	2.8%	3.0%	3.1%	3.0%
Secured loans	0.4%	1.3%	1.2%	1.1%
Other	7.2%	5.5%	9.5%	10.8%
Due to other banks	**1.9%**	**1.8%**	**1.9%**	**4.9%**
Money market transactions	**5.5%**	**5.5%**	**6.3%**	**4.2%**
Marketable securities issued	**7.6%**	**6.6%**	**6.1%**	**5.9%**
Others (excluding equity)	**10.6%**	**12.5%**	**12.3%**	**11.5%**
Equity	**11.4%**	**10.7%**	**9.9%**	**9.8%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source of Financing

In addition to its equity, which equaled about 9.8% of the Group's total assets as of 31 March 2017, the Bank uses customer deposits as the main source of funding, funding 48.8% of the Group's total assets as of such date. Even though the average maturity of the Bank's deposits are around typical for Turkish banks (around three months), the majority of deposits are considered to be core deposits with a typical renewal rate of between 80% and 90%.

The Group funds the remainder of its assets using various wholesale funding options, including marketable securities issued (equal to 5.9% of the Group's total assets as of 31 March 2017), loans from developmental institutions and export credit agencies (0.7%), "future flow" transactions (1.1%) and subordinated loans (3.0%). The remainder of the Group's assets were funded by other borrowings, of which the majority result from trade financing activity (10.1%) (which business has recently increased as the Bank utilizes QNB's broad coverage in countries with which Turkey has trade links), and short-term money-market and bank borrowings (9.1%).

See also "Capitalization of the Group" in the Base Prospectus.

Capital Expenditure

The Group's capital expenditure requirements have been principally related to substantial investments in expanding its operations, primarily the expansion of its branch network and IT infrastructure. In the short to medium term, the Bank intends to maintain its current number of branches at about the current level and focus on increasing the productivity of its existing branch network in terms of customer deposits, total loans and profit per branch. In order to support its growth, the Bank places continuous emphasis on the improvement of its IT infrastructure and architecture. Investments are made to develop and maintain a service-oriented scalable and user-friendly technology base and to further improve the Bank's internally developed core banking system.

The Bank purchased a new building for its headquarters for TL 931.0 million on March 11, 2014 and moved into the building in the second quarter of 2015.

The table below sets out the Group's principal items of capital expenditure for the periods indicated.

	2014	2015	2016	Three months ended 31 March2017
		(TL thousands)		
Type of capital expenditure				
Land and buildings................................	1,046,654	84,869	6,590	1,773
Fixed assets under finance lease............	619	270	64	-
Vehicles..	-	86	699	-
Other fixed assets	89,266	147,475	151,373	20,119
Rights	105,349	134,146	127,071	40,326
Capital expenditure	**1,241,888**	**366,846**	**285,797**	**62,218**

Contractual Obligations

The contractual obligations of the Group as of 31 March 2017 are set forth in the following table:

	Payment due by period						
	Demand	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
				(TL thousands)			
Bank deposits	464,342	4,351,047	692,042	31,136	-	-	5,538,567
Other deposits	11,371,326	30,701,053	9,596,330	2,891,920	172,970	-	54,733,599
Money market borrowings	-	2,419,740	378,233	976,503	156,150	771,016	4,701,642
Funds provided by other financial institutions	-	1,173,650	2,831,215	8,506,785	4,066,085	146,205	16,723,940
Securities issued	-	907,877	932,487	1,927,018	2,801,728	60,466	6,629,576
Non-cash loans	**6,853,566**	**517,237**	**1,042,644**	**4,863,600**	**1,220,334**	**283,842**	**14,781,223**
Total contractual obligations	**18,689,234**	**40,070,604**	**15,472,951**	**19,196,962**	**8,417,267**	**1,261,529**	**103,108,547**

As a result of the relatively short maturity of deposits in Turkey generally, the Group uses the financings described above to extend the maturity of its funding sources.

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical and other information for the Group (or, when information about the Group is not readily-available or relevant, the Bank) as of the indicated dates and for the periods indicated. Except as specifically noted herein, the selected statistical and other information should be read in conjunction with the BRSA Financial Statements and the information included in "Management's Discussion and Analysis of Financial Condition and Results of Operations." All foreign currency amounts in this section were notionally converted into Turkish Lira in the manner described in Section 2 of the BRSA Financial Statements as of and for the year ended 31 December 2016.

I. Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential

A. Average Balance Sheet and Interest Data

The following table sets forth information on the Group's average balances of assets and liabilities and related interest rates for the indicated years. For the purpose of the table below and otherwise throughout this "Selected Statistical and Other Information" section, and unless otherwise stated, the term "average" means the average of the quarterly end of period balances of the applicable item, as presented in the BRSA Financial Statements. If such information had been calculated on a weighted average or daily basis, then material differences might have resulted.

	2014			2015			2016		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Interest-earning assets				(*TL thousands, except percentages*)					
Total banks	409,667	7,045	1.7%	290,075	26,504	9.1%	391,359	64,359	16.4%
Total securities[1]	8,909,186	853,052	9.6%	9,376,975	750,612	8.0%	10,866,990	843,682	7.8%
Total money market Placements	91,329	45,136	49.4%	576,669	129,650	22.5%	410,057	75,509	18.4%
Total performing loans	46,096,808	5,596,739	12.1%	53,503,960	6,683,487	12.5%	59,043,051	7,722,630	13.1%
Total leasing receivables[2]	1,395,784	132,799	9.5%	1,756,940	168,211	9.6%	2,212,684	217,169	9.8%
Others	456,634	66,092	14.5%	505,637	77,122	15.3%	653,059	111,479	17.1%
Total interest-earning assets	**57,359,408**	**6,700,863**	**11.7%**	**66,010,256**	**7,835,586**	**11.9%**	**73,577,200**	**9,034,828**	**12.3%**
Non-interest-earning assets	15,368,634			18,852,604			21,114,602		
Total assets	**72,728,042**			**84,862,860**			**94,691,802**		
Interest-bearing liabilities									
Total deposits	34,466,511	2,652,784	7.7%	38,254,628	2,819,109	7.4%	42,834,009	3,284,048	7.7%
Funds borrowed[3]	7,541,057	282,935	3.8%	9,035,447	338,974	3.8%	10,741,654	423,734	3.9%
Money market borrowings	3,741,034	226,551	6.1%	4,449,811	212,407	4.8%	5,802,185	293,348	5.1%
Marketable securities issued	4,797,766	328,255	6.8%	5,882,252	373,804	6.4%	5,760,657	341,639	5.9%
Others	2,132,958	5,813	0.3%	3,616,368	8,537	0.2%	3,192,391	13,439	0.4%
Total interest-bearing liabilities	**52,679,326**	**3,496,338**	**6.6%**	**61,238,506**	**3,752,831**	**6.1%**	**68,330,895**	**4,356,208**	**6.4%**
Non-interest-bearing liabilities	20,048,716			23,624,354			26,360,907		
Total liabilities	**72,728,042**			**84,862,860**			**94,691,802**		

(1) Includes "Financial assets held for trading," "assets held for sale" and "held-to-maturity securities," including equity securities and mutual funds.
(2) Includes gross balances.
(3) Includes subordinated loans.

B. Net Changes in Interest Income and Expense– Volume and Rate Analysis

The following table sets forth the change in interest income and interest expense (net interest income) attributable to changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in their respective interest rates for the periods presented from the Group's operations. Amounts due to changes in volume have been calculated by multiplying the change in average outstanding balances during the year by the average interest rate for the preceding year. Amounts due to changes in rates have been calculated by multiplying the change in the current year's average interest rate by the average outstanding balance of the current year. The net change attributable to changes in both volume and rate has been allocated proportionately to the change due to average volume and the change due to average rate. The changes are calculated on the basis of the average yearly balance sheets set forth in the preceding table. For further information on changes to net interest income, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations for the Years Ended 31 December 2014, 2015 and 2016."

	2015 vs. 2014			2016 vs. 2015		
	Total change in interest	Due to change in volume	Due to change in rate	Total change in interest	Due to change in volume	Due to change in rate
			(TL thousands)			
Interest earning assets						
Total Banks	19,459	(10,927)	30,386	37,855	16,656	21,199
Total Securities	(102,440)	37,446	(139,886)	93,070	115,681	(22,611)
Total Money Market Placements	84,514	109,117	(24,603)	(54,141)	(30,680)	(23,461)
Total Performing Loans	1,086,748	925,270	161,478	1,039,143	724,494	314,649
Total Leasing Receivables	35,412	34,577	835	48,958	44,730	4,228
Others	11,030	7,474	3,556	34,357	25,165	9,192
Total	**1,134,723**	**1,102,957**	**31,766**	**1,199,242**	**896,046**	**303,196**
Interest bearing liabilities						
Total Deposits	166,325	279,159	(112,834)	464,939	351,097	113,842
Funds Borrowed	56,039	56,064	(25)	84,760	67,306	17,454
Money Market Borrowings	(14,144)	33,833	(47,977)	80,941	68,374	12,567
Marketable securities issued	45,549	68,917	(23,368)	(32,165)	(7,211)	(24,954)
Others	2,724	3,502	(778)	4,902	(1,785)	6,687
Total	**256,493**	**441,473**	**(184,980)**	**603,377**	**477,781**	**125,596**

Interest-Earning Assets – Net Interest Margin

The following table sets forth the levels of average interest-earning assets and interest income and net interest income of the Group and the net interest margin for each of the periods indicated. These data are extracted from the table of average balances and interest rates above and are based upon information in the BRSA Annual Consolidated Financial Statements. For further information on changes to net interest income, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations for the Years Ended 31 December 2014, 2015 and 2016."

	2014	2015	2016
	(TL thousands, except percentages)		
Average interest-earning assets	57,359,408	66,010,256	73,577,200
Interest income	6,700,863	7,835,586	9,034,828
Average interest-bearing liabilities	52,679,326	61,238,506	68,330,895
Interest expense	3,496,338	3,752,831	4,356,208
Net interest income	3,204,525	4,082,755	4,678,620
Net interest margin	5.6%	6.2%	6.4%

Interest-bearing bank deposits and due to other banks

The following table sets forth certain information relating to interest-bearing bank deposits and amounts due to other banks as of the indicated dates:

	As of 31 December		
	2014	2015	2016
	(TL thousands)		
Turkish Lira	**295,223**	**292,163**	**294,321**
Foreign currency			
U.S. dollar	813,573	809,693	1,002,098
Euro	246,878	387,392	323,152
Other	48,975	40,555	219,772
Total foreign currency	**1,109,426**	**1,237,640**	**1,545,022**
Total	**1,404,649**	**1,529,803**	**1,839,343**

Return on Equity and Interest-earning Assets

The following table sets forth certain selected financial information and ratios related to equity and interest-earning assets for the periods indicated:

	2014	2015	2016
	(TL thousands, except percentages)		
Net interest income	3,204,525	4,082,755	4,678,620
Profit for the year attributable to equityholders of the Bank	900,688	664,350	1,236,405
Average interest-earning assets	57,359,408	66,010,256	73,577,200
Average equity attributable to equityholders of the Bank(1)	8,304,681	9,167,428	9,745,717
Net interest income as a percent of:			
Average interest-earning assets	5.6%	6.2%	6.4%
Average equity attributable to the equityholders of the Bank(1)	38.6%	44.5%	48.0%
Profit for the year attributable to equityholders of the Bank as a percent of:			
Average interest-earning assets	1.6%	1.0%	1.7%
Average equity attributable to equityholders of the Bank(1)	10.8%	7.2%	12.7%
Average equity attributable to equityholders of the Bank to average interest-earning assets	14.5%	13.9%	13.2%

(1) Average equity attributable to equityholders of the Bank is calculated as the arithmetical average of equity attributable to equityholders of the Bank by taking the average of the quarterly balances during the relevant reporting periods.

II. Securities Portfolio

The Group's securities portfolio comprises a trading securities portfolio (*i.e.*, debt and equity securities that the Group principally holds for the purpose of short-term profit taking, which are reflected on the balance sheet as "financial assets at fair value through profit or loss") and investment securities portfolio (*i.e.*, held-to-maturity securities and available-for-sale securities). The Group also enters into purchases (or sales) of securities under agreements to resell (or repurchase) substantially identical investments at a certain date in the future at a fixed price (*i.e.*, "repos"). Securities sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for the related security portfolio as appropriate. The Group's portfolio of marketable securities consists primarily of Turkish government securities (including bonds, treasury bills and eurobonds) denominated in Turkish Lira, U.S. Dollars and euro.

Debt Securities Portfolio

As of 31 December 2016, the Group's portfolio of debt securities (excluding mutual funds and stock shares) had a carrying value of TL 12,877.8 million, representing 12.3% of total assets. Sovereign securities (Turkish government bonds and treasury bills) amounted to TL 12,277.1 million, or 95.3% of the Group's debt securities portfolio as of such date. Such investments are held in the available-for-sale, held-to-maturity and fair value through profit or loss portfolio; therefore the carrying value also represents the fair value as of each date.

The following table sets forth the carrying value of the Group's debt securities portfolio as of each of the indicated dates:

	As of 31 December		
	2014	2015	2016
	(TL thousands)		
Turkish government bonds and Treasury bills	8,546,510	8,447,738	12,277,092
Corporate bonds	590,800	752,518	600,676
Total	**9,137,310**	**9,200,256**	**12,877,768**

Investment Securities Portfolio

As noted above, the investment securities portfolio comprises held-to-maturity securities and available-for-sale securities. Held-to-maturity securities are financial assets with fixed or determinable payments and fixed maturities that the Group intends and has the ability to hold to maturity. Available-for-sale securities are financial assets that are not held for trading purposes or held-to-maturity. Available-for-sale instruments include certain debt and equity investments. The Group classifies investment securities depending upon the intention of management at the time of the purchase thereof, though such can be re-classified if the intention of management later changes.

Trading Securities Portfolio

As noted above, trading securities are debt and equity securities that the Group principally holds for the purpose of short-term profit taking. These include investments and derivative contracts that are not designated as effective hedging instruments under Turkish law. All trading derivatives in a net receivable position (positive fair value) are reported as trading assets, whereas all trading derivatives in a net payable position (negative fair value) are reported as trading liabilities. The Group's trading securities portfolio principally comprises Turkish government debt, investment participation bills and equity. The Group acts as a primary dealer and market-maker for Turkish government debt securities.

After initial recognition, securities that are classified as held-for-trading are measured at estimated fair value. Changes in the estimated fair value are included in the Group's BRSA Financial Statements of income included elsewhere in this Prospectus within gains less losses from securities. In determining estimated fair value, trading securities are valued at the last trade price (if quoted on an exchange (***e.g.***, Borsa İstanbul)). When market prices are not available, fair value is determined by the internal rate of return method.

Equity Securities and Mutual Funds Portfolio

The Group's equity securities portfolio is comprised of both listed and non-listed equity securities. The following table sets forth the fair value of the Group's listed equity securities and mutual funds portfolio and the cost of the non-listed equity securities as of each of the indicated dates:

	As of 31 December		
	2014	**2015**	**2016**
		(TL thousands)	
Listed equity securities	5,702	11,675	16,933
Non-listed equity securities	4,225	4,225	49,187
Mutual fund units	61,905	37,493	39,543
Total	**71,832**	**53,393**	**105,663**

As of 31 December 2016, the carrying amount of the Group's debt securities by re-pricing date was as follows:

	Within one year or less	**After one year through five years**	**After five years**	**Total**
		(TL thousands)		
Financial assets at fair value through profit or loss[(1)]	12,521	9,485	11,872	33,878
Available-for-sale investment securities[(2)]	3,348,163	847,566	2,787,198	6,982,927
Held to maturity	3,042,743	1,301,498	1,516,723	5,860,964
Total	**6,403,427**	**2,158,549**	**4,315,793**	**12,877,769**

(1) Financial assets at fair value through profit or loss do not include equity securities and mutual funds.
(2) Available-for-sale investment securities do not include equity securities and mutual funds.

III. Loan Portfolio

A. Types of Loans

Loans and receivables represent the largest component of the Group's assets. The Group offers a wide range of credit instruments to entities and individuals, including letters of credit and short-term and long-term loans. The following table provides details of the loans and receivables to customers made by the Group, classified by type of loan and the borrower's principal economic activity, as of each of the indicated dates:

	As of 31 December					
	2014		2015		2016	
	Amounts	(%)	Amounts	(%)	Amounts	(%)
	(TL thousands, except percentages)					
Agricultural	**159,693**	**0.3%**	**1,421,181**	**2.5%**	**1,880,523**	**3.0%**
Farming and Raising Livestock	139,637	0.3%	1,373,810	2.4%	1,777,853	2.9%
Forestry	3,047	0.0%	2,366	0.0%	2,742	0.0%
Fishing	17,009	0.0%	45,005	0.1%	99,928	0.2%
Manufacturing	**4,747,103**	**9.6%**	**8,557,021**	**15.2%**	**9,919,395**	**16.0%**
Mining	116,270	0.2%	212,245	0.4%	210,487	0.3%
Production	3,858,062	7.8%	6,823,593	12.1%	7,630,448	12.3%
Electric, Gas and Water	772,771	1.6%	1,521,183	2.7%	2,078,460	3.4%
Construction	**2,111,810**	**4.3%**	**4,259,753**	**7.6%**	**4,173,284**	**6.7%**
Services	**8,803,099**	**17.7%**	**17,840,188**	**31.7%**	**23,030,796**	**37.1%**
Wholesale and Retail Trade	4,277,545	8.6%	9,466,776	16.8%	11,150,757	18.0%
Hotel, Food and Beverage Services	644,058	1.3%	1,726,253	3.1%	2,135,018	3.4%
Transportation and Telecommunication	761,658	1.5%	1,717,133	3.0%	3,605,133	5.8%
Financial Institutions	955,576	1.9%	2,828,210	5.0%	3,082,435	5.0%
Real Estate and Renting Services	1,522,683	3.1%	291,599	0.5%	381,882	0.6%
Self-employment Services	222,111	0.4%	449,422	0.8%	819,582	1.3%
Education Services	44,100	0.1%	265,771	0.5%	339,226	0.5%
Health and Social Services	375,368	0.8%	1,095,024	1.9%	1,516,763	2.4%
Other[(1)]	**33,788,361**	**68.1%**	**24,278,526**	**43.1%**	**23,010,681**	**37.1%**
Total loans and receivables	**49,610,066**	**100.0%**	**56,356,669**	**100.0%**	**62,014,679**	**100.0%**

(1) Includes consumer loans, instalment loans and credit cards.

B. Maturities and Sensitivities of Loans to Changes in Interest Rates

The following tables provide details of loans and receivables made by the Group by maturity as well as the breakdown of domestic and foreign loans as of each of the indicated dates:

	As of 31 December 2014			
	Within one year or less	After one year through five years	After five years	Total
	(TL thousands)			
Domestic loans	34,073,107	13,329,193	4,740,860	52,143,160
Foreign loans	206,877	-	-	206,877
Total gross	**34,279,984**	**13,329,193**	**4,740,860**	**52,350,037**
Less: allowance for specific provisions for loans and receivables	(2,168,614)	-	-	(2,168,614)
Total loans and receivables	**32,111,370**	**13,329,193**	**4,740,860**	**50,181,423**

	As of 31 December 2015			
	Within one year or less	After one year through five years	After five years	Total
	(TL thousands)			
Domestic loans	39,204,722	15,753,810	4,925,234	59,883,766
Foreign loans	287,562	-	-	287,562
Total gross	**39,492,284**	**15,753,810**	**4,925,234**	**60,171,328**
Less: allowance for specific provisions for loans and receivables	(3,061,779)	-	-	(3,061,779)
Total loans and receivables	**36,430,505**	**15,753,810**	**4,925,234**	**57,109,549**

	As of 31 December 2016			
	Within one year or less	After one year through five years	After five years	Total
		(TL thousands)		
Domestic loans	40,856,447	18,324,065	6,426,046	65,606,558
Foreign loans	282,269	-	-	282,269
Total gross	**41,138,716**	**18,324,065**	**6,426,046**	**65,888,827**
Less: allowance for specific provisions for loans and receivables	(3,251,763)	-	-	(3,251,763)
Total loans and receivables	**37,886,953**	**18,324,065**	**6,426,046**	**62,637,064**

The following table sets forth the allocation of the Group's loans and receivables, non-cash loans, finance lease receivables, factoring receivables and various securities as of the indicated dates:

	As of 31 December		
	2014	2015	2016
Loans and receivables	70.7%	71.7%	66.5%
Turkish Lira-denominated	60.4%	59.2%	53.0%
Foreign currency denominated	10.3%	12.4%	13.6%
Non-cash loans(1)	12.9%	13.1%	14.0%
Turkish Lira-denominated	7.3%	7.5%	7.6%
Foreign currency denominated	5.6%	5.6%	6.4%
Finance lease receivables	2.2%	2.4%	2.9%
Factoring receivables	0.6%	0.7%	0.8%
Due from banks	0.4%	0.4%	0.3%
Money market placements	0.3%	0.1%	1.8%
Turkish government securities	12.0%	10.6%	12.6%
Corporate securities	0.0%	0.1%	0.1%
Other securities	0.8%	0.9%	1.1%
Total	**100.0%**	**100.0%**	**100.0%**

(1) Non-cash loans include letters of guarantee, acceptance credits, letters of credits and other guarantees.

C. Risk Elements

Risk Management – Loan Approval Process

The Bank's Board of Directors has the right to grant loans within the limits set by the Banking Law and may assign its credit granting authority to the Credit Committee and the Head Office for up to 10% and 1% of capital, respectively. The Head Office may use this credit granting authority in its units, regional offices and branches. The Head Office and regions are currently authorised to approve exposures up to TL 100.0 million.

Loans from TL 100.0 million to TL 1,000.0 million are approved by the Credit Committee, which consists of the General Manager and three permanent and two reserve members of the Bank's Board of Directors.

Extensions of credit in excess of TL 1,000.0 million are approved by the Board of Directors.

Risk Management – Credit Review Policies

Retail and Small Business Banking

The Bank's retail loan and Small Business Banking loan credit approval process requires a customer loan to be reviewed and approved by at least two authorised officers, in each case with requisite credit approval authority. Overall policies are set by the Board of Directors, as recommended by the Credit Committee. See also "Management – Board Committees" in the Base Prospectus. The following tables set forth the various authorities to allocate credit based upon the size of credit for retail and credit cards (in the first table) and SME and Business Banking loans (in the second table):

Retail and Credit Cards - Credit approval required, based upon the size of credit – Retail loans and Credit Cards	Lending limit TL
Executive Vice President	Up to 20,000,000
Director of Retail Credits Allocation	Up to 4,000,000
Division Manager of Retail Credits Allocation and Intelligence	Up to 3,000,000
Manager of Consumer Loans and Credit Card Allocation	Up to 1,500,000
Assistant Manager of Consumer Loans and Credit Card Allocation	Up to 500,000
Supervisor/Assistant Supervisor of Retail Credits	Up to 200,000

SME and Small Business Banking - Credit approval required, based upon the size of credit	Lending limit TL
Credit Region Management Group Department Manager	Up to 20,000,000
Regional Manager	Up to 10,000,000
Credit Region Allocation Manager	Up to 4,000,000
Credit Region Allocation Assistant Vice President	Up to 3,000,000
Credit Region Allocation Supervisor with authority	Up to 400,000

Note: SME customers with annual revenues of over TL 2 million are part of the Bank's SME segment under Commercial Banking and customers with annual revenues of up to TL 2 million are part of Small Business Banking.

In addition, each branch manager has a limited level of authorisation based upon his or her level of experience and past performance, the branch's categorisation, the branch's type, the level of collateral, the obligor's rating and the product type.

Before extending credit, each loan application is assessed initially at the branch level. The analysis takes into consideration a number of criteria, including three years of financial statements of the potential SME borrower, standard credit ratios, levels of existing indebtedness, the prior relationship of the potential borrower with the Bank, past credit history, various documentation relating to the operation of the potential borrower's business (*e.g.*, commercial registration certificates, specimen signatures, principal business contracts of the firm), quality of the proposed collateral, if any, and evidence of income, good health and personal statistics in the case of individual loans. In each case, the loan application form is then forwarded to the person(s) or committee with the appropriate approval authority. Loan authorities may revise the terms of the proposed credit or may request additional collateral before deciding whether to grant the credit. Decisions are also based, in the case of corporate borrowers, upon industry sector reports and economic analysis prepared by the Bank's Economic Research and Planning department and Credit Information and Financial Analysis department.

All the applications for consumer loans and credit cards extended to real persons are scored with a model created on the basis of information provided by the applicant and information obtained from external resources (*e.g.*, credit bureaus, identity sharing systems) with the purpose of evaluating the customer's creditworthiness. The applications approved according to the policy rules created for credit bureau records of the customer and his/her payment performance concerning the existing products in the Bank, his/her bad check records, income and other personal information in addition to the internal scorecard, are automatically approved by the system and applications that are not approved by the system can be approved by allocation units. The performance of the portfolio is monitored through behavior scores and actions are determined according to the early warning signals.

The Bank's management regularly monitors the overall quality of its retail credit portfolio through its branches and the Loans Department. Credit follow-up procedures include monitoring maturity and the status of collateral received as well as any defaults on liabilities and commitments (*e.g.*, unpaid principal or interest, unpaid checks, protested drafts or bonds and unpaid commissions). In addition, the Loans Department reviews relevant governmental regulations and internal bank policies and reports to the relevant loan authorities or branches, on a periodic basis. The relevant loan authority and/or branches are then responsible for monitoring the credit to prevent borrower default. The Bank supplements its monitoring process for corporate borrowers by conducting research by the Loans department, which prepares company and industry-specific reports. Loan officers also periodically visit their customers and the IAD periodically visits the branches to prepare reports about credit portfolios. If the Loans Department identifies a potential problem, then it makes information available, and gives instructions, to the relevant branch(es).

The Bank seeks to minimise its credit risk by requiring customers to pledge collateral to secure payment. For less liquid collateral, such as real estate, a higher excess over principal value is required. For real estate mortgages, for example, the Bank generally requires collateral in an amount equal to 200% of the value of principal and interest due over the term of the credit. If the extension of a mortgage or a new mortgage is requested, property securing the mortgage is independently appraised and revalued in view of fluctuations in the exchange rate between the Turkish Lira and certain foreign currencies, including the U.S. Dollar and the euro. If such real estate collateral must be liquidated, then it is typically liquidated through legal proceedings, which might take up to two years. The Bank typically seeks collateral that, as far as possible, matches the type of credit extended in terms of liquidity, maturity and the creditworthiness of the customer. Collateral is classified according to a "collateral value table," which is an annex to the corporate credit policy. For each collateral, the loan-to-value ("*LTV*") ratio is determined. The LTV ratio may be taken as a reference value for the purpose of calculating the Bank's secured and unsecured concentration ratios. The requested collateral should be in line with the credibility of the customer and tenor of the loan.

Corporate and Commercial Banking

Similar to the Bank's retail loan and Small Business Banking loan approval process, the corporate and commercial loan credit approval process requires a customer loan to be reviewed and approved by at least two authorised officers, in each case with requisite credit approval authority.

The following table sets forth the various authorities to approve credit based upon the size of credit:

Credit approval required, based upon the size of credit(1)	**Lending limit TL**
Board of Directors	Above 800,000,000 legal outstanding limits
Corporate Credit Committee	Up to 800,000,000
General Manager /Executive Vice President of Corporate and Commercial Credits	Up to 80,000,000
Executive Vice President of Corporate and Commercial Credits	Up to 30,000,000
Executive Vice President /Senior Vice President of the related Banking Division	Up to 20,000,000
Senior Vice President of Corporate and Commercial Credits Allocation Group	Up to 20,000,000
Vice President of Corporate and Commercial Credits Allocation Group	Up to 15,000,000
Manager of Corporate and Commercial Credits Allocation Group	Up to 7,500,000
Assistant Vice President of Corporate and Commercial Credits Allocation Group	Up to 3,000,000

(1) Cash collateral and letter of reference limits can be allocated in addition to credit limits.

In addition, the commercial and corporate branches of the Bank have been given the authority to extend credit within the limits set out by the Head Office in order to better serve the Bank's customers in an increasingly competitive market. The credit committee of a branch is composed of at least two members: the Branch Manager, as permanent member (whose participation is obligatory), and the Marketing Assistant Vice President/Supervisor. In the absence of either one of the members, alternative members can also be assigned.

Each credit application is assessed initially at the branch level before extending credit. The analysis takes into consideration a number of criteria, including three years of financial statements of potential borrowers, market intelligence, standard credit ratios, levels of existing indebtedness, the relationship of a potential borrower with the Bank, if any, credit history, various operational documentation (*e.g.,* commercial registration certificates, specimen signatures, principal business contracts of the firm), the quality of the proposed collateral, if any, and evidence of income. After this stage, the credit application form is then forwarded to the person(s) or committee that has the authority to approve the credit. Credit authorities may revise the terms of the proposed loans or may request additional collateral before deciding whether to grant the loans or not. Decisions are also based, in the case of corporate borrowers, on industry sector reports and economic analyses prepared by the Sector Analysis department. Moreover, the Bank has implemented Moody's Risk Rating Systems in order to improve its ability to assess and manage credit risk and to calculate capital requirements versus the credit risk.

The Bank uses different credit risk rating systems for its portfolios. Credit risk rating systems are implemented to ensure reliable borrower rating and therefore optimum decision-making on credit policy-related matters.

The Bank uses a Probability of Default ("*PoD*") rating scale that contains 22 grades, nineteen of which corresponds to borrowers who have not been in default and three to borrowers who are or have been in default in the past. This PoD rating scale is in conformity with the Group's and Moody's rating scale.

Different applications for credit, from the same customer, will be examined based upon overall customer credit rating regardless of the form of credit.

This procedure is carried out on a regular basis, at least on a yearly basis, and whenever new information or financial data on the customer is available.

The Bank's management regularly monitors the overall quality of its corporate and commercial loan portfolio through its branches and the Credit Department. Credit follow-up procedures include monitoring the tenor and the collateral status as well as any defaults on liabilities and commitments (*e.g.*, unpaid principal or interest, unpaid checks, protested drafts or bonds and unpaid commissions).

To secure a healthy corporate and commercial loan portfolio, the Credit Department conducts research, prepares company- and industry-specific reports; loan officers periodically visit their customers, the Internal Audit Department periodically visits the branches to prepare reports on loan portfolios and the Credit Information and Financial Analysis Department prepares financial analyses on an annual basis and reviews the credit exposure of customers at other Turkish financial institutions and such customers' payment history every month, based upon information supplied to the Central Bank by these financial institutions. If the Credit Department identifies a potential problem, then it informs the relevant branch(es) accordingly and takes the necessary actions.

The Bank aims to minimise its credit risk by requiring customers to pledge collateral to secure the payment of credits. Collateral is classified according to a "collateral value table," which is an annex to the corporate credit policy. For each item of collateral, the LTV ratio is determined. The LTV ratio may be taken as a reference value for the purpose of calculating the Bank's secured and unsecured concentration ratios. The requested collateral should be in line with the credibility of the customer and tenor of the loan.

IV. Summary of Loan Loss Experience

The Bank classifies those loans and receivables that are potentially uncollectible (generally those past due 90 days or more) as non-performing loans and sets aside specific provisions in accordance with the Regulation on Provisions and Classification of Loans and Receivables. The Bank also makes specific provisions for loans classified under follow-up regarding credit risk and other factors and general provisions in accordance with the aforementioned regulation.

The Bank classifies as "closely monitored" loans and receivables from the Corporate, Commercial, SME and Micro segments that are more than 30 days delinquent and, in such circumstances, the Bank makes specific provisions as a result of its risk assessment. These provisions are recorded as liabilities under "other provisions" as "free reserves for possible loan losses." Except for specific provisions and free reserves for possible loan losses, the Bank makes general loan loss provisions and records them under liabilities as "general provisions." Provisions made for loans are recorded under "provision for loan losses and other receivables" in the statement of income.

Collections for provisioned loans made during a period and collections for provisioned loans made in prior periods are offset against "provision for loans and other receivables" in the income statement. Collections on principal made on written-off loans are recorded under "other operating income" and collections on interest of write-off loans are recorded under "interest on loans." Write-offs are made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Such loans are written-off after all necessary collection procedures have been completed and the amount of the loss has been determined. Write-offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts previously written-off decrease the amount of the provision for impairment losses on loans and receivables, finance lease receivables and factoring receivables in the income statement.

The following table illustrates the movement in the allowance for specific provisions for loans and receivables for the periods detailed below.

	2014	2015	2016
		(TL thousands)	
Balances at beginning of the period....................	2,457,128	2,168,614	3,061,779
Provision for period	1,417,351	1,300,063	1,794,561
Provision reversals..	(543,715)	(404,778)	(400,979)
Write-offs[(1)]...	(1,162,150)	(2,120)	(1,203,598)
Balances at the end of the period.................	**2,168,614**	**3,061,779**	**3,251,763**

(1) Includes loans written off and NPLs sold.

The table below shows to the Group's general provisions for losses on cash and non-cash credit exposure as of each of the indicated dates:

	As of 31 December		
	2014	2015	2016
		(TL thousands)	
Cash	867,188	1,105,128	1,188,727
Non-cash commitments and contingencies	75,473	85,275	99,685
Total	**942,661**	**1,190,403**	**1,288,412**

Key ratios related to the activity in the Group's allowance for specific provisions for loans and receivables to customers for the indicated years to which the Group's loan impairment methodology was applied are as follows:

	2014	2015	2016
NPLs to total gross cash loans	5.2%	6.3%	5.8%
NPLs to loans and receivables to customers and non-cash loans	9.0%	11.9%	11.0%
Specific provisions for loan losses to NPLs	79.1%	80.3%	83.9%
Specific provisions for loan losses to total loans	4.1%	5.1%	4.9%
NPLs to total shareholders' equity	31.1%	40.6%	37.6%

Quality of Loans and Receivables, Non-Performing Loans, Allowance for Impairment on Loans and Receivables, and Loan Loss Experience

The table below shows the Bank's NPLs by loan type as of each of the indicated dates:

	As of 31 December		
	2014	2015	2016
		(TL thousands)	
Corporate	912,656	1,323,431	1,821,584
Consumer	598,250	814,590	682,190
Credit Card	1,076,430	1,427,081	1,077,579
Overdraft	132,123	228,556	270,242
Other/Miscellaneous Receivables	20,512	21,001	22,553
Total	**2,739,971**	**3,814,659**	**3,874,148**

The table below shows Bank's NPLs and related provisions as of each of the indicated dates:

	As of 31 December								
	2014			2015			2016		
	NPLs[1]	Total Provision	% Reserved	NPLs[1]	Total Provision	% Reserved	NPLs[1]	Total Provision	% Reserved
Risk Category				*(TL thousands, except percentages)*					
Doubtful	424,415	85,654	20.2%	470,874	94,174	20.0%	367,839	73,566	20.0%
Substantial	672,783	440,187	65.4%	752,365	376,185	50.0%	656,225	328,113	50.0%
Loss	1,642,773	1,642,773	100.0%	2,591,420	2,591,420	100.0%	2,850,084	2,850,084	100.0%
Total loans classified	**2,739,971**	**2,168,614**	**79.1%**	**3,814,659**	**3,061,779**	**80.3%**	**3,874,148**	**3,251,763**	**83.9%**
Gross loans	52,350,037			60,171,328			65,888,827		
Cash loans, net	49,610,066			56,356,669			62,014,679		

(1) Excludes NPLs sold, which were TL 1,152,711 thousand and TL 1,195,218 thousand for 2014 and 2016, respectively. There were no such sales in 2015.

Treatment of NPLs

The Bank classifies loans as non-performing if they are in arrears (principal and/or interest) for more than 90 days. Loans may be classified as non-performing earlier if deemed in default. The Bank charges penalties on overdue interest in accordance with the terms of the relevant loan agreement. When overdue amounts are fully repaid, companies renew their balance sheet accruals.

Remedial management procedures are employed for loans falling under the non-performing loan category. Under these remedial procedures, the first action is to try to receive the amount from the customers by using alternative solutions, the second action is to recover the amounts due and to enforce or execute the collateral (if secured) through court orders. See "–Loan Portfolio - Risk Analysis – Risk Management – Credit Review Policies."

When a company is assessed to have only temporary financial problems but has the potential to successfully operate in the near future, the Bank reschedules or restructures its non-performing loans in accordance with the Regulation on Provisions and Classification of Loans and Receivables. A restructuring depends on the assessment of the potential of the customer for the regular payment of loans in the future and the existing or additional collateral that the customer is ready to offer. Rescheduled loans remain classified in the same risk category (and thus they remain in the NPL portfolio) for a period of approximately six months after rescheduling. After that period the rescheduled loans can be gradually upgraded to a higher category only if the customer consistently meets its obligations.

Historically, the Group has, in accordance with its risk management policy, focused on recovering amounts due under non-performing loans through its own collection efforts and has sold only limited amounts of its non-performing loans to third parties. The Group may, however, consider selling additional non-performing loans or non-performing loan portfolios in the future if it determines that the benefits of any such sale outweigh the benefits achieved through internal collection efforts.

V. Deposits

The following table shows details of the Group's average deposits and average interest rates thereon, for each of the indicated years:

	2014		**2015**		**2016**	
	Average balance(1)	**Average Rate**	**Average balance(1)**	**Average Rate**	**Average balance(1)**	**Average Rate**
Group Deposits			(*TL thousands, except percentages*)			
Savings deposits(2)	2,062,053	0.0%	2,780,899	0.0%	3,030,945	0.0%
Time deposits..................................	33,080,971	7.9%	36,788,278	7.6%	40,921,164	7.9%
Sight, current and other	3,832,853	0.0%	4,166,682	0.0%	5,498,479	0.0%
Due to other banks..........................	1,385,540	2.7%	1,466,350	2.1%	1,912,845	2.5%
Money market transactions.............	3,995,089	5.7%	4,507,121	4.7%	5,705,972	5.1%
Total deposits	**44,356,506**	**6.5%**	**49,709,330**	**6.1%**	**57,069,406**	**6.3%**

(1) Calculated as the average of the account balances as of the end of each quarterly reporting period.
(2) Relates to non-interest-bearing individual current and saving deposits.

TERMS AND CONDITIONS OF THE NOTES

The terms and conditions of the Notes shall consist of the terms and conditions set out in the Base Prospectus (the "Base Conditions") as amended or supplemented by the issue-specific terms set out below in this section. References in the Base Conditions to "Final Terms" shall be deemed to refer to the issue-specific terms of the Notes substantially in the form set out below.

16 May 2017

FİNANSBANK A.Ş.

Issue of US$750,000,000 4.875% Notes due 2022 (the "*Notes*")
under the US$2,000,000,000
Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "*Conditions*") set forth in the base prospectus dated 27 April 2017 as supplemented on 8 May 2017 and the Prospectus dated 16 May 2017, which together, in the manner described in such Prospectus, constitute a prospectus (the "*Prospectus*") for the purposes of the Prospectus Directive. This document constitutes the issue-specific terms of the Notes and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these issue-specific terms and the Prospectus. The Prospectus has been published on the Issuer's website (www.qnbfinansbank.com/en/investor-relations/financial-information/Default.aspx).

1.	Issuer:		Finansbank A.Ş.
2.	(a)	Series Number:	2017-7
	(b)	Tranche Number:	1
	(c)	Date on which the Notes will be consolidated and form a single Series:	Not Applicable
3.	Specified Currency:		U.S. Dollars or US$
4.	Aggregate Nominal Amount immediately after the issuance of this Tranche:		
	(a)	Series:	US$750,000,000
	(b)	Tranche:	US$750,000,000
5.	Issue Price:		99.671 *per cent.* of the Aggregate Nominal Amount of the Tranche
6.	(a)	Specified Denomination(s):	US$200,000 and integral multiples of US$1,000 in excess thereof
	(b)	Calculation Amount:	US$1,000
7.	(a)	Issue Date:	18 May 2017
	(b)	Interest Commencement Date:	Issue Date
8.	Maturity Date:		19 May 2022

9.	Interest Basis:		4.875 *per cent*. Fixed Rate (*see further particulars in paragraph 14 below)*
10.	Redemption Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 *per cent*. of their nominal amount
11.	Change of Interest Basis:		Not Applicable
12.	Put/Call Options:		Not Applicable
13.	(a)	Status of the Notes:	Senior
	(b)	Date Board approval for issuance of Notes obtained:	20 March 2017

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions:		Applicable
	(a)	Rate(s) of Interest:	4.875 *per cent*. *per annum* payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	19 May and 19 November in each year up to and including the Maturity Date
	(c)	Fixed Coupon Amount(s):	Not Applicable
	(d)	Broken Amount(s):	Not Applicable
	(e)	Day Count Fraction:	30/360
	(f)	Determination Date(s):	Not Applicable
	(g)	Modified Fixed Rate Notes:	Not Applicable
15.	Floating Rate Note Provisions:		Not Applicable
16.	Zero Coupon Note Provisions:		Not Applicable

PROVISIONS RELATING TO REDEMPTION

17.	Notice periods for Condition 8.2:	Minimum period: 30 days Maximum period: 60 days
18.	Issuer Call:	Not Applicable
19.	Investor Put:	Not Applicable
20.	Final Redemption Amount:	US$1,000 per Calculation Amount
21.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	US$1,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22.	Form of Notes:	
	(a) Form:	Registered Notes: Regulation S Registered Global Note registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg exchangeable for Definitive Registered Notes upon an Exchange Event Rule 144A Global Note(s) registered in the name of a nominee for DTC exchangeable for Definitive Registered Notes upon an Exchange Event
	(b) New Global Note:	No
23.	Specified Financial Centre(s):	Not Applicable
24.	Talons for future Coupons to be attached to Definitive Notes:	No

PROVISIONS APPLICABLE TO TURKISH LIRA NOTES

25.	USD Payment Election:	Not Applicable

PROVISIONS APPLICABLE TO RMB NOTES

26.	RMB Currency Event:	Not Applicable

Signed on behalf of **FİNANSBANK A.Ş.**

By: .... By: ....

Duly authorised *Duly authorised*

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(a)	Listing and Admission to trading:	Application has been made by the Issuer (or on its behalf) for the Notes to be listed on the Official List and admitted to trading on the Main Securities Market of the Irish Stock Exchange with effect from 18 May 2017; *however*, no assurance can be given that such application will be accepted.
(b)	Estimate of total expenses related to admission to trading:	€3,290

2. RATINGS

Ratings:	The Notes to be issued are expected to be rated: "BBB-" (stable outlook) by Fitch Ratings Ltd. ("*Fitch*") and "Ba1" (negative outlook) by Moody's Investors Service Limited ("*Moody's*"). Each of Fitch and Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).

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

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

4. YIELD

Indication of yield:	4.950 *per cent. per annum* The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. OPERATIONAL INFORMATION

(a)	ISIN:	US31772DAC65 for Rule 144A Global Note(s) XS1613091500 for Regulation S Registered Global Note
(b)	Common Code:	161320153 for Rule 144A Global Note(s) 161309150 for Regulation S Registered Global Note
(c)	CUSIP:	31772DAC6 for Rule 144A Global Note(s)
(d)	CINS:	Not Applicable
(e)	Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	Not Applicable
(f)	Delivery:	Delivery against payment

	(g)	Names and addresses of additional Paying Agent(s) (if any):	Not Applicable
	(h)	Deemed delivery of clearing system notices for the purposes of Condition 15:	Any notice delivered to Noteholders of Notes held through a clearing system will be deemed to have been given on the first business day after the day on which it was given to the relevant clearing system.
	(i)	Intended to be held in a manner that would allow Eurosystem eligibility:	No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.
6.	**DISTRIBUTION**		
	(a)	Method of distribution:	Syndicated
	(b)	If syndicated, names of Managers:	Citigroup Global Markets Limited HSBC Bank plc ING Bank N.V., London Branch J.P. Morgan Securities plc QNB Capital LLC Standard Chartered Bank
	(c)	Stabilisation Manager(s) (if any):	Citigroup Global Markets Limited
	(d)	If non-syndicated, name of relevant Dealer:	Not Applicable
	(e)	U.S. Selling Restrictions:	Reg. S Compliance Category 2 and Rule 144A
	(f)	Prohibition of Sales to EEA Retail Investors:	Not Applicable
7.	**REASONS FOR THE OFFER**		General corporate purposes

U.S. TAXATION

This is a general summary of certain U.S. federal tax considerations in connection with an investment in the Notes. This summary does not address all aspects of U.S. federal tax law or the laws of other jurisdictions (including the United Kingdom or any state or local tax law). While this summary is considered to be a correct interpretation of existing laws in force on the date of this Prospectus, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the tax consequences that might be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies.

Prospective investors are advised to consult their tax advisers with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition by an owner of beneficial interests therein) as well as any tax consequences that might arise under the laws of any state, municipality or other taxing jurisdiction.

Certain U.S. Federal Income Tax Consequences

The following summary describes certain U.S. federal income tax consequences of the acquisition, ownership and disposition of a Note by a U.S. Holder (as defined below) whose functional currency is the U.S. Dollar that acquires the Note in this offering from the Initial Purchasers at a price equal to the issue price of the Notes and holds it as a capital asset. This summary does not address all aspects of U.S. federal income taxation that may be applicable to particular U.S. Holders subject to special U.S. federal income tax rules, including, among others, tax-exempt organisations, financial institutions, dealers and traders in securities or currencies, U.S. Holders that will hold a Note as part of a "straddle," hedging transaction, "conversion transaction" or other integrated transaction for U.S. federal income tax purposes, U.S. Holders that enter into "constructive sale" transactions with respect to the Notes, U.S. Holders liable for alternative minimum tax and certain U.S. expatriates. In addition, this summary does not address consequences to U.S. Holders of the acquisition, ownership and disposition of a Note under any other U.S. federal tax laws (***e.g.***, estate or gift tax laws) or under the tax laws of any state, locality or other political subdivision of the United States or other countries or jurisdictions.

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

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

The discussion below is based upon the Code, U.S. Treasury regulations promulgated thereunder and judicial and administrative interpretations thereof, all as in effect as of the date of this Prospectus and any of which may at any time be repealed, revoked or modified or subject to differing interpretations, potentially retroactively, so as to result in U.S. federal income tax consequences different from those discussed below.

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

Payments of Interest

Payments of interest on the Notes, including additional amounts, if any, generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. Holder's usual method of accounting for U.S. federal income tax purposes. Interest paid on a Note generally will constitute foreign source income for U.S. federal income tax purposes and generally will be considered "passive" income, which is treated separately from other types of income in computing the foreign tax credit that may be allowable to U.S. Holders under U.S. federal income tax laws. Subject to applicable restrictions and limitations, a U.S. Holder may be entitled to claim a

U.S. foreign tax credit in respect of any Turkish withholding taxes imposed on interest received on the Notes. A U.S. Holder who does not elect to claim a credit for foreign tax may instead claim a deduction in respect of the tax provided the U.S. Holder elects to deduct rather than claim a credit for all foreign taxes for such taxable year. U.S. Holders that are eligible for benefits under the double tax treaty between the United States and Turkey (the "*Double Tax Treaty*") or are otherwise entitled to a refund for the taxes withheld under Turkish tax law generally will not be entitled to a foreign tax credit or deduction for the amount of any Turkish taxes withheld in excess of the maximum rate under the Double Tax Treaty or for those taxes that have been otherwise refunded to them under Turkish tax law. The rules relating to foreign tax credits or deducting foreign taxes are extremely complex, and U.S. Holders are urged to consult their own tax advisers regarding the availability and advisability of claiming a foreign tax credit or a deduction with respect to any Turkish taxes withheld from payment.

Sale, Exchange and Redemption of Notes

Upon the sale, exchange, redemption, retirement at maturity or other taxable disposition of a Note, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised (*i.e.*, the amount of cash and the fair market value of any property received on the disposition (except to the extent the cash or property received is attributable to accrued and unpaid interest not previously included in income, which is treated like a payment of interest)) and the U.S. Holder's tax basis in the Note. A U.S. Holder's tax basis in a Note generally will equal the amount paid for the Note. Gain or loss recognised by a U.S. Holder on the sale, exchange or other disposition of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source. The deductibility of capital losses is subject to significant limitations. U.S. Holders should consult their own advisers about the availability of U.S. foreign tax credits or deductions with respect to any Turkish taxes imposed upon a disposition of Notes.

Information Reporting and Backup Withholding

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

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

Medicare Tax

Certain U.S. Holders who are individuals, estates or non-exempt trusts with income that exceeds certain thresholds must pay an additional 3.8% tax on, among other things, interest on and capital gains from the sale, retirement or other taxable disposition of Notes. U.S. Holders should consult their tax advisers regarding the effect, if any, of this tax on their investment in the Notes.

PLAN OF DISTRIBUTION

The Bank intends to offer the Notes through the Initial Purchasers and their respective broker-dealer affiliates, as applicable. Subject to the terms and conditions stated in a subscription agreement in respect of the Notes expected to be entered into on 16 May 2017 among the Initial Purchasers and the Bank (the "*Subscription Agreement*"), each of the Initial Purchasers has severally (and not jointly nor jointly and severally) agreed to purchase, and the Bank has agreed to sell to each of the Initial Purchasers, the principal amount of the Notes set forth opposite each Initial Purchaser's name below at the issue price of 99.671% of the principal amount of the Notes.

Initial Purchasers	*Principal Amount of Notes*
Citigroup Global Markets Limited	US$125,000,000
HSBC Bank plc	US$125,000,000
ING Bank N.V., London Branch	US$125,000,000
J.P. Morgan Securities plc	US$125,000,000
QNB Capital LLC	US$125,000,000
Standard Chartered Bank	US$125,000,000
Total	**US$750,000,000**

The Subscription Agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The offering of the Notes by the Initial Purchasers is subject to receipt and acceptance and subject to the Initial Purchasers' right to reject any order in whole or in part.

The Bank has been informed that the Initial Purchasers propose to resell beneficial interests in the Notes at the issue price set forth on the cover page of this Prospectus to persons reasonably believed to be QIBs in reliance upon Rule 144A and to non-U.S. persons in offshore transactions in reliance upon Regulation S (see "Subscription and Sale" and "Transfer and Selling Restrictions" in the Base Prospectus). The prices at which beneficial interests in the Notes are offered may be changed at any time without notice.

Offers and sales of the Notes in the United States will be made by those Initial Purchasers or their respective affiliates that are registered broker-dealers under the U.S. Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), or in accordance with Rule 15a-6 thereunder.

The Notes have not been registered under the Securities Act or the securities laws of any State or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act (see "Subscription and Sale" and "Transfer and Selling Restrictions" in the Base Prospectus). Accordingly, until 40 days after the Issue Date (the "*Distribution Compliance Period*"), an offer or sale of Notes (or beneficial interests therein) within the United States or to, or for the account or benefit of, any U.S. person by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Each Initial Purchaser has agreed that it will send to each dealer to which it sells the Regulation S Registered Global Note (or beneficial interests therein) during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes (or beneficial interests therein) within the United States or to, or for the account or benefit of, U.S. persons substantially to the following effect:

> "The Notes covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "*Securities Act*") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons: (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, except, in either case, in accordance with Rule 144A under the Securities Act or in an offshore transaction. Terms used above have the meanings given to them by Regulation S."

While application has been made by the Bank to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on the Main Securities Market, the Notes constitute a new class of securities of the Bank with a limited trading market. The Bank cannot provide any assurances to investors that the prices at which the Notes (or beneficial interests therein) will sell in the market will not be lower than the initial offering price or that an active trading market for the Notes will develop. The Initial Purchasers have advised the Bank that they currently intend to make a market in the Notes; *however*, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. No assurance can be given that the application to the Irish Stock Exchange to admit the Notes to listing on the Official List and trading on the Main Securities Market will be accepted.

In connection with the offering, one or more Initial Purchaser(s) might purchase and sell Notes (or beneficial interests therein) in the secondary market. These transactions might include over-allotment, syndicate covering transactions and stabilising transactions. Over-allotment involves the sale of Notes (or beneficial interests therein) in excess of the principal amount of Notes to be purchased by the Initial Purchasers in their initial offering, which creates a short position for the Initial Purchasers. Covering transactions involve the purchase of the Notes (or beneficial interests therein) in the open market after the distribution has been completed in order to cover short positions. Stabilising transactions consist of certain bids or purchases of Notes (or beneficial interests therein) made for the purpose of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein) while the offering is in progress. Any of these activities might have the effect of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein). They might also cause the price of the Notes (or beneficial interests therein) to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Initial Purchasers might conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, then they might discontinue them at any time.

The Bank expects that delivery of interests in the Notes will be made against payment therefor on the Issue Date. Under Rule 15c6-l of the Exchange Act, trades in the secondary market through a broker or dealer in the United States generally are required to settle in three New York City business days, unless the parties to any such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in the Notes through a broker or dealer in the United States on the date of this Prospectus or the next New York City business days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Investors in the Notes who wish to trade interests in the Notes through a broker or dealer in the United States on the date of this Prospectus or the next New York City business days should consult their own adviser.

QNB, the parent of QNB Capital LLC, one of the Initial Purchasers, is the controlling shareholder of the Bank as described in the Base Prospectus. The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which might include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their respective affiliates might have performed investment banking and advisory services for the Bank and its affiliates from time to time for which they might have received fees, expenses, reimbursements and/or other compensation. The Initial Purchasers or their respective affiliates might, from time to time, engage in transactions with and perform advisory and other services for the Bank and its affiliates in the ordinary course of their business. Certain of the Initial Purchasers and/or their respective affiliates have acted and expect in the future to act as a lender to the Bank and/or other members of the Group and/or otherwise participate in transactions with the Group.

In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates might make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and might at any time hold long and short positions in such securities and instruments. Such investment and securities activities might involve securities and instruments of the Bank and/or other members of the Group. In addition, certain of the Initial Purchasers and/or their respective affiliates hedge their credit exposure to the Bank and/or other members of the Group pursuant to their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes (or beneficial interests therein).

The Initial Purchasers and their respective affiliates might also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and might hold, or recommend to clients that they acquire, long and/or short positions in such securities or instruments.

The Bank will agree in the Subscription Agreement, in connection with the issue and offering of the Notes, to indemnify each Initial Purchaser against certain liabilities, or to contribute to payments that the Initial Purchasers are required to make because of those liabilities.

LEGAL MATTERS

Certain matters relating to the issuance of the Notes will be passed upon for the Bank by Mayer Brown LLP (or affiliates thereof) as to matters of United States law and by YazıcıLegal as to matters of Turkish law (other than with respect to tax-related matters). Certain matters of English and United States law will be passed upon for the Initial Purchasers by Herbert Smith Freehills LLP, and certain matters of Turkish law will be passed upon for the Initial Purchasers by Paksoy Ortak Avukat Bürosu (which will also pass upon matters of Turkish tax law).

OTHER GENERAL INFORMATION

Authorisation

The most recent update of the Programme and the further issue of notes thereunder have been duly authorised by resolutions of the Board of Directors of the Issuer dated 20 March 2017.

Listing of Notes

An application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market; *however*, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to listing on the Official List and to trading on the Main Securities Market will be granted on or before the Issue Date, subject only to the issue of the Notes. The Main Securities Market is a regulated market for the purposes of MiFID I. The expenses in connection with the admission of the Notes to the Official List and to trading on the Main Securities Market are expected to amount to approximately €3,290.

Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as Irish listing agent for the Bank in connection with the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

Documents Available

For as long as any of the Notes are outstanding, copies of the following documents will (as applicable, when published) be available in physical form for inspection at the registered office of the Issuer and from the specified office of the Fiscal Agent for the time being in London:

(a) the articles of association (with a certified English translation thereof) of the Issuer,

(b) the BRSA Financial Statements,

(c) 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, prepared in accordance with BRSA Accounting and Reporting Regulations and together with any audit or review reports prepared in connection therewith,

(d) the Agency Agreement, the Deed of Covenant and the Deed Poll and the forms of the Global Notes and the Notes in definitive form, and

(e) a copy of this Prospectus and the Base Prospectus (including the supplements thereto).

With respect to each of the BRSA Financial Statements, please see "Independent Auditors" below.

In addition, copies of this Prospectus and the documents incorporated by reference herein will also be available in electronic format on the Issuer's website. See "Documents Incorporated by Reference" above. Such website does not, and should not be deemed to, constitute a part of, or be incorporated into, this Prospectus.

Clearing Systems

The Rule 144A Global Note(s) has/have been accepted into DTC's book-entry settlement system and the Regulation S Registered Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg (CUSIP: 31772DAC6, ISIN: US31772DAC65 and Common Code: 161320153 with respect to the Rule 144A Global Note(s) and ISIN: XS1613091500 and Common Code: 161309150 with respect to the Regulation S Registered Global Note).

Through DTC's accounting and payment procedures, DTC will, in accordance with its customary procedures, credit interest payments received by DTC on any Interest Payment Date based upon DTC participant holdings of the Notes on the close of business on the New York Business Day immediately preceding each such Interest Payment Date. A "New York Business Day" is a day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York are authorised or required by law or executive order to close.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Significant or Material Change

There has been: (a) no significant change in the financial or trading position of either the Bank or the Group since 31 March 2017 and (b) no material adverse change in the financial position or prospects of either the Bank or the Group since 31 December 2016.

Interests of Natural and Legal Persons Involved in the Issue

Except with respect to the fees to be paid to the Initial Purchasers, so far as the Bank is aware, no natural or legal person involved in the issue of the Notes has an interest, including a conflicting interest, material to the issue of the Notes. It should be noted that one of the Initial Purchasers (*i.e.*, QNB Capital LLC) is a subsidiary of QNB, which (as described in the Base Prospectus) is the controlling shareholder of the Bank.

Litigation

Except as described in "Business of the Group – Legal Proceedings" in the Base Prospectus, neither the Bank nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus that may have or have in such period had a significant effect on the financial position or profitability of the Bank or the Group.

Independent Auditors

The BRSA Financial Statements of the Bank and the Group as of and for the year ended 31 December 2014, 2015 and 2016 have been audited by Güney Bağımsız Denetim ve S.M.M.M. A.Ş., a member firm of Ernst & Young Global Limited ("*Ernst & Young*") in accordance with the Regulation on Authorisation and Activities of Institutions that Conduct Independent Audit of Banks published in the Official Gazette dated 1 November 2006 and numbered 26333 and the Independent Auditing Standards, which is a part of the Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority (the "*POA*"). The audit reports on such BRSA Financial Statements emphasise that: (a) the effect of the differences between the accounting principles summarised in Section 3 thereof and the accounting principles generally accepted in countries in which the financial statements are to be distributed and IFRS have not been quantified and reflected in the financial statements, (b) the accounting principles used in the preparation of the financial statements differ materially from IFRS and (c) accordingly, the financial statements are not intended to present the Group's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS. See the auditors' reports incorporated by reference into the Base Prospectus.

The BRSA Financial Statements of the Bank and the Group as of and for the three months ended 31 March 2017 (incorporated into this Prospectus) have been reviewed in accordance with SRE 2410, which is the Limited Review of Interim Financial Information Performed by the Independent Auditor of an Entity promulgated by the POA.

Ernst & Young's audit and review reports (as applicable) included in the BRSA Financial Statements contain a qualification (see "Risk Factors – Risks related to the Group's Business – Audit Qualification" in the Base Prospectus, as deemed modified hereby for purpose of the Notes, for further information).

Ernst & Young is located at Maslak Mah. Eski Büyükdere Cad. No.27 Orjin Maslak Daire 54-57-59 Kat: 2-3-4, 34398, Sarıyer, İstanbul. Ernst & Young, an independent certified public accountant in Turkey, is an audit firm authorised by the BRSA to conduct independent audits of banks in Turkey.

THE ISSUER

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