

PROSPECTUS



KUVEYTTÜRK

KT SUKUK COMPANY LIMITED

(incorporated in the Cayman Islands as an exempted company with limited liability)

U.S.\$350,000,000 Fixed Rate Resettable Tier 2 Certificates due 2026

The U.S.\$350,000,000 fixed rate resettable tier 2 certificates due 2026 (the "**Certificates**") of KT Sukuk Company Limited (in its capacity as issuer and trustee, the "**Trustee**") will be constituted by a declaration of trust (the "**Declaration of Trust**") dated on or around 17 February 2016 (the "**Closing Date**") entered into between the Trustee, Kuveyt Türk Katılım Bankası A.Ş. ("**Kuveyt Türk**") and the "**Obligor**") and HSBC Corporate Trustee Company (UK) Limited (the "**Delegate**"). The Certificates confer on the holders of the Certificates from time to time (the "**Certificateholders**") the conditional right to receive certain payments (as more particularly described herein) arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "**Trust**") over the Trust Assets (as defined herein) and the Trustee will hold such Trust Assets, including certain subordinated obligations of Kuveyt Türk as described herein, upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates (the "**Conditions**").

The Certificates are subject to loss absorption upon the occurrence of a Non-Viability Event (as defined herein), in which case an investor in the Certificates might lose some or all of its investment in the Certificates. See Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*).

The payment obligations of Kuveyt Türk under the Transaction Documents (including all payments which are the equivalent of principal and profit) will constitute direct, unsecured and subordinated obligations of Kuveyt Türk and shall, in the case of a Subordination Event (as defined herein) and for so long as that Subordination Event subsists, rank subordinate to all Senior Obligations, rank *pari passu* without any preference among themselves and with all Parity Obligations and rank in priority to all payments in respect of Junior Obligations (each as defined herein).

Periodic Distribution Amounts (as defined herein) shall be payable subject to and in accordance with the Conditions on the outstanding face amount of the Certificates from (and including) the Closing Date to (but excluding) 17 February 2021 (the "**Trustee Call Date**") at a rate of 7.900 per cent. per annum. If the Certificates are not redeemed in accordance with the Conditions on or prior to the Trustee Call Date, Periodic Distribution Amounts shall be payable from (and including) the Trustee Call Date subject to and in accordance with the Conditions at a fixed rate, to be reset on the Trustee Call Date, equal to the Relevant 5 Year Reset Rate (as defined in the Conditions) plus a margin of 6.750 per cent. per annum. Periodic Distribution Amounts will be payable semi-annually in arrear on 17 February and 17 August in each year (each, a "**Periodic Distribution Date**"), commencing 17 August 2016.

Unless previously redeemed, or purchased and cancelled in accordance with the Conditions, subject to and in accordance with the Conditions, the Certificates will be redeemed on the Periodic Distribution Date falling on 17 February 2026 (the "**Scheduled Dissolution Date**") at the Dissolution Distribution Amount (as defined herein). The Trustee will pay the Dissolution Distribution Amount solely from the proceeds received in respect of the Trust Assets (as defined below). In addition, the Trustee (subject to Kuveyt Türk having obtained the prior approval of the BRSA) may redeem all but not some only of the Certificates on the Trustee Call Date in accordance with Condition 8.2 (*Early Dissolution at the option of the Trustee*). In addition, upon the occurrence of a Tax Redemption Event or a Capital Disqualification Event (each as defined in the Conditions), the Certificates may be redeemed in whole (but not in part), on any Periodic Distribution Date (in respect of a Tax Redemption Event) in accordance with Condition 8.4 (*Early Dissolution for Tax Reasons*) and at any time on or after the Closing Date (in respect of a Capital Disqualification Event) in accordance with Condition 8.3 (*Early Dissolution upon a Capital Disqualification Event*).

The Certificates will be limited recourse obligations of the Trustee. An investment in Certificates involves certain risks. For a discussion of these risks, see "Risk Factors".

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority under Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU) (the "**Prospectus Directive**"). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and European Union ("EU") law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). Such approval relates only to the Certificates which are to be admitted to trading on the Main Securities Market or any other regulated markets for the purposes of Directive 2004/39/EC (each such regulated market being a "**MiFID Regulated Market**") or which are to be offered to the public in any member state of the European Economic Area (each a "**Member State**").

The Certificates may only be offered, sold or transferred in registered form in minimum face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

The Certificates are expected to be assigned a rating of BBB- by Fitch Ratings Ltd. ("**Fitch**"). As of the date of this Prospectus, Fitch is established in the European Union and is registered under Regulation (EU) No 1060/2009 (as amended) (the "**CRA Regulation**"). As such, Fitch is included in the list of credit ratings agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold the Certificates (or interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Turkey has been assigned a long-term debt rating of BB+ (negative outlook) by Standard & Poor's Credit Market Services Europe Limited, a division of The McGraw-Hill Companies, Inc. ("**Standard & Poor's**"), Baa3 (negative outlook) by Moody's Investors Service Limited ("**Moody's**") and BBB- (stable outlook) by Fitch. Each of Standard & Poor's and Moody's is established in the European Union and is registered under the CRA Regulation. As such, each of Standard & Poor's and Moody's is included in the list of credit ratings agencies published by ESMA on its website in accordance with the CRA Regulation.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority 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 ("**Regulation S**") except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Certificates are being offered or sold solely to persons who are not U.S. persons outside the United States in reliance on Regulation S. Each purchaser of the Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

Delivery of the Certificates in book-entry form will be made on the Closing Date. The Certificates will be represented by interests in a global certificate in registered form (the "**Global Certificate**") deposited on or about the Closing Date with, and registered in the name of a nominee for, a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the HSBC Saudi Arabia Executive Shari'ah Committee, the KFH Capital Sharia Committee, the QInvest Sharia'a Supervisory Board, the Fatwa and Shari'a Supervisory Board of Noor Bank and the Shari'a Supervision Board of Dubai Islamic Bank and Dar Al Sharia Legal and Financial Consultancy. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals referred to above is in compliance with *Shari'a* principles.

Sole Global Coordinator
KFH Capital

Dubai Islamic Bank PJSC

Joint Bookrunners
Emirates NBD Capital

HSBC

Noor Bank PJSC

KAMCO Investment Company K.S.C. (Public)

KFH Capital

QInvest

Joint Lead Managers

Abu Dhabi Islamic Bank PJSC

Dubai Islamic Bank PJSC

Emirates NBD Capital

HSBC

Noor Bank PJSC

KAMCO Investment Company K.S.C. (Public)

KFH Capital

QInvest

The date of this Prospectus is 11 February 2016

IMPORTANT NOTICES

This Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU) (the "Prospectus Directive") and for the purpose of giving information with regard to the Trustee, Kuveyt Türk and the Certificates which, according to the particular nature of the Trustee, Kuveyt Türk and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and Kuveyt Türk.

The Trustee and Kuveyt Türk accept responsibility for the information contained in this Prospectus and each declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Joint Lead Managers and the Delegate have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers and the Delegate as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Joint Lead Managers and the Delegate in connection with the offering of the Certificates.

Certain information under the headings "*Risk Factors*", "*Description of Kuveyt Türk Katılım Bankası A.Ş.*", "*Selected Financial Overview*" and "*Overview of the Turkish Banking Sector and Regulations*" has been extracted from public official sources. Each of Kuveyt Türk and the Trustee confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information is stated where such information appears in this Prospectus.

No person has been authorised by the Trustee or Kuveyt Türk to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the offering of the Certificates and, if given or made, such information or representation should not be relied upon as having been authorised by the Trustee, Kuveyt Türk, the Delegate or any of the Joint Lead Managers.

None of the Joint Lead Managers, the Delegate or any of their respective affiliates make any representation or warranty or accept any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor any sale of any Certificates shall, under any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Trustee or Kuveyt Türk since the date hereof or, if later, the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Certificates is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Delegate and the Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Trustee or Kuveyt Türk during the life of the Certificates or to advise any investor in the Certificates of any information coming to their attention.

No comment is made or advice given by the Trustee, Kuveyt Türk, the Delegate or the Joint Lead Managers in respect of taxation matters relating to any Certificates or the legality of the purchase of Certificates by an investor under applicable or similar laws.

The distribution of this Prospectus and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any other information supplied in connection with the Certificates comes are required by the Trustee, Kuveyt Türk and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Certificates and on the distribution of this Prospectus and other offering material relating to the Certificates, see "*Subscription and Sale*". In particular, Certificates have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**"). Subject to certain exceptions, Certificates may not be offered, sold or delivered within the United States or to U.S. persons as defined in Regulation S under the

Securities Act ("**Regulation S**"). The Trustee, Kuveyt Türk, the Delegate and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that any Certificates 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.

Neither this Prospectus nor any other information supplied in connection with the Certificates constitutes an offer or an invitation to subscribe for or purchase any Certificates and should not be considered as a recommendation by the Trustee, Kuveyt Türk, the Delegate and the Joint Lead Managers or any of them that any recipient of this Prospectus or any other information supplied in connection with the Certificates should subscribe for or purchase any Certificates. Each recipient of this Prospectus or any other information supplied in connection with the Certificates shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Trustee and Kuveyt Türk.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning Kuveyt Türk's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. When used in this Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. Kuveyt Türk has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although Kuveyt Türk believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise, including those which Kuveyt Türk has identified in this Prospectus, or if any of Kuveyt Türk's underlying assumptions prove to be incomplete or inaccurate, Kuveyt Türk's actual results of operation may vary from those expected, estimated or predicted.

These forward-looking statements speak only as at the date of this Prospectus. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Without prejudice to any requirements under applicable laws and regulations, Kuveyt Türk expressly disclaims any obligation or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward looking statement is based.

The investment activities of certain investors are subject to legal investment laws and regulations, or the review of such laws and regulations by certain governmental or regulatory authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Certificates constitute legal investments for it; (ii) the Certificates can be used as collateral for various types of borrowing; and (iii) other restrictions apply to any purchase or pledge of any Certificates by the investor. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules and regulations.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Kuveyt Türk maintains its books of account and prepares statutory financial statements in Turkish lira in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents published in the Official Gazette dated 1 November 2006 (No. 26333), which refers to Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Turkish Accounting Standards Board and additional explanations and notes related to them, and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA (collectively, "**BRSA Principles**").

The annual statutory audited consolidated financial statements of Kuveyt Türk for the years ended 31 December 2013 and 2014 prepared and presented in accordance with BRSA Principles (the "**BRSA Accounts**") are incorporated by reference in this Prospectus. The BRSA Accounts were audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of Deloitte Touche Tohmatsu Limited ("**Deloitte**").

The unaudited consolidated financial statements of Kuveyt Türk for the nine month period ended 30 September 2015 prepared and presented in accordance with BRSA Principles (the "**Interim BRSA Accounts**") are also incorporated by reference in this Prospectus. The Interim BRSA Accounts were reviewed by Deloitte.

Kuveyt Türk's foreign subsidiaries maintain their books of account and prepare their financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries in which they operate.

Although Kuveyt Türk is not legally required to prepare financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Standards Interpretations Committee of the IASB (collectively, "**IFRS**"), it also prepares audited consolidated annual financial statements for the year ended 31 December and unaudited consolidated interim financial statements for the six month period ended 30 June each year in accordance with IFRS. The audited consolidated annual financial statements of Kuveyt Türk for the years ended 31 December 2013 and 2014 prepared and presented in accordance with IFRS (the "**IFRS Accounts**") are further incorporated by reference in this Prospectus. The IFRS Accounts were audited by Deloitte.

Reference is made in relation to certain financial data included in this Prospectus to such data having been prepared in accordance with BRSA Principles. Financial data prepared in accordance with BRSA Principles is included in this Prospectus when similar information has not been prepared or made available in accordance with IFRS or for the purposes of comparison with similar data made publicly available by the BRSA regarding Kuveyt Türk's competitors. Unless otherwise indicated, the financial data included in this Prospectus is extracted from the IFRS Accounts.

BRSA Principles differ from IFRS. For a discussion of the differences between BRSA Principles and IFRS, see "*Summary of Differences between IFRS and BRSA Principles*".

All references in this Prospectus to "**U.S. dollars**", "**U.S.\$**" and "**\$**" are to the lawful currency of the United States of America, all references to "**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 all references to "**Turkish lira**" (in Turkish: Türk lirası) and "**TRY**" are to the lawful currency of the Republic of Turkey. Translations of amounts from U.S. dollars or euro to Turkish lira and *vice versa* in this Prospectus are solely for the convenience of the reader.

All references in this Prospectus to "**Turkey**" are to the Republic of Turkey.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. Accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

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

Kuveyt Türk has obtained a letter dated 2 September 2015 and numbered 20008792-101.01[93]E.12819 from the BRSA (the "**BRSA Tier 2 Approval**") approving the treatment of the Certificates as Tier 2 capital of Kuveyt Türk for so long as the Certificates comply with the requirements of the BRSA Regulation (as defined in the Conditions). The BRSA Tier 2 Approval is conditional upon the compliance of the Certificates with the requirements of the BRSA Regulation. Accordingly, among other requirements, if Kuveyt Türk provides cash loans to, or purchases debt instruments issued by, an investor who holds 10 per cent. or more of the Certificates (or beneficial interests therein), Kuveyt Türk will be required to deduct such cash loan or debt instrument amount (or, in the case of the existence of both, the sum of each) from the amount of Certificates held by such investor to be taken into consideration as Tier 2 capital. For a description of other regulatory requirements in relation to Tier 2 capital requirements, see "*Overview of the Turkish Banking Sector and Regulations*" in the Prospectus.

Certain Defined Terms

Capitalised terms which are used but not defined in any section of this Prospectus will have the meaning attributed thereto in the Conditions or any other section of this Prospectus. In addition, the following terms as used in this Prospectus have the meanings defined below:

- references to "**BRSA**" are to the Banking Regulation and Supervision Agency of Turkey;
- references to "**Turkish Central Bank**" are to the Central Bank of the Republic of Turkey.
- references to a "**Member State**" herein are references to a Member State of the European Economic Area; and
- references to "**Turkey**" or to the "**Republic**" herein are to the Republic of Turkey.

STABILISATION

In connection with the issue of the Certificates, a Joint Lead Manager acting as stabilising manager under the Subscription Agreement (the "**Stabilising Manager**") or persons acting on behalf of the Stabilising Manager, may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Certificates is made and, if begun, may be ended at any time, but it must end no later than the earlier of thirty (30) days after the issue date of the Certificates and sixty (60) days after the date of the allotment of the Certificates. Any stabilisation action must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

SUITABILITY OF INVESTMENTS

The Certificates may not be a suitable investment for all investors. Each potential investor in Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

NOTICE TO RESIDENTS OF TURKEY

The Certificates (or beneficial interests therein) shall not be sold in Turkey in any circumstances which would constitute a sale or a public offering within the meaning of the Capital Markets Law without the approval of the Capital Markets Board of Turkey ("**CMB**"). No transaction that may be deemed as a sale of the Certificates (or beneficial interests therein) in Turkey by way of private placement or a public offering may be engaged in without the approval of the CMB. Additionally, no prospectus and other offering material related to the offering may be utilised in connection with any general offering to the public within Turkey for the purpose of the offer or sale of the Certificates without the prior approval of

the CMB. However, pursuant to Article 15(d) (ii) of the Government Decree 32 on the Protection of the Value of the Turkish Currency, as amended ("**Decree 32**"), there is no restriction on the purchase or sale of the Certificates (or beneficial interests therein) in secondary markets by residents of Turkey; **provided that** they purchase or sell such Certificates (or beneficial interests) in the financial markets outside of Turkey and such sale and purchase is made through banks and/or licensed brokerage institutions authorised pursuant to the CMB regulations and the consideration of the purchase of such Certificates has been or will be transferred through banks operating in Turkey.

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

No invitation, whether directly or indirectly may be made to any member of the public of the Cayman Islands to subscribe for the Certificates and this Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Certificates.

NOTICE TO UK RESIDENTS

The Certificates constitute "alternative finance investment bonds" within the meaning of Article 77A of the Financial Services and Markets Act 2000 ("**FSMA**") as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010.

Accordingly, this Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom. The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the Certificates: (A) if effected by a person who is not an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"); and (ii) persons falling within any of the categories of persons described in Article 49 (High net worth companies, unincorporated associations, etc) of the Financial Promotion Order; and (B) if effected by a person who is an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "**Promotion of CISs Order**"); (ii) persons falling within any of the categories of person described in Article 22 (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to the Certificates.

Potential investors in the United Kingdom are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme. Any individual intending to invest in any investment described in this Prospectus should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Certificates issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain ("**CBB**") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in other currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered the Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus. No offer of securities will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

This Prospectus does not and is not intended to constitute an offer, sale or delivery of the Certificates under the laws of the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, the Qatar Exchange or the Qatar Central Bank. The Certificates have not been, and will not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar, including the Qatar Financial Centre, in a manner that would constitute a public offering. The Certificates are not and will not be traded on the Qatar Exchange.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of Certificates should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

NOTICE TO RESIDENTS OF MALAYSIA

Any Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Certificates in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia. The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or Kuveyt Türk and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

CONTENTS

	Page
OVERVIEW OF THE OFFERING	1
RISK FACTORS	8
DOCUMENTS INCORPORATED BY REFERENCE	37
STRUCTURE DIAGRAM AND CASHFLOWS	38
TERMS AND CONDITIONS OF THE CERTIFICATES	40
GLOBAL CERTIFICATE	62
USE OF PROCEEDS	64
DESCRIPTION OF THE TRUSTEE.....	65
DESCRIPTION OF KUVEYT TÜRK KATILIM BANKASI A.Ş.	67
RISK MANAGEMENT	88
MANAGEMENT	112
SELECTED FINANCIAL OVERVIEW	119
FINANCIAL REVIEW	122
OVERVIEW OF THE TURKISH BANKING SECTOR AND REGULATIONS.....	134
SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS	164
TAXATION	173
SUBSCRIPTION AND SALE	176
GENERAL INFORMATION	182
SUMMARY OF DIFFERENCES BETWEEN IFRS AND BRSA PRINCIPLES	184

OVERVIEW OF THE OFFERING

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Certificates. Accordingly, any decision by a prospective investor to invest in the Certificates should be based on a consideration of this Prospectus as a whole.

Words and expressions defined in "Terms and Conditions of the Certificates" and "Summary of the Principal Transaction Documents" shall have the same meanings in this overview. Reference to a "Condition" is to a numbered condition of the Conditions.

Trustee

KT Sukuk Company Limited (the "**Trustee**"), an exempted company incorporated with limited liability on 31 July 2015 under the laws of the Cayman Islands and formed and registered in the Cayman Islands with registered number 302586 with its registered office at MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands. The Trustee has been incorporated solely for the purpose of issuing the Certificates and entering into related transaction documents and participating in the transactions contemplated by the Transaction Documents to which it is a party. The Trustee shall on the Closing Date issue the Certificates to the Certificateholders.

Ownership of the Trustee

The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 shares of U.S.\$1.00 each, of which 250 shares are fully paid up and issued. The Trustee's entire issued share capital is held on trust for charitable purposes by MaplesFS Limited as share trustee under the terms of a declaration of trust.

Administration of the Trustee

The affairs of the Trustee are managed by MaplesFS Limited (the "**Trustee Administrator**"), who has agreed to perform certain management functions and provide certain clerical, administrative and other services pursuant to a corporate services agreement dated 12 November 2015 between the Trustee Administrator and the Trustee (the "**Corporate Services Agreement**"). The Trustee Administrator's registered office is P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.

Joint Lead Managers

Abu Dhabi Islamic Bank PJSC
Dubai Islamic Bank PJSC
Emirates NBD PJSC
HSBC Bank plc
KAMCO Investment Company K.S.C. (Public)
KFH Capital Investment Company KSCC
Noor Bank PJSC
QInvest LLC.

Delegate	<p>HSBC Corporate Trustee Company (UK) Limited.</p> <p>In accordance with the Declaration of Trust, the Delegate will agree to undertake certain administrative functions in respect of the Certificates and the Transaction Documents and in its capacity as: (i) the donee of powers set out in clause 6 (<i>Powers Vested in the Delegate</i>) of the Declaration of Trust; and (ii) as delegate of the Trustee pursuant to clause 7 (<i>Delegation of Authority to the Delegate</i>) of the Declaration of Trust. The appointment of the Delegate does not affect the Trustee's continuing role and obligations.</p>
Principal Paying Agent, Transfer Agent and Registrar	HSBC Bank plc.
Summary of the Structure	An overview of the structure of the transaction and the principal cash flows is set out in the section entitled " <i>Structure Diagram and Cash Flows</i> ".
Summary of the Principal Transaction Documents	An overview of the principal terms of the principal Transaction Documents is set out in the section entitled " <i>Summary of the Principal Transaction Documents</i> ".
Certificates	U.S.\$350,000,000 fixed rate resettable tier 2 certificates due 2026.
Trust Assets	<p>The Trust Assets consist of:</p> <ul style="list-style-type: none"> (a) the Issuance Proceeds, pending application thereof in accordance with the terms of the Transaction Documents; (b) subject to the Use of Proceeds Undertaking Deed, all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Asset Portfolio, the amounts standing to the credit of the Principal Collection Account and Income Collection Account from time to time, and the obligations of the Managing Agent to make payments under the Management Agreement; (c) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than: (i) in relation to any representation given to the Trustee by Kuveyt Türk pursuant to any of the Transaction Documents; and (ii) the covenants given to the Trustee pursuant to clause 17 of the Declaration of Trust); and (d) all moneys standing to the credit of the Transaction Account, <p>in each case and all proceeds of the foregoing which are held by the Trustee upon trust absolutely for the Certificateholders <i>pro rata</i> according to the face amount of Certificates held by each holder in accordance with the Declaration of Trust and the Conditions.</p>
Closing Date	17 February 2016.
Issue Price	100 per cent. of the aggregate face amount of the Certificates.

Periodic Distribution Dates

17 February and 17 August in each year commencing on 17 August 2016.

Periodic Distributions

Subject to and in accordance with the Conditions, on each Periodic Distribution Date, Certificateholders will receive a Periodic Distribution Amount in U.S. dollars determined as follows:

- (a) in respect of the period from (and including) the Closing Date to (but excluding) the Trustee Call Date, the product of: (a) 7.900 per cent. per annum; (b) the face amount of the Certificates; and (c) the number of days in the relevant Return Accumulation Period calculated on the basis of a year of 12 30-day months divided by 360; and
- (b) in respect of the period from (and including) the Trustee Call Date to (but excluding) the Scheduled Dissolution Date, the product of: (a) the rate per annum equal to the aggregate of the Reset Margin and the Relevant 5 Year Reset Rate as determined by the Principal Paying Agent on the Determination Date; (b) the face amount of the Certificates; and (c) the number of days in the relevant Return Accumulation Period calculated on the basis of a year of 12 30-day months divided by 360.

Return Accumulation Period

The period from and including the Closing Date to, but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date or, if earlier, the Dissolution Date.

Trustee Call Date

The Trustee Call Date is 17 February 2021.

Subject as further provided in Condition 8.2 (*Capital Distributions – Early Dissolution at the option of the Trustee*) and subject to the prior approval of the BRSA, the Certificates may be redeemed by the Trustee in whole (but not in part) on the Trustee Call Date.

Non-Viability/Write-Down of the Certificates

If a Non-Viability Event occurs at any time, the then outstanding face amount of each Certificate shall *pro rata* with the other Certificates and any other Parity Loss-Absorbing Instruments be reduced by the relevant Write-Down Amount in the manner described in Condition 9 (*Loss Absorption upon the Occurrence of a Non-Viability Event*). See Condition 9 (*Loss Absorption upon the Occurrence of a Non-Viability Event*) for further information on such potential Write-Downs, including for the definitions of various terms used in this section.

A "Non-Viability Event" means the determination by the BRSA, and notification thereof to Kuveyt Türk, that, upon the incurrence of a loss by Kuveyt Türk (on a consolidated or non-consolidated basis), Kuveyt Türk has become, or it is probable that Kuveyt Türk will become, Non-Viable.

Scheduled Dissolution

Unless the Certificates are previously redeemed, purchased and cancelled or written down in full and cancelled, the Trustee will redeem each Certificate at the Dissolution

Distribution Amount on the Periodic Distribution Date falling on 17 February 2026 (the "**Scheduled Dissolution Date**"). See Condition 8.1 (*Capital Distributions – Scheduled Dissolution*).

Early Dissolution

The Certificates may be redeemed in full prior to the Scheduled Dissolution Date:

- (a) on: (i) the Trustee Call Date; (ii) the Capital Disqualification Redemption Date; or (iii) the Tax Redemption Date, in each case in accordance with Condition 8 (*Capital Distributions*); or
- (b) on the Dissolution Event Redemption Date in accordance with Condition 13 (*Dissolution Events*).

Dissolution Events

The Dissolution Events are set out in Condition 13 (*Dissolution Events*).

Following the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed in full at the Dissolution Distribution Amount, subject to the subordination of Kuveyt Türk's obligations under the Transaction Documents to which it is a party (*see Condition 3.2 (Status, Subordination and Limited Recourse – Subordination)*).

Dissolution Distribution Amount

The aggregate outstanding face amount of the Certificates plus all accrued and unpaid Periodic Distribution Amounts in respect of such Certificates.

Status of the Certificates

Each Certificate evidences an undivided beneficial ownership interest in the Trust Assets, subject to the terms of the Declaration of Trust and the Conditions, and is a limited recourse obligation of the Trustee. Each Certificate ranks *pari passu*, without any preference or priority, with the other Certificates.

Subordination

The payment obligations of Kuveyt Türk under the Transaction Documents to which it is a party, to fund the Periodic Distribution Amounts, the Dissolution Distribution Amount and any other amounts payable in respect of the Certificates, will constitute direct, unsecured and subordinated obligations of Kuveyt Türk and shall, in the case of a Subordination Event and for so long as that Subordination Event subsists, rank:

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

By virtue of such subordination of the payment obligations of Kuveyt Türk under the Transaction Documents to which it is a party, no amount will, in the case of a Subordination Event and for so long as that Subordination Event subsists, be paid by Kuveyt Türk in respect of its obligations under the Transaction Documents in relation to the Certificates until all payment obligations in respect of Senior Obligations have

been satisfied.

Transaction Account

The Principal Paying Agent will maintain and operate a U.S. dollar account opened in the name of the Trustee (the "**Transaction Account**"). Payments to the Trustee by Kuveyt Türk under the Transaction Documents will be credited to the Transaction Account. Periodic Distribution Amounts and the Dissolution Distribution Amount will be paid to holders of the Certificates from funds standing to the credit of the Transaction Account in accordance with the order of priority described under Priority of Distributions below.

Priority of Distributions

On each Periodic Distribution Date and any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (a) *first*, to the Delegate and any Appointee in respect of all amounts (including by way of indemnity) owing to it, or which it is entitled to receive payment pursuant to the Transaction Documents in its capacity as Delegate or Appointee (as the case may be);
- (b) *second, pro rata and pari passu*: (i) to the Trustee in respect of all amounts properly incurred and documented owing to it under the Transaction Documents in its capacity as Trustee; (ii) to the extent not paid by Kuveyt Türk in accordance with the terms of the Agency Agreement, to each Agent in respect of all amounts owing to such Agent on account of its liabilities and its fees, costs, charges and expenses properly incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent; and (iii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents, the Corporate Services Agreement and the Registered Office Agreement in its capacity as Trustee Administrator;
- (c) *third*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;
- (d) *fourth*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount; and
- (e) *fifth*, only if such payment is made on a Dissolution Date, to the Managing Agent to retain as an incentive fee in accordance with the Management Agreement.

Limited Recourse

Each Certificate represents solely an undivided beneficial ownership interest in the Trust Assets. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the Trust Assets.

Certificateholders have no recourse to any assets of the Trustee (other than the Trust Assets) or Kuveyt Türk, the Delegate or the Agents or any other person in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished.

Withholding Tax

All payments by the Trustee under the Certificates are to be made without withholding or deduction for or on account of Cayman Islands taxes, unless the withholding or deduction of the taxes is required by law. In such event, Kuveyt Türk will be required pursuant to the relevant Transaction Documents to pay to the Trustee such additional amounts as may be necessary to ensure that the full amount which otherwise would have been due and payable under the Certificates is received by the Certificateholders.

All payments by Kuveyt Türk under the Transaction Documents are to be made without withholding or deduction for or on account of any taxes in Turkey, unless the withholding or deduction is required by law. In such event, Kuveyt Türk (in its relevant capacity) will be required pursuant to the relevant Transaction Documents to pay to the Trustee such additional amounts as may be necessary to ensure that the Trustee will receive the full amount which otherwise would have been due and payable.

Use of Proceeds

On the Closing Date, the Trustee will apply the Issuance Proceeds to purchase Kuveyt Türk's interests, rights, benefits and entitlements in, to and under the Initial Asset Portfolio pursuant to the Purchase Agreement.

Form and Delivery of the Certificates

The Certificates will be issued in registered form only. The Certificates will be represented on issue by interests in the Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of Certificates will be issued in exchange for interests in the Global Certificate only in the limited circumstances described under "*Global Certificate*".

Clearance and Settlement

Holders of the Certificates must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg, as the case may be. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearance systems.

Face Amounts of the Certificates

The Certificates will be issued in minimum face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Listing

Application has been made to the Irish Stock Exchange for the Certificates to be admitted to listing on the Official List and to trading on the Main Securities Market.

Rating

On or prior to the Closing Date, the Certificates are expected to be assigned a rating of BBB- by Fitch. Fitch is established in the EU and is registered under the CRA Regulation. As such, Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority

on its website in accordance with the CRA Regulation.

A rating is not a recommendation to buy, sell or hold the Certificates (or beneficial interests therein), does not address the likelihood or timing of repayment and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

No link to Derivative Transactions

None of the Transaction Documents, the Certificates or any obligations of the Trustee or Kuveyt Türk in respect of the Certificates or the Transaction Documents, respectively, will be: (i) linked to any derivative transaction or derivative contract in way which would result in a violation of Article 8(1)(c) and (d) of the BRSA Regulations; or (ii) in any manner, the subject of any guarantee or security.

Certificateholder Meetings

A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 17 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).

Tax Considerations

See Condition 11 (*Taxation*) for a description of certain tax considerations applicable to the Certificates.

Transaction Documents

The Transaction Documents are the Purchase Agreement, the Management Agreement, the Purchase and Asset Portfolio Undertaking, the Sale and Transfer Undertaking, the Use of Proceeds Undertaking Deed, the Declaration of Trust and the Agency Agreement.

Governing Law

The Purchase Agreement, any Sale Agreement or Transfer Agreement entered into pursuant to the Purchase and Asset Portfolio Undertaking or Sale and Transfer Undertaking will be governed by Turkish law.

Except for the provisions of Condition 3.2 (*Status, Subordination and Limited Recourse – Subordination*) (including reference thereto in Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*)), which will be governed by, and construed in accordance with, Turkish law, the Declaration of Trust, the Certificates, the Agency Agreement, the Management Agreement, the Purchase and Asset Portfolio Undertaking, the Sale and Transfer Undertaking and the Use of Proceeds Undertaking will be governed by English law.

Selling Restrictions

There are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the United Kingdom, Republic of Turkey, Hong Kong, Japan, Singapore, the Dubai International Financial Centre, the Kingdom of Bahrain, the State of Qatar (excluding the Qatar Financial Centre), the Qatar Financial Centre, the United Arab Emirates (excluding the Dubai International Financial Centre), the Cayman Islands, the Kingdom of Saudi Arabia, Malaysia and the State of Kuwait and such other restrictions as may be required in connection with the offering and sale of the Certificates.

RISK FACTORS

The purchase of Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Prospectus.

If any of the risks described below actually materialise, the Trustee, Kuveyt Türk and/or the Group's business, results of operations, financial condition or prospects could be materially adversely affected. If that were to happen, the trading price of the Certificates could decline and investors could lose all or part of their investment.

Each of the Trustee and Kuveyt Türk believes that the factors described below represent the principal risks inherent in investing in the Certificates and may affect Kuveyt Türk's ability to perform its obligations under the Transaction Documents. However, the inability of the Trustee to pay any amounts on or in connection with any Certificate and the inability of Kuveyt Türk to perform its obligations under the Transaction Documents may occur for other reasons and none of the Trustee or Kuveyt Türk represents that the statements below regarding the risks of holding any Certificate are exhaustive. There may also be other considerations, including some which may not be presently known to the Trustee or Kuveyt Türk or which the Trustee or Kuveyt Türk currently deems immaterial, that may impact any investment in the Certificates.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in "Terms and Conditions of the Certificates" shall have the same meanings in this section.

Risk factors relating to the Trustee

The Trustee has no material assets and will depend on receipt of payments from Kuveyt Türk to make payments to Certificateholders

The Trustee is an entity formed under the laws of Cayman Islands on 31 July 2015 and has no operating history other than as described in "Description of the Trustee". The Trustee will not engage in any business activity other than the issuance of the Certificates, the acquisition of Trust Assets described herein, and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Trustee's only material assets in respect of the Certificates, which will be held on its own behalf and on trust for the Certificateholders, will be the Trust Assets, the obligation of the Managing Agent to make payments under the Management Agreement and the obligation of Kuveyt Türk to make payments under the Purchase and Asset Portfolio Undertaking, or, as the case may be, the sale agreement pursuant to the exercise of the Sale and Transfer Undertaking to the Trustee. Therefore the Trustee is subject to all the risks to which Kuveyt Türk is subject to the extent that such risks could limit Kuveyt Türk's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents to which it is a party. See "— Risk factors relating to Kuveyt Türk Business" below for a further description of these risks.

The ability of the Trustee to pay amounts due on any Certificates will primarily be dependent upon receipt by the Trustee from Kuveyt Türk, of all amounts due under the Management Agreement, the Purchase and Asset Portfolio Undertaking and the sale agreement pursuant to the exercise of the Sale and Transfer Undertaking, respectively, which, in the aggregate, may not be sufficient to meet all claims under the relevant Certificates and the Transaction Documents in the event that Kuveyt Türk does not fully perform its obligations thereunder (as applicable).

Risk factors relating to Kuveyt Türk's business

Kuveyt Türk's cash loans have increased rapidly in recent years and are expected to further expand and will require it to continue to develop more sophisticated monitoring systems to manage Kuveyt Türk's credit exposure

Kuveyt Türk's financing (which corresponds to the total due from financing activities, net and minimum finance lease payments receivable, net in the IFRS Accounts) have increased rapidly in recent years,

growing to TRY20,689.17 million as at 31 December 2014 from TRY16,329.91 million as at 31 December 2013. The growth in Kuveyt Türk's cash loans is attributable to an overall increase in the growth of Kuveyt Türk's lending activity which Kuveyt Türk intends to continue to target as part of its growth strategy. See *"Description of Kuveyt Türk Katılım Bankası A.Ş. —Strategy"* for further details.

As at 31 December 2014, Kuveyt Türk's ratio of funds in arrears due from financing activities, net (based on BRSA Accounts) was 2.21 per cent., compared to 2.24 per cent. as at 31 December 2013. As a participation bank, the monthly principal repayment structure of Kuveyt Türk's cash loans (which always require a portion of principal to be repaid) helps to reduce its credit risks as compared to conventional banks which provide loans with principal repayable at maturity only. The significant increase in the size of its cash loans has increased Kuveyt Türk's credit exposure and will require continued analysis and monitoring of its credit quality and the adequacy of provisioning levels, as well as continued credit risk management. In common with all other Turkish banks, the growth rates recently experienced have required Kuveyt Türk to seek to attract and retain a significant number of qualified personnel to monitor asset quality.

Kuveyt Türk's credit risk management policies may nevertheless be insufficient to protect it against material cash loan losses and any negative macro-economic developments could have a more significant impact on small-to-medium size enterprise (SME) customers compared to larger corporate and commercial type customers (see *"Risk Management"* for further details). The appropriate level of allowances for cash loan losses in respect of financial statements prepared in accordance with IFRS necessarily requires the exercise of judgment, including assumptions and estimates made in the context of changing political and economic conditions in the regions in which and the sectors to which Kuveyt Türk lends in Turkey. On the other hand, the allowances for cash loan losses in respect of financial statements prepared in accordance with BRSA Principles follows a prescribed allowance level as specified by the BRSA (see *"Risk Management — Credit Classification and Provisioning Policy—IFRS/BRSA Provisioning"*). Kuveyt Türk's increased levels of financing may require Kuveyt Türk to make higher levels of provisioning for credit losses. Although Kuveyt Türk constantly seeks to revise and improve its lending procedures and credit quality analysis there can be no assurances that Kuveyt Türk will not experience lapses as a result of the growth and changing quality of its credit portfolio, which accordingly may have a material adverse effect on Kuveyt Türk's business, financial condition and results of operations. See—*"Risk Management—Credit Risk"* for further details.

Kuveyt Türk's business, financial condition, results of operations and prospects have been affected by credit risks and will likely continue to be affected by credits risks, particularly if economic conditions in Turkey deteriorate. Kuveyt Türk may experience credit default arising from adverse changes in credit and recoverability that are inherent in Kuveyt Türk's banking businesses

Kuveyt Türk's core banking businesses have historically been, and are expected to continue to be, loans to corporate and SME clients. As at 31 December 2014, loans to corporate and SME customers constituted 50.67 per cent. of Kuveyt Türk's total assets with corporate loans contributing 29.56 per cent. and SME loans contributing 21.11 per cent. (based on BRSA Accounts). Many factors affect customers' ability to repay their loans or meet their other obligations to Kuveyt Türk. Some of these factors, including adverse changes in consumer confidence levels due to local, national and global factors, consumer spending, banking rates, and increased market volatility, may be difficult to anticipate and outside of Kuveyt Türk's control. Other factors are dependent upon Kuveyt Türk's strategy for loan growth (including sector focus) and the viability of Kuveyt Türk's internal credit application and monitoring systems, see—*"Kuveyt Türk's risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks"*. All of the aforementioned risks could have an adverse impact on Kuveyt Türk's business, financial condition, results of operations and prospects.

Kuveyt Türk's SME customer base is particularly sensitive to adverse developments in the Turkish economy, which renders such financing activities riskier than financing to larger corporate customers

As at 31 December 2014, 33.51 per cent. of Kuveyt Türk's total loan portfolio consisted of loans to SMEs compared to 46.13 per cent. as at 31 December 2013 (based on BRSA Accounts). Although SMEs typically have less financial strength than larger companies, they are a key component of Kuveyt Türk's current business and growth strategy (see *"Description of Kuveyt Türk—Strategy—Strategies of each business segment"* for further details). The availability of accurate and comprehensive financial information and general credit information on which to base credit decisions is more limited for SMEs than is the case for larger corporate clients. Therefore, notwithstanding the credit risk determination

procedures that Kuveyt Türk has in place, Kuveyt Türk may be unable to evaluate correctly the current financial condition of each prospective SME customer and to determine their long-term financial viability.

Financing to SMEs generally includes a higher degree of risk than financing to larger corporate customers, and there can be no guarantee that Kuveyt Türk's non-performing loans ("NPLs") for SMEs, or any of its other customers, will not materially increase in the near to medium term, particularly if there is a significant deterioration in macroeconomic conditions in Turkey or if Kuveyt Türk is unable to accurately model the risk associated with the SMEs or other customers to which it extends credit (see—*"Kuveyt Türk's Risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks"*).

Additionally, it is also anticipated that the general level of NPLs within the Turkish banking sector will increase in 2015 with Kuveyt Türk expecting its level of NPLs to increase to approximately 2.45 per cent in 2015. There can be no assurances that an increased level of NPLs will not have a material adverse effect on Kuveyt Türk's financial condition and results of operation.

Security interests, collateral or loan guarantees provided in favour of Kuveyt Türk may not cover all losses in the event of debtor defaults and may entail long and costly enforcement proceedings

Kuveyt Türk may have difficulty foreclosing on collateral or enforcing guarantees or other third party credit support arrangements when debtors default on their loans. In addition, the time and costs associated with enforcing security interests in Turkey may make it uneconomical for Kuveyt Türk to pursue such proceedings, adversely affecting Kuveyt Türk's ability to recover its loan losses.

Any decline in the value or liquidity of such collateral may prevent Kuveyt Türk from foreclosing on such collateral for its full value, or at all, in the event that a customer becomes insolvent and enters bankruptcy and could thereby adversely affect Kuveyt Türk's ability to recover any loan losses, which would have a material adverse effect on Kuveyt Türk's financial condition and results of operations.

Kuveyt Türk's loans and deposit portfolio has significant geographic, currency and industry sector concentration

Kuveyt Türk has a high concentration of loans and deposits in geographic, currency and industry sector terms. Geographically, Kuveyt Türk's total loans are highly concentrated in Turkey with 98.5 per cent. of such loans being cash loans as at 31 December 2014. Kuveyt Türk's deposits are also concentrated in Turkish lira accounts, which represented 54.87 per cent. of total deposits as at 31 December 2014.

As at 31 December 2014, the percentage of Kuveyt Türk's total loans (both cash and non-cash loans) to customers in the construction industry sector and the financial services sector were 23.51 per cent. and 30.56 per cent., respectively (as compared to 22.83 per cent. and 28.02 per cent., respectively as at 31 December 2013).

Accordingly, Kuveyt Türk is particularly exposed to adverse changes in the Turkish economy, particularly in the construction and financial services sectors, and any such changes could have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects. Kuveyt Türk's business may be further affected by the financial, political and general economic conditions prevailing from time to time in Turkey.

Kuveyt Türk's business entails operational risks

Kuveyt Türk is exposed to operational risk, which is the risk of loss resulting from inadequacy or failure of internal process or systems or from external events. Such operational risks and losses can result from fraud, error by employees, failure to document transactions properly, failure to obtain proper internal authorisations, failure to comply with regulatory requirements and conduct of business rules, the failure of internal systems, equipment and external systems (for example, those of Kuveyt Türk's counterparties or vendors) or the occurrence of natural disasters including earthquakes. Istanbul, the location of Kuveyt Türk's head office and most of Kuveyt Türk's branches, is an earthquake zone. See *"Risk Management"* for a description of Kuveyt Türk's exposure to operational risks.

Although Kuveyt Türk has implemented risk controls and loss mitigation strategies and substantial resources are devoted to developing efficient procedures, it is not possible to be certain that such

procedures and controls will be effective in controlling each of the operational risks of Kuveyt Türk. Given Kuveyt Türk's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult for any bank to detect quickly or at all. Any failure to effectively control such risks would have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects.

Kuveyt Türk's business, financial condition, results of operations and prospects have been affected by liquidity risks in the Turkish market and may be further affected by liquidity risks, particularly if Turkish or international financial market conditions deteriorate

Liquidity risk comprises uncertainties in relation to Kuveyt Türk's ability, under adverse conditions, to access the funding necessary to cover its obligations to customers, meet the maturity of liabilities and to satisfy capital requirements. This risk is inherent in banking operations and can be heightened both by macroeconomic conditions and by a number of enterprise-specific factors, including over-reliance on a particular source of funding (such as short-term funding), market disruptions or credit downgrades which may adversely affect the availability of certain types of funding.

Liquidity risks could arise from Kuveyt Türk's inability to anticipate and provide for unforeseen decreases or changes in funding sources which could have adverse consequences on Kuveyt Türk's ability to meet its obligations when they fall due. As is the normal practice in the Turkish banking industry, Kuveyt Türk accepts deposits from its customers which are short-term in nature. Accordingly, of its TRY22,215.84 million in customer deposits at 31 December 2014, 94.38 per cent. had contractual maturities of less than three months. However, it is also normal in the banking industry for these short-term deposits to be rolled over on their maturity such that, in practice, a significant portion of them have actual maturities of longer duration. Kuveyt Türk cannot be certain, though, that its customer will continue to roll over or maintain their deposits with Kuveyt Türk. In relation to Kuveyt Türk's cash loans, of its TRY20,689.17 million in such loans at 31 December 2014, 25.38 per cent. had contractual maturities of less than three months. See "Risk Management" for a description of Kuveyt Türk's exposure to liquidity risks. Accordingly, there is a risk that if a significant number of Kuveyt Türk's customers do not choose to roll over their deposits at any time Kuveyt Türk could experience difficulties in repaying those deposits. In addition, Kuveyt Türk only has limited *Sharia* compliant products that could be used for short-term liquidity management.

A rising interest rate environment could compound the risk of Kuveyt Türk not being able to access funds at favourable rates. Kuveyt Türk's ability to raise or access funds may be impaired by factors that are not specific to its operations such as general market conditions, severe disruption of the financial markets or negative views about the prospects of the sectors to which Kuveyt Türk provides its loans.

To mitigate these risks, Kuveyt Türk monitors its liquidity position on a daily basis and is proactive in confirming with its large depositors their intentions in relation to maturing deposits. It also holds liquid assets at prudent levels to maintain liquidity, even under adverse conditions. However, assets held for sale may not be able to be sold due to adverse market conditions. There can also be no assurance that Kuveyt Türk will not experience significant liquidity constraints in the future. In the event that Kuveyt Türk experiences liquidity issues, market disruptions and credit downgrades may cause certain sources of funding to become unavailable. For example, in the case of a liquidity crisis, wholesale funding becomes increasingly costly and more difficult to obtain which may adversely affect borrowing using many capital markets instruments including sukuk certificates. Kuveyt Türk's inability to refinance or replace deposits and devalued assets with alternative funding available on commercially reasonable terms, if at all, could have an adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects.

Market risks arising from the indirect effects of currency exchange rates, interest rates and fluctuations in the prices of financial products affect Kuveyt Türk

Kuveyt Türk is exposed to market risks, the most significant of which are currency exchange rate risk, interest rate risk and fluctuations in the prices of financial products. Kuveyt Türk is also exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. Although Kuveyt Türk sets limits and performs certain other measures aimed at reducing these risks, such as hedging against these risks and use of derivative instruments, no assurance can be given that these measures will be effectively implemented or that they will allow Kuveyt Türk to minimise the impact of currency exchange rate and interest rate

volatility. See *"Risk Management"* for further details. If Kuveyt Türk's risk management procedures and limits do not minimise the impact of market risks on Kuveyt Türk, its business, financial condition and results of operations may be adversely affected. Kuveyt Türk maintains an investment policy for any funds it holds. Significant reductions in the value of the assets in which it invests could give rise to a loss and materially adversely affect Kuveyt Türk's business, financial position, results of operations and prospects.

Kuveyt Türk is controlled by Kuwait Finance House (KFH) whose interests may not be aligned with the interests of the Certificateholders

As of 30 September 2015, KFH owns 62.32 per cent. of Kuveyt Türk's share capital, see *"Description of Kuveyt Türk—Shareholders"* for further details. There can be no guarantee that the interests of KFH will align with those of the Certificateholders and, if they do not, the Certificateholders may be disadvantaged.

By virtue of its shareholding, KFH has the ability to significantly influence Kuveyt Türk's business through its ability to control actions that require shareholder approval. If circumstances were to arise where the interests of KFH conflict with the interests of the Certificateholders, the Certificateholders may be disadvantaged by any such conflict.

The growth of Kuveyt Türk's business is dependent upon the continued development of the participation banking industry in Turkey and in countries where it operates

Although the participation banking industry is well established with a loyal customer base in Turkey, participation banking is a relatively new and growing area in the Turkish banking sector. As at 31 December 2014, participation banks have a total market share of approximately 5.2 per cent. (compared to 5 per cent. as at 31 December 2013) and Kuveyt Türk has a market share of approximately 1.7 per cent., in each case of the Turkish banking sector in terms of asset size. There can be no assurances that customer perception in relation to participation banking will not change as a result of events and factors affecting the socio-political environment in Turkey and in countries where Kuveyt Türk operates or considers operating in the future or that the market share of participation banks will continue to grow.

The policy of the Central Bank of Turkey (the CBT) on reserve requirements and interest rates could negatively affect Kuveyt Türk's business, financial condition, results of operations and prospects

In order to simplify the structure of reserve requirements that are used as monetary and macro prudential policy tools, the CBT has adopted a new approach. Instead of deducting specified items from total domestic liabilities, only the items subject to reserve requirements are directly taken into account while calculating liabilities subject to reserve requirements. Thus, immaterial items, which do not have a direct impact on the monetary policy but reduce the efficiency of the operational processes, have been excluded from reserve requirements coverage, as result making the reserve requirements based on a more stringent criteria.

In addition to these regulatory measures, the CBT has tightened monetary policy raising short term interest rates and simplifying the operational framework in order to contain the negative impacts of recent developments in domestic and international markets on risk perception and inflation outlook. The marginal funding rate was increased on 29 January 2014 to 12 per cent. from 7.75 per cent., the borrowing rate was also increased from 29 January 2014 from 3.5 per cent. to 8 per cent., the interest rate on borrowing facilities provided for primary dealers via repo transactions from 6.75 per cent. to 11.5 per cent. on 29 January 2014 and the one-week repo rate was increased to 10 per cent. from 4.5 per cent. in January 2014. The CBT has recently lowered all interest rates due to improvements in the outlook on inflation and global liquidity conditions since the middle of 2014. While the one-week repo rate was 7.5 per cent. borrowing and lending rates were set at 7.25 per cent. as of March 2015. Recently, the CBT has opted to maintain its cautious approach due to global and domestic uncertainties.

Kuveyt Türk might not be able to pass on any increased costs associated with such regulatory changes to its customers, particularly given the high level of competition in the Turkish banking market (see *"Overview of the Turkish Banking Sector and Regulations"* for further details). Accordingly, Kuveyt Türk might not be able to sustain its level of profitability in light of these regulatory changes and Kuveyt Türk's profitability might be materially adversely impacted.

The CBT's increase in initial rates and regulatory changes such as increased reserve requirements, the non-payment of interest/returns on reserves and caps on interest rates/rates of return charged on credit cards may have an adverse impact on Kuveyt Türk's net return income, thereby exerting downward pressure on Kuveyt Türk's net return margins. New laws and regulations may increase Kuveyt Türk's cost of doing business or limit its activities and might be adopted, enforced or interpreted in a manner that could have an adverse effect on Kuveyt Türk's business, financial condition, cash flows and results of operations. In addition, such measures could also limit or reduce growth of the Turkish economy and consequently the demand for Kuveyt Türk's products and services.

In addition to the recent devaluation of the Turkish lira, as a consequence of certain of these changes, Kuveyt Türk was required to increase its capital reserves and may need to access more expensive sources of financing to meet its funding requirements. Any failure by Kuveyt Türk to adopt adequate responses to these or future changes in the regulatory framework could have an adverse effect on Kuveyt Türk's business, financial condition and results of operations. In addition, non-compliance with regulatory guidelines could expose Kuveyt Türk to potential liabilities and fines and damage its reputation.

Kuveyt Türk's risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks

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

Risk management practices, including "know your client" practices, depend upon evaluation of information regarding the markets in which Kuveyt Türk operates, its clients, other matters that are publicly available or information otherwise accessible to Kuveyt Türk. As such practices are less developed in Turkey than they are in other, non-emerging markets, and may not have been consistently and thoroughly implemented in the past, this information may not be accurate, complete, up to date or properly evaluated in all cases.

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

Any material deficiency in Kuveyt Türk's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn adversely affect Kuveyt Türk's business, financial condition, results of operations and prospects.

Kuveyt Türk faces significant competition in the Turkish banking sector, which may result in reduced margins, volume growth and funding

Although Kuveyt Türk is a participation bank dealing in financial products that differ in many ways from the products of conventional banks, it faces significant competition from not only other participation banks, but also from conventional banks in the Turkish banking sector. As at 31 December 2014, there were a total of 51 banks (excluding the CBT) licensed to operate in Turkey, 25 of which were banks with foreign ownership (including the subsidiaries of foreign banks and joint ventures between Turkish and foreign shareholders) and five of which were participation banks. A small number of banks in the Turkish banking sector dominate the market. According to the BRSA, as at 31 December 2014, the top five banks in Turkey (in terms of asset size), one of which was state controlled, held approximately 58 per cent. of the banking sector's total credit portfolio, approximately 60 per cent. of total bank assets in Turkey and approximately 62 per cent. of total depositors in Turkey.

State-controlled banks in Turkey have historically focused on government and government-related projects but are increasingly focusing on the private sector, leading to increased competition and pressure on margins. The Government of Turkey has granted approvals to various state-controlled banks to enter the participation banking market through the establishment of subsidiaries which will operate as participation banks. As at the date of this Prospectus, T.C. Ziraat Bankası's participation banking operations have commenced. In addition, state-controlled banks in Turkey have historically had access to

very inexpensive funding in the form of very significant Turkish government deposits, which has provided a competitive advantage over private banks. This competitive advantage has often resulted in such banks adopting aggressive pricing strategies on both deposit and loan products.

International banks have shown an increased interest in the banking sector in Turkey. For example, Standard Chartered Bank of the United Kingdom acquired Credit Agricole's Turkish banking operations (announced in August 2012), and Bank Audi of Lebanon launched retail operations in Turkey through its Odea Bank subsidiary after receiving its operating licence from the BRSA in October 2012. In December 2012, the BRSA approved the incorporation of a bank (with a deposit taking licence) by the Bank of Tokyo-Mitsubishi UFJ, Ltd and The Bank of Tokyo-Mitsubishi UFJ, Ltd was granted an operational permit in September 2013. The Commercial Bank of Qatar (Q.S.C.) acquired 70.84 per cent. of Alternatif Bank A.S. in July 2013. In August 2013, Rabobank International Holding B.V. was granted an authorisation to establish a deposit bank in Turkey. In April 2014, Industrial and Commercial Bank of China Ltd. announced that it had signed an agreement to acquire 75.5 per cent. of Tekstilbank from GSD Holding A.S. The entry of foreign-owned banks to the sector, either directly or in collaboration with existing Turkish banks, may increase the already significant competition in the market, especially given that some of these foreign competitors have significantly greater resources and less expensive funding sources than Turkish banks.

Although Kuveyt Türk has been adapting to the changing conditions based on competition to limit effects on its operations, this increased competition may have a negative impact on the margins Kuveyt Türk can charge for its products. Competitors may also direct greater resources and be more effective in the development and/or marketing of technologically advanced products and services that may compete directly with Kuveyt Türk's products and services, adversely affecting the acceptance of Kuveyt Türk's products and/or leading to adverse changes in the spending habits of Kuveyt Türk's customer base. There can be no assurances that further competitive pressures will not result in margin compression or that Kuveyt Türk will be able to keep pace with competitors' development of new products and services, which could have a material adverse effect on Kuveyt Türk's business, financial condition and results of operations and prospects.

Currency translation risks may have a negative impact on Kuveyt Türk's capital adequacy ratios and its business

A portion of Kuveyt Türk's assets and liabilities are denominated in foreign currencies, and in particular the U.S. dollar and the Euro. In preparing its financial statements, Kuveyt Türk translates such assets and liabilities, as well as the mark-up earned or paid on such assets and liabilities and gains or losses realised upon the sale of such assets, to Turkish lira. As a result, and in common with all banks dealing with foreign currencies, Kuveyt Türk's capital adequacy ratios and its reported income and assets and liabilities are affected by changes in the value of the Turkish lira with respect to foreign currencies. Accordingly, the overall effect of exchange rate movements on Kuveyt Türk's results of operations depends on the rate of depreciation or appreciation of the Turkish lira against the foreign currencies in which any of its assets and liabilities are denominated. Significant fluctuations in the value of the Turkish lira against foreign currencies, in particular the U.S. dollar and the Euro, could have a material adverse effect on Kuveyt Türk's business, financial condition and results of operations.

The implementation of Kuveyt Türk's growth strategy could adversely affect its asset quality, profitability and capital ratios

Kuveyt Türk is currently engaged in a programme of expansion through the organic growth of its branch network as well as strategic international expansion while also continuing to focus on its financial strength and performance. See "*Description of Kuveyt Türk Katılım Bankası A.S. —Strategy*" for further details.

Kuveyt Türk intends to open a number of additional branches throughout Turkey, and some internationally where growth opportunities exist, in order to attract more retail and SME customers as well as to increase Kuveyt Türk's retail deposit base. There are risks associated with such expansion, including greater-than- anticipated costs of opening new branches, being unable to profitably deploy assets acquired or developed through expansion and being unable to integrate such assets into Kuveyt Türk's risk management systems. Kuveyt Türk may also experience pressure on its margins as it implements its growth strategy because of the delay between the increased operating costs incurred in connection with such expansion and any increase in revenues generated from such expansion. The

management of Kuveyt Türk's growth will require, among other things, continued development of Kuveyt Türk's financial and information management control systems, the ability to integrate new products and services, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel, the presence of adequate supervision and the maintenance of consistent levels of customer service. Any failure to manage this growth while at the same time ensuring that Kuveyt Türk continues to focus on its existing operations, including risk management systems and internal control processes, could have a material adverse effect on its asset quality (with a consequent increase in NPLs) profitability and capital ratios, and in turn, on its business, financial condition, results of operations, cash flows and prospects.

Volatility in interest rates may adversely affect Kuveyt Türk's net income attributable to its mark-ups or margins and have other adverse consequences

As a participation bank, Kuveyt Türk is an interest-free financial institution and its customers' participation and accounts are paid a return or suffer losses based on the performance of its credit portfolio rather than being paid a rate of interest. For such participation accounts, however, the maximum loss Kuveyt Türk's customers can suffer is limited to the amount of their initial investment. Accordingly, interest rate related risk has no direct effect on Kuveyt Türk's business. However, changes in market interest rates still affect Kuveyt Türk indirectly because many of the same economic factors which have an effect on interest rates may also have a similar effect on the determination of Kuveyt Türk's mark-ups or margins.

If interest rates rise and the demand for Kuveyt Türk's financings or its ability to generate new financings are reduced, Kuveyt Türk's business may be negatively affected. If interest rates fall, causing an increase in prepayments on Kuveyt Türk's credits or competition for deposits, Kuveyt Türk's income from these sources may decrease. Interest rates are highly sensitive to many factors beyond Kuveyt Türk's control, including monetary policies and domestic and international economic and political conditions. However, a rise or fall in interest rates could have a material adverse effect on Kuveyt Türk's business, financial condition and results of operations.

Kuveyt Türk's business and growth prospects may be disrupted if it loses the services of certain key personnel or if it is not able to identify and employ expert personnel

Kuveyt Türk's success will depend, in part, on the continued service of its key executives and employees and its ability to continue to attract, retain and motivate qualified personnel.

If one or more of Kuveyt Türk's key personnel are unable or unwilling to continue in their present positions, or if they join a competitor, Kuveyt Türk may not be able to replace them easily or quickly and Kuveyt Türk's business may, in consequence, be significantly disrupted with adverse effects on its financial condition and results of operations.

Kuveyt Türk is not insured against the detrimental effects to its business that may result from the loss or dismissal of its key personnel and Kuveyt Türk provides no assurance that it will be able to attract and retain the key personnel that it anticipates it will need to achieve its business objectives. If it is unable to: (i) retain key personnel or (ii) attract new qualified personnel to support the growth of its business, or if it is required to offer significantly higher compensation to attract and retain key personnel, this may have a material adverse effect on its business, financial condition, results of operations and prospects.

Labour disputes or work stoppages could disrupt operations or make them more costly to run. Kuveyt Türk is exposed to the risk of labour disputes and work stoppages. There are no members of labour unions amongst Kuveyt Türk's employees and Kuveyt Türk has not experienced any work stoppages or labour disputes in the past. However, there can be no assurance that work stoppages or labour disputes will not occur in the future. Any such action could disrupt operations, possibly for a significant period of time, result in increased wages and benefits or otherwise have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects.

A failure or interruption in or breach of Kuveyt Türk's information systems, and any failure to update such systems, may result in loss of business and other losses

Kuveyt Türk is increasingly dependent on information technology systems to conduct its business. Any failure or interruption or breach in security of these systems could result in failures or interruptions in Kuveyt Türk's risk management, general ledger, account servicing or credit organisation systems.

Although Kuveyt Türk has developed back-up systems and may continue some of its operations through branches in case of emergency, if Kuveyt Türk's information systems fail, Kuveyt Türk could be unable to serve some customers' needs on a timely basis and could thus lose their business or experience negative publicity. Likewise, a temporary shutdown of Kuveyt Türk's information technology systems could result in significant costs being incurred in connection with information retrieval and verification.

Kuveyt Türk has established a disaster recovery centre (the "**Disaster Recovery Centre**") at Türk Telekom Data Centre in Ankara. This site is located in a first degree earthquake risk zone. Kuveyt Türk has established a separate online back-up system which is used to transfer critical data to the Disaster Recovery Centre. Notwithstanding these precautions, should a natural disaster or other event affecting the Ankara area occur, or should Kuveyt Türk not be able to use its online link to the back-up system at the Disaster Recovery Centre, it may be impossible for Kuveyt Türk to recover data in the event that its main information systems located in Istanbul fail. Therefore, there can be no assurances that such failures or interruptions will not occur or that Kuveyt Türk will be able to address them in a timely manner if they do occur. Accordingly, the occurrence of any failure, interruption or breach of Kuveyt Türk's information systems could have a material adverse effect on its business, financial condition and results of operations and prospects.

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

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

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

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

Kuveyt Türk's non-deposit obligations are not guaranteed by the Turkish or any other government and there may not be any governmental support in the event of illiquidity or insolvency

The non-deposit obligations of Kuveyt Türk are not guaranteed or otherwise supported by the Turkish or any other government. While rating agencies and others have occasionally included in their analysis of certain banks a view that systemically important banks would likely be supported by the banks' home governments in times of illiquidity and/or insolvency (examples of which sovereign support have been seen, and strained, in other countries during the recent global financial crisis), this may not be the case for Turkey in general or Kuveyt Türk in particular. Investors in the Certificates should not place any reliance on the possibility of Kuveyt Türk being supported by any governmental entity at any time, including to provide liquidity or help to maintain Kuveyt Türk's operations during periods of material market volatility. See "*Overview of the Turkish Banking Sector and Regulations – The Role of the SDIF*" for information on the limited government support available for Kuveyt Türk's deposit obligations.

Kuveyt Türk maintains a reputation as a pre-eminent participation bank in Turkey, and any failure to adhere to the principles of participation may result in loss of reputation. Investors' perceptions in relation to the participation banking model may also change

As Kuveyt Türk and all its subsidiaries operate and conduct their business pursuant to the principles of a participation bank, and in line with the principles of *Sharia*, Kuveyt Türk maintains a supervisory board to ensure that the respective entities adhere to the principles of *Sharia* at all times. However, any failure to comply with the principles of a participation bank or *Sharia* may adversely affect Kuveyt Türk's reputation which may in turn damage its ability to attract and retain customers and consequently have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects.

Any adverse change in investor perception in relation to the participation banking model (whereby depositors participate in pools of financings made by Kuveyt Türk to customers and their deposits are subject to the credit risks of financings included in such pools) may also have an adverse effect on Kuveyt Türk's business, financial condition, results of operations, cash flows and prospects.

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

Credit ratings affect the cost and other terms upon which the Bank is able to obtain funding. Rating agencies regularly evaluate Kuveyt Türk and their ratings of its long-term debt are based on a number of factors, including its financial strength as well as conditions affecting the financial services industry generally. As at 30 September 2015, Kuveyt Türk's long-term local currency rating was BBB from Fitch Ratings. One or more independent credit rating agencies may also assign credit ratings to the Certificates. Any ratings of either Kuveyt Türk or the Certificates may not reflect the potential impact of all risks related to the Certificates, the global financial market and the Turkish banking sector. In light of the difficulties in the financial markets, there can also be no assurance that the rating agencies will maintain Kuveyt Türk's current ratings or outlooks.

In addition a downgrade or potential downgrade of the Turkish sovereign rating could negatively affect the perception of Kuveyt Türk's ratings. Investors should be aware that a credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

Kuveyt Türk may be unable to maintain or secure the necessary licences for carrying on its business

All banks established in Turkey require licensing by the BRSA. Each of Kuveyt Türk and, to the extent applicable, each of its subsidiaries has a current Turkish and/or other applicable licence for all of its banking and other operations. Kuveyt Türk believes that it and each of its subsidiaries is currently in compliance with its existing material licence and reporting obligations. If Kuveyt Türk and, to the extent applicable, any of its subsidiaries were to suffer a future loss of any licence, breach the terms of any licence or fail to obtain any further required licences, then this could have a material adverse effect on Kuveyt Türk's business, financial condition and results of operations.

Risk factors relating to Turkey

Any claims against Kuveyt Türk under the Certificates and the Transaction Documents will be unsecured claims payable from, among other sources, Kuveyt Türk's funds in Turkey. The ability of Kuveyt Türk to make any such payments from Turkey will depend, among other factors, upon the Turkish government not having imposed any prohibitive foreign exchange controls, Kuveyt Türk's ability to obtain U.S. dollars in Turkey and Kuveyt Türk's ability to secure any applicable necessary approval from the relevant authorities, which could be affected by the circumstances described below. Any such restrictions or failure to obtain the necessary approval could affect the Bank's ability to make payment of interest and principal under the Certificates.

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

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

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

The Turkish economy has experienced significant inflationary pressures in the past with year-over-year consumer price inflation rates as high as 69 per cent. in the early 2000s. However, weak domestic demand and declining energy prices in 2009 caused the domestic year-over-year consumer price index to decrease to 6.5 per cent. at the end of 2009, the lowest level in many years. Consumer price inflation was 6.4 per cent. in 2010, 10.5 per cent. in 2011, 6.2 per cent. in 2012 and rose to 7.4 per cent. in 2013 and further increased to 8.17 per cent. in 2014. Global price increases for certain commodities such as cotton, corn and wheat are likely to increase supply side inflation pressures throughout the world. These inflationary pressures may result in Turkish inflation exceeding the CBT's inflation target, which may cause the CBT to modify its monetary policy. Inflation-related measures that may be taken by the Turkish government in response to increases in inflation could have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to fluctuate or increase significantly, then this could have a material adverse effect on Kuveyt Türk's business, financial condition and results of operations and prospects.

Turkey's high current account deficit may result in governmental policies to decrease economic activity

In 2010, Turkey's current account deficit was U.S.\$45.4 billion, which increased to U.S.\$75.1 billion in 2011, before decreasing to U.S.\$48.5 billion in 2012 according to the CBT. This decline in the current account deficit in 2012 was largely the result of coordinated measures initiated by the CBT, BRSA and Turkish Ministry of Finance to lengthen the maturity of deposits, reduce short-term capital inflows and curb domestic demand. The main aim of these measures has been to slow the rate of growth in the current account deficit by controlling the rate of loan growth. The current account deficit increased from U.S.\$48.5 billion in 2012 to U.S.\$65 billion in December 2013 primarily driven by strong domestic demand and banking sector credit expansion. The increase was followed by a decrease in the current account deficit to U.S.\$45.9 billion in 2014. Further regulations may be introduced by the BRSA or the CBT with respect to loan growth ratios that could have a material adverse effect on Kuveyt Türk's business, financial condition and results of operations.

As a result of the current financial situation in the EU, a decline in demand for imports could have a material adverse effect on Turkish exports and Turkey's economic growth and result in an increase in Turkey's current account deficit.

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

The Financial Action Task Force may call upon its members to take measures against Turkey

As a result of Turkey's high-level political commitment to work with the Financial Action Task Force ("FATF") to seek to address Turkey's deficiencies in combating the financing of terrorism, the Law on Prevention of Financing of Terrorism numbered 6415 and dated 7 February 2013 (the "**Terrorism Law**") has been enacted by Turkey and it has been published on the Official Gazette on 17 February 2013 in order to make sufficient progress in: (a) adequately criminalising terrorist financing; or (b) implementing an adequate legal framework for identifying and freezing terrorist assets before 22 February 2013. Otherwise, the FATF may call upon its members to apply counter measures proportionate to the risks associated with Turkey (for example, the FATF may require banks in member states to apply extra procedures on any transactions with banks in Turkey).

The Terrorism Law introduces an expanded scope to the financing of terrorism offence (as currently defined under Turkish anti-terrorism laws) and strictly prohibits the financing of terrorism and imposes a criminal penalty of imprisonment for any person conducting such crimes under the Terrorism Law. Furthermore, it facilitates the implementation of United Nations Security Council decisions, in particular

those relating to entities and/or individuals placed on sanction and the claims of other foreign governments in relation to "freezing assets" of any person conducting financing of terrorism and imposes a sanction of imprisonment on those persons.

It is likely that the Terrorism Law will sufficiently address the inadequacies identified by the FATF to deter the FATF countermeasures, however the FATF may further request that Turkey adopt additional measures and procedures to ensure full compliance with FATF requirements. This may have an adverse affect on Kuveyt Türk's business, financial condition and results of operations and prospects.

Risks relating to emerging markets

In recent years Turkey has undergone significant political and economic transformation which has resulted in increased stability and economic growth. However, Turkey is still considered by international investors to be an emerging market. In general, investing in the securities of issuers that have operations primarily in emerging markets, such as Turkey, involves a higher degree of risk than investing in the securities of issuers with substantial operations in more developed markets/economies.

Adverse political, economic and related considerations in Turkey could adversely affect Kuveyt Türk's business

Turkey may be subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate.

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

Turkey is located in a region which has been subject to ongoing political and security concerns especially in recent years. Political uncertainty within Turkey and in certain neighbouring countries, such as Iran, Iraq, Georgia, Armenia and Syria, has historically been one of the potential risks associated with investment in securities issued by Turkey.

Since December 2010, political instability has increased markedly in a number of countries in the Middle East and North Africa, such as Tunisia, Egypt, Jordan, Yemen, Syria, Iraq and Libya. Political instability in the Middle East and elsewhere remains a concern, most recently exemplified by the internal conflict in Syria and Iraq, and tension between Iran and Israel. Unrest in those countries and regions may also have implications for the wider global economy and may negatively affect market sentiment towards other countries in the region, including Turkey and between Iran and member countries of the Gulf Cooperation Council ("GCC"). The conflict in Syria has been the subject of significant international attention and is inherently volatile and its impact and resolution is difficult to predict. In early October 2012, Turkish territory was hit by shells launched from Syria, some of which killed Turkish civilians. On 4 October 2012, the Turkish Parliament authorised the government for one year to send and assign military forces in foreign countries should such action be considered appropriate by the government, and on 3 October 2013, the authorisation was extended for one year.

In November 2015, relations between Turkey and Russia deteriorated as a result of the downing of a Russian war plane on the boarder of Turkey and Syria. As a result, Russia has implemented a series of economic sanctions against Turkey which may negatively impact Turkey's economy.

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

Turkey has also experienced problems with domestic terrorist and ethnic separatist groups. For example, Turkey has been in conflict for many years with the People's Congress of Kurdistan, formerly known as the PKK (an organisation that is listed as a terrorist organisation by states and organisations including Turkey, the EU and the United States). On 9 January 2013, three PKK activists were killed in Paris jeopardising Turkish-Kurdish peace talks. Furthermore, tensions between Syria and Turkey have intensified following the shooting down of a Turkish aircraft by Syrian forces in June 2012 and more recently a mortar attack on the Turkish border town of Akcakale which killed five civilians. In response to this, the Turkish Parliament authorised the government on 4 October 2012 to task the military and send troops outside Turkey for a one year period, if deemed necessary, while the United Nations Security Council issued a statement condemning the attack on Akcakale by the Syrian armed forces. Most recently, the terrorist attack in Suruc which killed 32 civilians has prompted a counter-offensive by the Turkish military in Syria and raids against the PKK have also intensified. Turkey recently also suffered a terrorist attack in one of its key tourist destinations killing 15 civilians, a number of whom were foreigners. Such circumstances and domestic terrorist attacks have had and could continue to have a material adverse effect on the Turkish economy and Kuveyt Türk's business, financial condition and results of operations.

While regional conflicts, terrorist attacks and the threat of future terrorism have not had a major negative impact on Turkey's capital markets, the level of tourism, foreign investment and other elements of the Turkish economy, additional attacks or conflicts may occur in the future with such a negative impact which could have an adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects. While Kuveyt Türk's property and business interruption insurance covers damage to insured property directly caused by terrorism, there can be no assurance that such amounts will be sufficient to cover any losses that may occur.

Kuveyt Türk may also be affected if there are regional, political or economic events that prevent it from delivering its services. It is not possible to predict the occurrence of such events or circumstances or the impact of such occurrences and no assurance can be given that Kuveyt Türk would be able to fulfil its obligations if such events or circumstances were to occur. A general economic downturn or instability in certain sectors of the regional economy could have an adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects.

International financial crisis may have an adverse effect on Turkey's economy

The global financial crisis has affected the banking sector in Turkey. Turkey has diversified its export markets in recent years but the EU remains Turkey's largest export market and as a result, the recent financial crisis being experienced within countries in the EU, particularly Greece, had, and may in the future have, an adverse impact on the Turkish economy as demand for Turkish exports may decrease from the EU.

During the global financial crisis, Turkey suffered reduced domestic consumption and investment and a sharp decline in exports, which led to an increase in unemployment. Turkey's GDP contracted by 7.0 per cent. in the fourth quarter of 2008 and declined 4.8 per cent. in 2009. Following the implementation of fiscal and monetary measures during 2009, the Turkish economy began to recover in the fourth quarter of 2009, resulting in Turkey's GDP growing by 9.2 per cent. in 2010, 8.8 per cent. in 2011, 2.1 per cent. in 2012 and 4.2 per cent. in 2013 and 2.9 per cent. in 2014. Its unemployment rate decreased from 16.1 per cent. in February 2009 to 9.1 in October 2012 but increased slightly in 2013 to 9.7 per cent. and as at January 2015 it increased to 11.3 per cent. There can be no assurance that the unemployment rate will, in fact, improve, or even that it will not increase further in the future. Continuing high levels of unemployment may affect Kuveyt Türk's retail customers and business confidence, which could impair its business strategies and have a material adverse effect on its business, financial condition and results of operations.

Although there has been economic recovery, the recovery may not continue. Any deterioration in the condition of the global or Turkish economies, or continued uncertainty around the potential for such deterioration, could have a material adverse effect on Kuveyt Türk's business and customers in a number of ways, including, among others, the income, wealth, employment, liquidity, business, prospects or financial condition of Kuveyt Türk's customers, which, in turn, could reduce Kuveyt Türk's asset quality and demand for Kuveyt Türk's products and services and negatively impact Kuveyt Türk's growth plans. Kuveyt Türk's business, financial condition and results of operations may also continue to be adversely

affected by conditions in the global and Turkish financial markets as long as they remain volatile and subject to disruption and uncertainty.

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

Turkey has been a candidate country for EU membership since the Helsinki European Council of December 1999. The EU resolved on 17 December 2004 to commence accession negotiations with Turkey and affirmed that Turkey's candidacy will be judged by the same 28 criteria (or "**Chapters**") applied to other candidates. These criteria require a range of political, legislative and economic reforms to be implemented. Among these legislative reforms are two new major laws: the Turkish Commercial Code and the Code of Obligations which replaced the Turkish Commercial Code No. 6762 and Code of Obligations No. 818, respectively.

Though Turkey has had a long relationship with the EU, that relationship has at times been strained. During 2006, the EU issued several warnings in connection with Turkey's undertakings under the additional protocol dated July 2005. Following this, in December 2006, the EU decided that negotiations in eight Chapters should be suspended and that no Chapter be closed until the EU has verified that Turkey has fulfilled its commitments relating to the additional protocol. There can be no assurance that the EU will continue to maintain an open approach to Turkey's EU membership, nor that Turkey will be able to meet all the criteria applicable to becoming a member state, including the new Chapters opened in 2009 relating to taxation and the environment.

Recent changes in Turkish law may have a significant impact on Kuveyt Türk's business, financial condition, results of operations and prospects

Recently, four significant pieces of legislation have been subject to substantial amendment, namely the Turkish Code of Obligations, the Turkish Code of Civil Procedures, the Turkish Commercial Code and the Capital Markets Law. Both the Turkish Code of Obligations and the Turkish Commercial Code came into effect on 1 July 2012, the Turkish Code of Civil Procedures came into effect on 1 October 2011, and the Capital Markets Law came into effect on 30 December 2012. The new Consumer Protection Law came into effect on 28 May 2014. These amendments are expected to implement substantial changes in Turkish law and will have a significant impact on commercial life in Turkey. Accordingly, the amendments may adversely impact Kuveyt Türk's business, financial condition, results of operations and prospects although, at this stage, the potential impact cannot be quantified.

In addition, no assurance can be given that the government of Turkey will not implement regulations or fiscal or monetary policies, including policies or new regulations or new legal interpretations of existing regulations or exchange controls, or otherwise take actions which could have an adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects or which could adversely affect the market price and liquidity of the Certificates.

The activities of Kuveyt Türk are highly regulated and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on Kuveyt Türk business

As banks are highly regulated entities, Kuveyt Türk is subject to a number of banking, consumer protection, competition, antitrust and other regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These regulations include Turkish laws and regulations (and in particular those of the BRSA). Basel II regulations, which have been translated into national law in accordance with (where applicable) the capital requirements Directives of the European Community numbered 2006/48/EC and 2006/49/EC (the "**CRD**"), came into effect in Turkey for standardised approaches on 1 July 2012.

Turkish banks' capital adequacy requirements are further affected by Basel III, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements. Basel III has been introduced by the BRSA and the BRSA's regulations. There are various adoption periods set by the BRSA for the adoption of capital adequacy and liquidity rules. The regulations for the adoption of Basel III rules were put into effect at the beginning of 2014 and this transition period is expected to end at the beginning of 2019. Accordingly, the issuer will be required to comply with capital adequacy and liquidity rules which may affect its capital structure and pricing of its products. The BRSA published five new regulations for the implementation of Basel III in Turkey;

Regulation on Equity of Banks, Amendments to the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks, Regulation on Capital Protection and Cyclic Capital Buffer, the Regulation on Measurement and Evaluation of Leverage Levels of Banks and the Regulation on the calculation of the Liquidity Ratio Coverage of banks. Apart from implementation of certain leverage ratios set out under the latter regulations that became effective on 1 January 2015, these regulations are effective as of 1 January 2014.

The new Regulation on Equity of Banks introduces the following changes: (a) introducing core capital as a component of equity; (b) determining which additional Tier 1 capital items are included as Tier 1 capital along with core capital; (c) determining detailed correction principles; (d) changing the principles by which minority rights and shares owned by third persons are considered within the consolidated open funds account; and (e) ensuring that the debt instruments included in additional Tier 1 capital and Tier 2 capital are convertible to share certificates or could be written-off in exchange for share certificates should a bank's core capital adequacy ratio, calculated on a consolidated or non-consolidated basis, fall below 5.125 per cent. The capital instruments that have already been included within the equity of the bank before the effective date of 1 January 2014 in the regulation would be subject to a different equity calculation method. If such instruments no longer qualify as Tier 1 or Tier 2 Capital; for each remaining year of the instrument, 10 per cent. of the instrument will cease to be taken into account for the purpose of the equity calculations of the bank.

In light of the foregoing changes, the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks required amendment and the regulation amending the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks introduced: (i) a minimum core capital adequacy standard ratio (4.5 per cent.) and a minimum Tier 1 capital adequacy standard ratio (6 per cent.) to be calculated on a consolidated and non-consolidated basis; and (ii) instead of deducting certain items from equity, to risk weight such items in determining capital adequacy. See "*Overview of the Turkish Banking Sector and Regulations*" for a description of the Turkish banking regulatory environment.

Pursuant to the regulation regarding the internal systems and internal capital assessment process of banks as issued by the BRSA and published in the Official Gazette on 11 July 2014, banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit, internal control and risk management systems commensurate with the scope and structure of their organizations, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties.

As a result of the recent global financial crisis, policy makers in Turkey, the EU and other jurisdictions have enacted or proposed various new laws and regulations, including those that limit the fees and commissions that banks may charge their customers, and there is still uncertainty as to what impact these changes may have. Whilst the BRSA has already implemented some important regulations in this regard, there have been ongoing studies on the impact these new regulations may have on the Turkish banking sector. In the second half of 2013, an increase in the general provision rate, higher risk weighting, limit to credit card instalment payments and the ceiling on maturity of consumer loans weighed on the Turkish banking sector's revenues. In addition, the ceiling on fees charged on consumers and overall household debt is expected to become effective this year. These regulations will probably limit the Turkish banking sector's incomes and profitability.

The government's influence over the Turkish economy could negatively impact Kuveyt Türk's business

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

Any introduction of exchange controls would have an adverse effect on Kuveyt Türk's business, financial condition or results of operations generally and its ability to make any payments required under the Transaction Documents

Turkish citizens were given limited rights to hold and trade foreign currency by Decrees 28 and 30 on the Protection of the Value of the Turkish Currency in 1983. Turkish exchange regulations strictly controlled exchange movements. After the establishment of a foreign exchange market in August 1988, the exchange rate of the Turkish lira began to be determined by market forces, and banks in Turkey currently set their own foreign exchange rates independently of those announced by the CBT.

Pursuant to Decree 32, as amended, the government eased and ultimately abolished restrictions on the convertibility of the Turkish lira for current account and non-resident capital account transactions. Such steps included facilitating exchange of the proceeds of transactions in Turkish securities by foreign investors, enabling Turkish citizens to purchase securities with foreign exchange, permitting residents and non-residents to buy foreign exchange without limitation and to transfer such foreign exchange abroad, and permitting Turkish companies to invest without limitation. With respect to export-related receipts, before Decree 32 was amended in January 2008, exporters had to bring the related foreign currency payment into Turkey and convert it into Turkish lira within 180 days after the related goods were exported. This restriction has now been abolished. Turkish citizens are permitted to buy unlimited amounts of foreign currency from banks and to hold foreign exchange in commercial banks. Although Kuveyt Türk's management believes that it is unlikely that exchange controls will be re-introduced in the near term, the implementation of any such exchange controls may adversely affect Kuveyt Türk's business, financial condition or results of operations generally or its ability to make any payments required under the Transaction Documents.

The Turkish economy is undergoing transformation to a free market system

The Turkish economy is undergoing continued transformation to a free market system, is subject to significant macroeconomic risks and has been dependent upon the support of the IMF in times of economic crisis. Since the early 1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a free market system. Although the Turkish economy has responded well in general to this transformation, it has continued to experience severe macroeconomic imbalances and has frequently resorted to support from the IMF. While the economy has been significantly stabilised due, in part, to IMF requirements, Turkey may experience another significant economic crisis. If IMF or similar support is not provided or available in any future crisis, then this lack of assistance could have a material adverse effect on Kuveyt Türk's business, financial condition and/or results of operations. Investors should note that, notwithstanding the Turkish economy's traditional resort to the IMF in times of macroeconomic imbalance, the Turkish government decided that IMF support was not required in connection with the current global financial crisis.

Kuveyt Türk's banking and other businesses are significantly dependent upon its customers' ability to make payments on their loans and meet their other obligations to Kuveyt Türk. If the Turkish economy declines because of, among other factors, a reduction in the level of economic activity, devaluation of the Turkish lira, inflation or an increase in domestic interest rates, then a greater portion of Kuveyt Türk's customers may not be able to repay loans when due or meet their other debt service requirements to Kuveyt Türk, which would increase Kuveyt Türk's past due loan portfolio and could materially reduce its net income and capital levels.

In addition, a decline in the Turkish economy would likely result in a decline in the demand for Kuveyt Türk's products. The occurrence of any or all of the above could have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects.

Earthquakes – Turkey is subject to the risk of significant seismic events

A significant portion of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone and Turkey has experienced a large number of earthquakes in recent years, some quite significant in magnitude. For example, in October 2011, the eastern part of the country was struck by an earthquake measuring 7.2 on the Richter scale, causing significant property damage and loss of life.

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

The Turkish banking sector has exhibited significant volatility in the past and may exhibit significant volatility in the future

The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several financial institutions. Following this crisis, the Turkish government made structural changes to the Turkish banking system to strengthen the private (i.e. non-governmental) banking sector and allow it to compete more effectively against the state- controlled banks. Notwithstanding such changes, the Turkish banking sector remains subject to volatility.

If the general macro-economic conditions in Turkey, and the Turkish banking sector in particular, were to suffer another period of volatility, there can be no assurance that this would not result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking system.

Turkish banks' capital adequacy requirements are further affected by Basel III, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements. Basel III has been introduced by the BRSA and the BRSA's regulations. There are various adoption periods set by the BRSA for the adoption of capital adequacy and liquidity rules. The regulations for the adoption of Basel III rules were put into effect at the beginning of 2014 and this transition period is expected to end at the beginning of 2019. Accordingly, the issuer will be required to comply with capital adequacy and liquidity rules which may affect its capital structure and pricing of its products. The BRSA published five new regulations for the implementation of Basel III in Turkey; Regulation on Equity of Banks, Amendments to the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks, Regulation on Capital Protection and Cyclic Capital Buffer, the Regulation on Measurement and Evaluation of Leverage Levels of Banks and the Regulation on the calculation of the Liquidity Ratio Coverage of banks. Apart from implementation of certain leverage ratios set out under the latter regulations that became effective on 1 January 2015, these regulations are effective as of 1 January 2014.

The Regulation on Equity of Banks introduces the following changes: (a) introducing core capital as a component of equity; (b) determining which additional Tier 1 capital items are included as Tier 1 capital along with core capital; (c) determining detailed correction principles; (d) changing the principles by which minority rights and shares owned by third persons are considered within the consolidated open funds account; and (e) ensuring that the debt instruments included in additional Tier 1 capital and Tier 2 capital are convertible to share certificates or could be written- off in exchange for share certificates should a bank's core capital adequacy ratio, calculated on a consolidated or non-consolidated basis, fall below 5.125 per cent. The capital instruments that have already been included within the equity of the bank before the effective date of 1 January 2014 in the regulation would be subject to a different equity calculation method. If such instruments no longer qualify as Tier 1 or Tier 2 Capital; for each remaining year of the instrument, 10 per cent. of the instrument will cease to be taken into account for the purpose of the equity calculations of the bank.

In light of the foregoing changes, the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks required amendment and the regulation amending the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks proposes to: (i) introduce a minimum core capital adequacy standard ratio (4.5 per cent.) and a minimum Tier 1 capital adequacy standard ratio (6 per cent.) to be calculated on a consolidated and non-consolidated basis; and (ii) instead of deducting certain items from equity, to risk weight such items in determining capital adequacy. See "*Overview of the Turkish Banking Sector and Regulations*" for a description of the Turkish banking regulatory environment.

As a result of the recent global financial crisis, policy makers in Turkey, the EU and other jurisdictions have enacted or proposed various new laws and regulations, including those that limit the fees and commissions that banks may charge their customers, and there is still uncertainty as to what impact these changes may have. Whilst the BRSA has already implemented some important regulations in this regard, there have been ongoing studies on the impact these new regulations may have on the Turkish banking sector. In the second half of 2013, an increase in the general provision rate, higher risk weighting, limit to credit card instalment payments and the ceiling on maturity of consumer loans weighed on the Turkish banking sector's revenues. In addition, the ceiling on fees charged on consumers and overall household debt is expected to become effective this year. These regulations will probably limit the Turkish banking sector's incomes and profitability.

Risks relating to the Turkish banking industry

The Turkish banking sector has exhibited significant volatility in the past and may exhibit significant volatility in the future

The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001, this resulted in the collapse of several financial institutions. Following this crisis, the Turkish government made structural changes to the Turkish banking system to strengthen the private (i.e. non-governmental) banking sector and allow it to compete more effectively against the state-controlled banks. Notwithstanding such changes, the Turkish banking sector remains subject to volatility.

If the general macro-economic conditions in Turkey, and the Turkish banking sector in particular, were to suffer another period of volatility, there can be no assurance that this would not result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking system.

The activities of Kuveyt Türk are highly regulated and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on Kuveyt Türk's business

As banks are highly regulated entities, Kuveyt Türk is subject to a number of banking, consumer protection, competition, antitrust and other regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These regulations include Turkish laws and regulations (and in particular those of the BRSA). Basel II regulations, which have been translated into national law in accordance with (where applicable) the capital requirements Directives of the European Community numbered 2006/48/EC and 2006/49/EC (the "CRD"), came into effect in Turkey for standardised approaches on 1 July 2012.

Turkish banks' capital adequacy requirements are further affected by Basel III, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements. Basel III has been introduced by the BRSA and the BRSA's regulations. There are various adoption periods set by the BRSA for the adoption of capital adequacy and liquidity rules. The regulations for the adoption of Basel III rules were put into effect at the beginning of 2014 and this transition period is expected to end at the beginning of 2019. Accordingly, Kuveyt Türk will be required to comply with capital adequacy and liquidity rules which may affect its capital structure and pricing of its products. The BRSA published five new regulations for the implementation of Basel III in Turkey; Regulation on Equity of Banks, Amendments to the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks, Regulation on Capital Protection and Cyclic Capital Buffer, the Regulation on Measurement and Evaluation of Leverage Levels of Banks and the Regulation on the calculation of the Liquidity Ratio Coverage of banks. Apart from implementation of certain leverage ratios set out under the latter regulations that became effective on 1 January 2015, these regulations are effective as of 1 January 2014.

The draft Regulation on Equity of Banks introduces the following changes: (a) introducing core capital as a component of equity; (b) determining which additional Tier 1 capital items are included as Tier 1 capital along with core capital; (c) determining detailed correction principles; (d) changing the principles by which minority rights and shares owned by third persons are considered within the consolidated open funds account; and (e) ensuring that the debt instruments included in additional Tier 1 capital and Tier 2 capital are convertible to share certificates or could be written-off in exchange for share certificates

should a bank's core capital adequacy ratio, calculated on a consolidated or non-consolidated basis, fall below 5.125 per cent. The capital instruments that have already been included within the equity of the bank before the effective date of 1 July 2013 in the draft regulation would be subject to a different equity calculation method. If such instruments no longer qualify as Tier 1 or Tier 2 capital; for each remaining year of the instrument, 10 per cent. of the instrument will cease to be taken into account for the purpose of the equity calculations of the bank.

In light of the foregoing changes, the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks required amendment and the draft regulation amending the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks proposes to: (i) introduce a minimum core capital adequacy standard ratio (4.5 per cent.) and a minimum Tier 1 capital adequacy standard ratio (6 per cent.) to be calculated on a consolidated and non-consolidated basis; and (ii) instead of deducting certain items from equity, to risk weight such items in determining capital adequacy. See "*Overview of the Turkish Banking Sector and Regulations*" for a description of the Turkish banking regulatory environment.

Pursuant to the regulation regarding the internal systems and internal capital assessment process of banks as issued by the BRSA and published in the Official Gazette on 11 July 2014, banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit, internal control and risk management systems commensurate with the scope and structure of their organizations, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties.

As a result of the recent global financial crisis, policy makers in Turkey, the EU and other jurisdictions have enacted or proposed various new laws and regulations, including those that limit the fees and commissions that banks may charge their customers, and there is still uncertainty as to what impact these changes may have. Whilst the BRSA has already implemented some important regulations in this regard, there have been ongoing studies on the impact these new regulations may have on the Turkish banking sector. In the second half of 2013, an increase in the general provision rate, higher risk weighting, limit to credit card instalment payments and the ceiling on maturity of consumer loans weighed on the Turkish banking sector's revenues. In addition, the ceiling on fees charged on consumers and overall household debt is expected to become effective this year. These regulations will probably limit the Turkish banking sector's incomes and profitability.

The policy of the Turkish Central Bank on reserve requirements and interest rates could negatively affect Kuveyt Türk's business, financial condition, results of operations and prospects

In order to simplify the structure of reserve requirements that are used as monetary and macro prudential policy tools, the Turkish Central Bank has adopted a new approach. Accordingly, instead of deducting specified items from the total domestic liabilities, only the items subject to reserve requirements are directly taken into account while calculating liabilities subject to reserve requirements. Thus, immaterial items, which do not have a direct impact on the monetary policy but reduce the efficiency of the operational processes, have been excluded from reserve requirements coverage.

In addition to these regulatory measures, the Turkish Central Bank has tightened monetary policy raising the short term interest rates and simplifying the operational framework in order to contain the negative impacts of recent developments in domestic and international markets on risk perception and inflation outlook. The marginal funding rate was increased on 29 January 2014 to 12 per cent. from 7.75 per cent., the borrowing rate was also increased on 29 January 2014 from 3.5 per cent. to 8 per cent. The interest rate on borrowing facilities provided for primary dealers via repo transactions from 6.75 per cent. to 11.5 per cent. on 29 January 2014 and the one-week repo rate was increased to 10 per cent. from 4.5 per cent. on 29 January 2014. The bank has lowered all interest rates due to improvements in the outlook on inflation and global liquidity conditions since the middle of 2014. While the one-week repo rate was 7.5 per cent, borrowing and lending rates were set at 7.25 per cent. and 10.75 per cent. as of March 2015. Recently, the Turkish Central Bank has opted to maintain its cautious approach due to the global and domestic uncertainties.

Kuveyt Türk might not be able to pass on any increased costs associated with such regulatory changes to its customers, particularly given the high level of competition in the Turkish banking market (see

"Overview of the Turkish Banking Sector and Regulations"). Accordingly, Kuveyt Türk might not be able to sustain its level of profitability in light of these regulatory changes and Kuveyt Türk's profitability might be materially adversely impacted until such changes are incorporated into Kuveyt Türk's pricing.

The Turkish Central Bank's increase in initial rates and regulatory changes such as increased reserve requirements, and caps on interest rates charged on credit cards can have an adverse impact on Kuveyt Türk's net interest income, thereby exerting downward pressure on Kuveyt Türk's net interest margins. New laws and regulations may increase Kuveyt Türk's cost of doing business or limit its activities and might be adopted, enforced or interpreted in a manner that could have an adverse effect on Kuveyt Türk's business, financial condition, cash flows and results of operations. In addition, such measures could also limit or reduce growth of the Turkish economy and consequently the demand for Kuveyt Türk's products and services.

In addition to the recent devaluation of the Turkish Lira, as a consequence of certain of these changes, Kuveyt Türk was required to increase its capital reserves and may need to access more expensive sources of financing to meet its funding requirements. Any failure by Kuveyt Türk to adopt adequate responses to these or future changes in the regulatory framework could have an adverse effect on Kuveyt Türk's business, financial condition and results of operations. In addition, non-compliance with regulatory guidelines could expose Kuveyt Türk to potential liabilities and fines and damage its reputation.

Turkish banking regulation is administered on the basis of BRSA accounts

Kuveyt Türk's primary regulator, the BRSA, uses the BRSA Financial Statements to assess Kuveyt Türk's compliance with banking regulations and capital adequacy requirements. Therefore, the results of operations and financial condition of Kuveyt Türk's as reflected in the IFRS Financial Statements might not reflect Kuveyt Türk's business, results of operations or financial condition as used to determine Kuveyt Türk's performance under, and in compliance with, Turkish regulations. In addition, Kuveyt Türk uses its BRSA Financial Statements to determine whether, and to what extent, it can undertake certain activities, such as paying dividends to shareholders. A summary of differences between IFRS and BRSA Principles and details of the reconciliation of certain BRSA and IFRS data are set out in "*Summary of Differences between IFRS and BRSA Principles*."

Kuveyt Türk may be unable to maintain or secure the necessary licences for carrying on its business

All banks established in Turkey require licensing by the BRSA. Each of Kuveyt Türk and, to the extent applicable, each of its subsidiaries has a current Turkish and/or other applicable licence for all of its banking and other operations. Kuveyt Türk believes that it and each of its subsidiaries is currently in compliance with its existing material licence and reporting obligations. If Kuveyt Türk and, to the extent applicable, any of its subsidiaries were to suffer a future loss of any licence, breach the terms of any licence or fail to obtain any further required licences, then this could have a material adverse effect on Kuveyt Türk's business, financial condition and results of operations.

Risk factors relating to the Certificates

Potential Permanent Write-Down – The outstanding face amount of the Certificates might be permanently written-down upon the occurrence of a Non-Viability Event with respect to Kuveyt Türk

If a Non-Viability Event occurs at any time, the then outstanding face amount of the Certificates, together with any other Parity Loss-Absorbing Instruments, shall on a *pro rata* basis be reduced by the relevant Write-Down Amount, and Kuveyt Türk's corresponding obligations under the Transaction Documents shall (in aggregate) be reduced by the same Write Down Amount. For these purposes, any determination of a Write-Down Amount will take into account the absorption of the relevant loss(es) to the maximum extent possible by all Junior Obligations and the Writing Down of the Certificates *pro rata* with any other Parity Loss-Absorbing Instruments, thereby maintaining the intended respective rankings of Kuveyt Türk's obligations under the Transaction Documents as described in Condition 3.2 (*Status, Subordination and Limited Recourse – Subordination*).

As of the date of this Prospectus, a number of corrective, rehabilitative and restrictive measures may be taken by the BRSA under Articles 68 to 70 of the Banking Law (*No. 5411*) prior to any determination of Non-Viability of Kuveyt Türk. In conjunction with any such determination, the relevant loss(es) of Kuveyt Türk may be absorbed by shareholders of Kuveyt Türk pursuant to Article 71 of the Banking Law

(No. 5411) upon: (a) the transfer of shareholders' rights and the management and supervision of Kuveyt Türk to the SDIF; or (b) the revocation of Kuveyt Türk's operating licence and its liquidation. However, the Write-Down of the Certificates (and the corresponding Write-Down of Kuveyt Türk's obligations under the Transaction Documents) under the BRSA Regulation may take place before any such transfer or liquidation.

Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*) provides, among other things, that while the Certificates may be Written-Down before any liquidation as described in the preceding paragraph, the Write-Down must take place in conjunction with such liquidation in order that the respective rankings described in Condition 3.2 (*Status, Subordination and Limited Recourse – Subordination*) are maintained and the relevant loss(es) are absorbed by Junior Obligations to the maximum extent possible. Where a Write-Down of the Certificates does take place before the liquidation of Kuveyt Türk, the Trustee (or the Delegate acting in the name and on behalf of the Trustee pursuant to the Declaration of Trust) would only be able to claim and prove in such liquidation in respect of the outstanding face amount of the Certificates following the Write-Down.

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

Should such loss absorption not take place or be so taken into account by the BRSA, subject as described in "*Limited remedies for non-payment when due or enforcement of any other obligations*" below, the Trustee (or the Delegate acting in the name and on behalf of the Trustee pursuant to the Declaration of Trust) may institute proceedings against Kuveyt Türk to enforce the Trustee's rights under the Transaction Documents; however, to the extent any judgment was obtained in the United Kingdom on the basis of English law as the governing law of the Transaction Documents there is uncertainty as to the enforceability of any such judgment by the Turkish courts. In addition, there are certain circumstances in which the courts of Turkey might not enforce a judgment obtained in the courts of another country, which are more fully described under the risk factor entitled "*Enforcing foreign judgments in Turkey*" below. Therefore there can be no assurance that any judgment obtained against Kuveyt Türk in the courts of another country in these circumstances will be enforceable in Turkey.

Any write-down of the Certificates (and the corresponding Write-Down of Kuveyt Türk's obligations under the Transaction Documents) would be permanent and none of the Trustee, the Delegate or the Certificateholders will have any further claim against Kuveyt Türk in respect of any Written-Down Amount of the Certificates or the corresponding Write-Down of Kuveyt Türk's obligations under the Transaction Documents. Consequently, there is a real risk that an investor in the Certificates will lose all or some of its investment upon the occurrence of a Non-Viability Event. Therefore, the occurrence of any such event or any suggestion of such occurrence could materially adversely affect the rights of Certificateholders, the market price of investments in the Certificates and/or the ability of Kuveyt Türk to satisfy its obligations under the Transaction Documents which would fund payments otherwise due under the Certificates. See Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*) for further information on any such potential write-downs of the Certificates, including for the definitions of various terms used in this risk factor.

An investor in the Certificates assumes an enhanced risk of loss in the event of a Subordination Event

The obligations of Kuveyt Türk under the Transaction Documents to which it is a party will be unsecured and subordinated. On any distribution of the assets of Kuveyt Türk on its dissolution, winding-up or liquidation (as further described in "*Overview of the Offering – Subordination*"), and for so long as such Subordination Event subsists, the obligations of Kuveyt Türk under the Transaction Documents to which it is a party in relation to amounts payable in respect of the Certificates will rank subordinate in right of payment to the payment of all Senior Obligations (as defined in the Conditions) and no amount will be paid by Kuveyt Türk in respect of its obligations under the Transaction Documents in relation to the Certificates until all such Senior Obligations have been paid in full. Unless, therefore, Kuveyt Türk has assets remaining after making all such payments, no payments will be made in respect of its obligations under the Transaction Documents in relation to the Certificates and any such payments that are made will be made *pari passu* with any payments made by Kuveyt Türk in respect of any other obligations it may

have under any Parity Obligations (as defined in the Conditions). Consequently, although the Certificates may pay a higher return than comparable instruments relating to unsubordinated obligations, there is an enhanced risk that an investor in the Certificates will lose all or some of its investment on the occurrence of a Subordination Event.

No limitation on incurrence of Senior Obligations or Parity Obligations

There is no restriction on the amount of Senior Obligations or Parity Obligations that Kuveyt Türk may incur. As described above, the incurrence of any such obligations may reduce the amount recoverable by Certificateholders on any dissolution, winding-up or liquidation of Kuveyt Türk. Accordingly, on such dissolution, winding-up or liquidation, there may not be sufficient amounts to satisfy the amounts owing to Certificateholders in respect of the obligations of Kuveyt Türk under the Transaction Documents to which it is a party and this may result in an investor in the Certificates losing all or some of its investment.

Absence of secondary market or limited liquidity

There is no assurance that a secondary market for the Certificates will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of such Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates.

Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates. An investor in the Certificates must be prepared to hold the Certificates for an indefinite period of time or until their maturity. An application has been made for the listing of the Certificates on the Irish Stock Exchange but there can be no assurance that any such listing will occur on or prior to the date of this Prospectus or at all, if it does occur, that it will enhance the liquidity of the Certificates.

The trading market for the Certificates may be volatile and may be adversely impacted by many events

The market for the Certificates is expected to be influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates in the United States and Europe and other industrialised countries. There can be no assurance that events in Turkey, the United States, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Certificates or that economic and market conditions will not have any other adverse effect.

The Certificates may be subject to early redemption

In certain circumstances as provided in Condition 8 (*Capital Distributions*), the Certificates may be subject to early redemption. Kuveyt Türk will have the right (subject to the approval of the BRSA) under the Transaction Documents to oblige the Trustee on the Trustee Call Date to sell to Kuveyt Türk the Asset Portfolio pursuant to the exercise of the Sale and Transfer Undertaking, following which the Trustee may redeem all, but not some only, of the Certificates at the Dissolution Distribution Amount. This early redemption feature is likely to limit the market value of the Certificates, as the market value of the Certificates is unlikely to rise substantially above the price at which they can be redeemed during any period when such rights are exercisable. This may also be true prior to such period.

Kuveyt Türk may be expected to exercise its rights in respect of such early redemption when its funding costs are lower than the Periodic Distribution Amounts payable in respect of the Certificates. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective rate as high as the rate at which such Periodic Distribution Amounts are calculated and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other instruments that may be available at the time.

Subject as provided in Condition 8 (*Capital Distributions*), Kuveyt Türk will also have the right under the Transaction Documents to oblige the Trustee at any time upon the occurrence of a Capital Disqualification Event or a Tax Redemption Event to sell to Kuveyt Türk the Asset Portfolio pursuant to the exercise of the Sale and Transfer Undertaking, following which the Trustee may redeem all, but not

some only, of the Certificates at the Dissolution Distribution Amount. Depending on prevailing market conditions on such redemption, an investor may similarly not be able to reinvest the redemption proceeds in a comparable security in respect of which distributions are payable at an equivalent rate to that at which Periodic Distribution Amounts are payable in respect of the Certificates.

Limited remedies for non-payment when due or enforcement of any other obligations

It will only be possible to accelerate payment of any amounts payable by Kuveyt Türk pursuant to its obligations under the Transaction Documents to which it is a party in relation to amounts payable in respect of the Certificates upon the occurrence of a Subordination Event or otherwise on the winding-up, dissolution or liquidation of Kuveyt Türk as described in Condition 14 (*Enforcement*). Subject as provided in Condition 14 (*Enforcement*), the Trustee or the Delegate in the name and on behalf of the Trustee may then claim or prove in the winding-up, dissolution or liquidation for and on behalf of the Certificateholders in respect of the resulting amounts due and payable by Kuveyt Türk under the Transaction Documents.

Certificateholders may direct the Delegate to bring proceedings against Kuveyt Türk, other than in respect of any payment obligation it may have under the Transaction Documents, but Kuveyt Türk will not have any obligation by virtue of the institution of any such proceedings to pay any amount or amounts sooner than such amount(s) would otherwise have been payable under the Transaction Documents. This is the case whether such proceedings are instituted in respect of any default by Kuveyt Türk in payment or otherwise. The only remedy of Certificateholders on any default by Kuveyt Türk in payment under any Transaction Document will be to direct the Delegate to bring proceedings in respect of such defaulted payment for Kuveyt Türk's winding-up, dissolution or liquidation as described in Condition 14 (*Enforcement*) and on such winding-up, dissolution or liquidation to accelerate payment of any remaining amounts payable by Kuveyt Türk and prove in the winding-up, dissolution or liquidation as provided above.

No remedy other than those described above will be available to any of the Trustee, the Delegate or Certificateholders in respect of the obligations of Kuveyt Türk under the Transaction Documents to which it is a party in relation to the Certificates, whether for the recovery of amounts owing pursuant to such obligations due to Certificateholders or in respect of any breach by Kuveyt Türk of any of its obligations under the Transaction Documents in relation to the Certificates and none of the Trustee, the Delegate or Certificateholders will be able to take any further or other action to enforce, claim or prove for any payment by Kuveyt Türk in respect of such obligations.

The profit rate on the Certificates will be reset on the Trustee Call Date, which could affect Periodic Distribution Amount distributions on an investment in the Certificates and the market price of any such investment

The Certificates will initially bear profit at the Initial Periodic Distribution Rate until (but excluding) the Trustee Call Date, at which time the Periodic Distribution Rate will be reset to the Reset Periodic Distribution Rate. The Reset Periodic Distribution Rate could be less than the Initial Periodic Distribution Rate and thus could affect the market price of an investment in the Certificates. See Condition 6 (*Periodic Distributions*) for further information of such resetting of the Periodic Distribution Rate, including for the definitions of various terms used in this paragraph.

The Certificates are limited recourse obligations

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent a beneficial interest solely in the Trust Assets. Recourse to the Trustee in respect of the Certificates is limited to the Trust Assets and the proceeds of such Trust Assets are the sole source of payments on the Certificates.

Upon the occurrence of a Dissolution Event, the sole rights of each of the Trustee and the Delegate (including acting in the name and on behalf of the Trustee) will be against Kuveyt Türk to perform its respective obligations under the Transaction Documents. Kuveyt Türk is obliged to make certain payments under the Transaction Documents directly to the Trustee, and the Delegate will have recourse against Kuveyt Türk to recover such payments due to itself and the Trustee pursuant to the Transaction Documents (including acting in the name and on behalf of the Trustee). Unless the Delegate, having become bound to act pursuant to the terms of the Declaration of Trust and the Conditions, fails to do so within a reasonable time, Certificateholders have no direct recourse to the Trustee and there is no

assurance that the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets will be sufficient to make all payments due in respect of the Certificates.

After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with the Conditions, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee or the Delegate have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents and the sole right of the Trustee and the Delegate against Kuveyt Türk shall be to enforce the obligation of Kuveyt Türk to perform its obligations under the Transaction Documents.

Certificates where denominations involve integral multiples: Definitive Certificates

As the Certificates have a denomination consisting of a minimum Authorised Denomination (as defined in the Conditions) plus one or more higher integral multiples of another smaller amount, it is possible that such Certificates may be traded in amounts that are not integral multiples of such minimum Authorised Denomination. In such a case a Certificateholder who, as a result of trading such amounts, holds a face amount of less than the minimum Authorised Denomination would need to purchase an additional amount of Certificates such that it holds an amount equal to at least the minimum Authorised Denomination to be able to trade such Certificates.

If a Certificateholder holds an amount which is less than the minimum Authorised Denomination in his account with the relevant clearing system at the relevant time may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a face amount of Certificates such that its holding amounts to a Authorised Denomination.

If Definitive Certificates are issued, holders should be aware that Definitive Certificates which have a denomination that is not an integral multiple of the minimum Authorised Denomination may be illiquid and difficult to trade.

No third-party guarantees

Investors should be aware that no guarantee is or will be given in relation to the Certificates by the shareholders of the Trustee, Kuveyt Türk or any other person.

Risks relating to the Trust Assets and limited rights of enforcement

Transfer of the Asset Portfolio

No assurance has been or will be given as to whether any interest, rights, benefits and entitlements in, to and under any of the Asset Portfolio may be transferred as a matter of the law governing the Asset Portfolio, the law of the jurisdiction where such assets are located or any other relevant law. Furthermore, no opinion will be provided by Turkish or other counsel that the Purchase Agreement is effective to transfer any interests, rights, benefits and entitlements in, to and under the assets described therein. In any event, the Certificateholders will not have any rights of enforcement as against the Asset Portfolio and the Trustee's rights in respect of the Asset Portfolio are limited to the proceeds of enforcement against Kuveyt Türk of its obligation to purchase the Trustee's interests, rights, benefits and entitlements in, to and under the Asset Portfolio pursuant to the terms of the Purchase and Asset Portfolio Undertaking and subject to the terms of the Use of Proceeds Undertaking Deed.

In the event that the transfer to the Trustee of specified interests, rights, benefits and entitlements in, to and under the Asset Portfolio is for any reason found to have been, or is alleged to have been, ineffective so that the Trustee is unable to deliver such interests, rights, benefits and entitlements (or part thereof) to Kuveyt Türk in accordance with the terms of the Purchase and Asset Portfolio Undertaking, Kuveyt Türk has agreed in the Purchase and Asset Portfolio Undertaking to fully indemnify the Trustee. In such a situation, the Certificateholders will not have any rights of enforcement as against the Asset Portfolio and the Trustee's rights in respect of the Asset Portfolio are limited to the proceeds of enforcement against Kuveyt Türk of its obligation to indemnify the Trustee pursuant to the terms of the Purchase and Asset Portfolio Undertaking, and consequently the effectiveness of any transfer of any interests, rights, benefits and entitlements in, to and under the Asset Portfolio to the Trustee is likely to be of limited consequence to the rights of the Certificateholders.

In the event that the Asset Portfolio is not repurchased by Kuveyt Türk for any reason, subject to clause 18.4 of the Declaration of Trust, the Delegate may and shall if so directed in accordance with the Conditions and the Declaration of Trust, seek to enforce the payment and indemnity obligations of Kuveyt Türk under the Purchase and Asset Portfolio Undertaking. To the extent that it obtains an English judgment in its favour, it may seek to enforce that judgment or award in a Turkish court. This will be subject to general enforcement risks in Turkey (see "*Risk factors relating to enforcement — Enforcing foreign judgments in Turkey*").

Risk factors relating to taxation

Taxation risks on payments

Payments made by Kuveyt Türk to the Trustee under the Transaction Documents to which it is a party, by the Trustee in respect of the Certificates, or revenues generated by the Trust Assets and received by the Managing Agent, could become subject to withholding or deduction for or on account of taxation. The Transaction Documents require Kuveyt Türk (in its respective capacities) to pay additional amounts in the event that any withholding or deduction is required by applicable law to be made in respect of payments made by it to the Trustee which are intended to fund Periodic Distribution Amounts and Dissolution Distribution Amounts. Condition 11 (*Taxation*) provides that the Trustee is required to pay additional amounts in respect of any such withholding or deduction imposed by Cayman Islands law or Turkish law in certain circumstances. In the event that the Trustee fails to pay additional amounts for any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, Kuveyt Türk has unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 11 (*Taxation*) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

If Kuveyt Türk has or will become obliged to pay additional amounts to ensure that the funds available to the Trustee are sufficient to pay the relevant Periodic Distribution Amount or the relevant Dissolution Distribution Amount pursuant to Condition 11 (*Taxation*) and such obligation cannot be avoided by the Trustee taking reasonable measures available to it, then Condition 8.4 (*Capital Distributions — Early Dissolution for Tax Reasons*) provides that, in such circumstances, Kuveyt Türk has the option to require the Trustee to redeem the Certificates prior to their scheduled maturity.

Payments on the Certificates may be subject to U.S. withholding tax under FATCA

The United States has enacted rules, commonly referred to as "**FATCA**", that generally impose a new reporting and withholding regime with respect to certain payments made after 31 December 2016 by entities that are classified as financial institutions under FATCA. The United States has entered into a Model I intergovernmental agreement regarding the implementation of FATCA with the Cayman Islands and has entered into, in substance, a Model I intergovernmental agreement regarding the implementation of FATCA with Turkey (the "**IGAs**"). Under the IGAs, as currently drafted, the Trustee does not expect payments made on or with respect to the Certificates to be subject to withholding under FATCA. However, significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Certificates in the future. However, even if changes to the IGAs are made in the future so that withholding under FATCA applies generally to payments by the Trustee, it should not apply to payments on Certificates unless their terms are "materially modified" after the six-month anniversary of the date on which the final regulations that define "foreign passthru payments" are published. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA.

Risk factors relating to enforcement

Enforcement risk

Ultimately the payments under the Certificates are dependent upon Kuveyt Türk making payments to the Trustee and the Trustee making payments to Certificateholders in the manner contemplated under the Transaction Documents. If Kuveyt Türk or the Trustee fails to do so, it may be necessary to bring an action against either of them to enforce their respective obligations and/or to claim damages, as appropriate, which may be costly and time consuming.

Certain of the Transaction Documents are governed by English law (excluding certain specified provisions therein in respect of subordination which are governed by Turkish law), with the courts of England stated to have jurisdiction to settle any disputes. Notwithstanding that a judgment may be obtained in an English court, there is no assurance that Kuveyt Türk or the Trustee has, or would at the relevant time have, assets in the United Kingdom against which such judgment could be enforced.

Enforcing foreign judgments in Turkey

Kuveyt Türk is a joint stock company organised under the laws of Turkey. Certain of the directors and officers of Kuveyt Türk reside inside Turkey and all or a substantial portion of the assets of such persons may be, and substantially all of the assets of Kuveyt Türk are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

In accordance with Articles 50–59 of Turkey's International Private and Procedure Law (Law No. 5718), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

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

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

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

- (a) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed and the defendant brought an objection before the Turkish courts against the request for enforcement on any of these grounds;
- (b) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey;
- (c) the judgment is incompatible with a judgment of a court in Turkey between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey;
- (d) the judgment is not of a civil nature;
- (e) the judgment is clearly against public policy rules of Turkey;
- (f) the judgment is not final and binding with no further recourse for appeal under the laws of the country where the judgment has been rendered; or
- (g) the court rendering the judgment did not
- (h) the judgment was rendered by a foreign court that has deemed itself competent even though it had no actual relationship with the parties or the subject matter at hand.

If any action or proceeding is instituted in Turkey arising out of or relating to a Transaction Document, it may be necessary for a foreign plaintiff or plaintiffs under Law of Charges No. 492 (as amended) to pay,

among other amounts (including amounts in relation to security for court costs), court fees in the amount of 6.83 per cent. of the TRY equivalent of the amount claimed plus a fixed application fee to the relevant courts.

In connection with the issuance of Certificates, Kuveyt Türk will appoint Maples and Calder, 11th Floor, 200 Aldersgate Street, London, EC1A 4HD as its agent upon whom process may be served in connection with any proceedings in England.

Payment of Judgments

Turkish Courts may render judgments in a foreign currency including in the context of enforcing a foreign judgment. If an enforcement action is initiated in respect of a judgment in a foreign currency including Turkish court judgments rendered in connection with the enforcement of foreign court judgments, then the sum claimed in such action would be converted into Turkish Lira on the date of filing such action for the purpose of calculation of the enforcement fee.

Change of law

The structure of the issue of the Certificates is based on English, Cayman Islands and Turkish law and administrative practices in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English law, Cayman Islands law, Turkish law or administrative practices in each jurisdiction after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of Kuveyt Türk or the Trustee to comply with their respective obligations under the Transaction Documents.

Claims for specific enforcement

In the event that any of Kuveyt Türk or the Trustee fails to perform its obligations under any Transaction Document, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. There is no assurance that any court would order specific enforcement of a contractual obligation, as this is generally a matter for the discretion of the relevant court.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Trustee or the Delegate to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by any of Kuveyt Türk or the Trustee to perform its obligations as set out in the Transaction Documents to which it is a party.

Additional risks

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Certificates. The ratings may not reflect the potential impact of all risks related to the transaction structure, the market, the additional factors discussed above or any other factors that may affect the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of repayment and may be revised, suspended or withdrawn by the assigning rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("ESMA") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain

supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list.

Emerging markets

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including, in some cases, significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Modification of the Conditions and the Transaction Documents and other matters

The Conditions and the Declaration of Trust contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Conditions and the Declaration of Trust also provide that the Delegate may agree, without the consent or sanction of Certificateholders, to any modification of any of the provisions of the Certificates, the Declaration of Trust or any other Transaction Document if, in the opinion of the Delegate, such modification is: (a) of a formal, minor or technical nature; (b) made to correct a manifest error; or (c) (excluding in respect of a Reserved Matter) not materially prejudicial to the interests of Certificateholders. The Delegate may further agree to any waiver or authorisation of any breach or proposed breach of the Conditions, the Declaration of Trust or any other Transaction Document, in each such case as further described in Condition 17 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).

Exchange rate risks and exchange controls

The Trustee will pay Periodic Distribution Amounts and Dissolution Distribution Amounts on the Certificates in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars.

These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls.

An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease: (i) the Investor's Currency equivalent yield on the Certificates; (ii) the Investor's Currency equivalent value of the Dissolution Distribution Amount payable on the Certificates; and (iii) the Investor's Currency equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive a lower Periodic Distribution Amount and/or Dissolution Distribution Amount than expected, or no Periodic Distribution Amounts or Dissolution Distribution Amount.

Reliance on Euroclear and Clearstream, Luxembourg procedures

The Certificates will be represented on issue by a Global Certificate that will be deposited with, and registered in the name of a nominee for, a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificate. While the Certificates are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

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

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

Shari'a rules

The QInvest Sharia'a Supervisory Board, the Fatwa and Shari'a Supervisory Board of Noor Bank, the HSBC Saudi Arabia Executive Shari'ah Committee, the KFH Capital Sharia Committee and the Fatwa and Shari'a Supervision Board of Dubai Islamic Bank and Dar Al Sharia Legal and Financial Consultancy have each approved the Transaction Documents. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be *Shari'a* compliant by any other *Shari'a* board or *Shari'a* scholars or in the future. None of the Trustee, the Delegate, the Agents, Kuveyt Türk or the Joint Lead Managers makes any representation as to the *Shari'a* compliance of the Certificates and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Potential investors should obtain their own independent *Shari'a* advice as to the compliance of the Transaction Documents and the issue and trading of the Certificates with *Shari'a* principles.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the audited consolidated financial statements of Kuveyt Türk for the year ended 31 December 2013, prepared and presented in accordance with BRSA Principles (together with the auditor report thereon), available at:

[http://www.ise.ie/debt_documents/Kuveyt%20Turk%20Consolidated%20BRSA%20Financials%2031%2012%202013\(13137587_1\)_818f4816-c4cd-4327-b6bc-ae6df4b00226.PDF?v=2072015](http://www.ise.ie/debt_documents/Kuveyt%20Turk%20Consolidated%20BRSA%20Financials%2031%2012%202013(13137587_1)_818f4816-c4cd-4327-b6bc-ae6df4b00226.PDF?v=2072015)

- (b) the audited consolidated financial statements of Kuveyt Türk for the year ended 31 December 2014, prepared and presented in accordance with BRSA Principles (together with the auditor report thereon), available at:

[http://www.ise.ie/debt_documents/31.12.2014%20BRSA%20Consolidated\(18199791_1\)_51a5900b-7f6e-4a3a-9362-8e48acdf970a.PDF?v=2072015](http://www.ise.ie/debt_documents/31.12.2014%20BRSA%20Consolidated(18199791_1)_51a5900b-7f6e-4a3a-9362-8e48acdf970a.PDF?v=2072015)

- (c) the unaudited consolidated financial statements of Kuveyt Türk for the nine month period ended 30 September 2015 (including comparative financial information for the nine month period ended 30 September 2014), prepared and presented in accordance with BRSA Principles (together with the auditor review report thereon), available at:

[http://www.ise.ie/debt_documents/KT%20Q3%20Consolidated%2030.09.2015\(19160201_1\)_0c2afc7c-893d-4631-8d4c-74707fcbfce9.PDF?v=16102015](http://www.ise.ie/debt_documents/KT%20Q3%20Consolidated%2030.09.2015(19160201_1)_0c2afc7c-893d-4631-8d4c-74707fcbfce9.PDF?v=16102015)

- (d) the audited consolidated financial statements of Kuveyt Türk for the year ended 31 December 2013, prepared and presented in accordance with IFRS (together with the auditor report thereon), available at:

[http://www.ise.ie/debt_documents/Consolidated%20IFRS%2031%2012%202013\(13137604_1\)_9be7ce1d-cff9-439c-b169-9ed1d4386e2e.PDF?v=2072015](http://www.ise.ie/debt_documents/Consolidated%20IFRS%2031%2012%202013(13137604_1)_9be7ce1d-cff9-439c-b169-9ed1d4386e2e.PDF?v=2072015)

- (e) the audited consolidated financial statements of Kuveyt Türk for the year ended 31 December 2014, prepared and presented in accordance with IFRS (together with the auditor report thereon), available at:

[http://www.ise.ie/debt_documents/31.12.2014%20-%20IFRS%20Consolidated\(18199880_1\)_0b7ab8a9-fc92-4c4f-ba0d-6b141c5a42cd.PDF?v=2072015](http://www.ise.ie/debt_documents/31.12.2014%20-%20IFRS%20Consolidated(18199880_1)_0b7ab8a9-fc92-4c4f-ba0d-6b141c5a42cd.PDF?v=2072015)

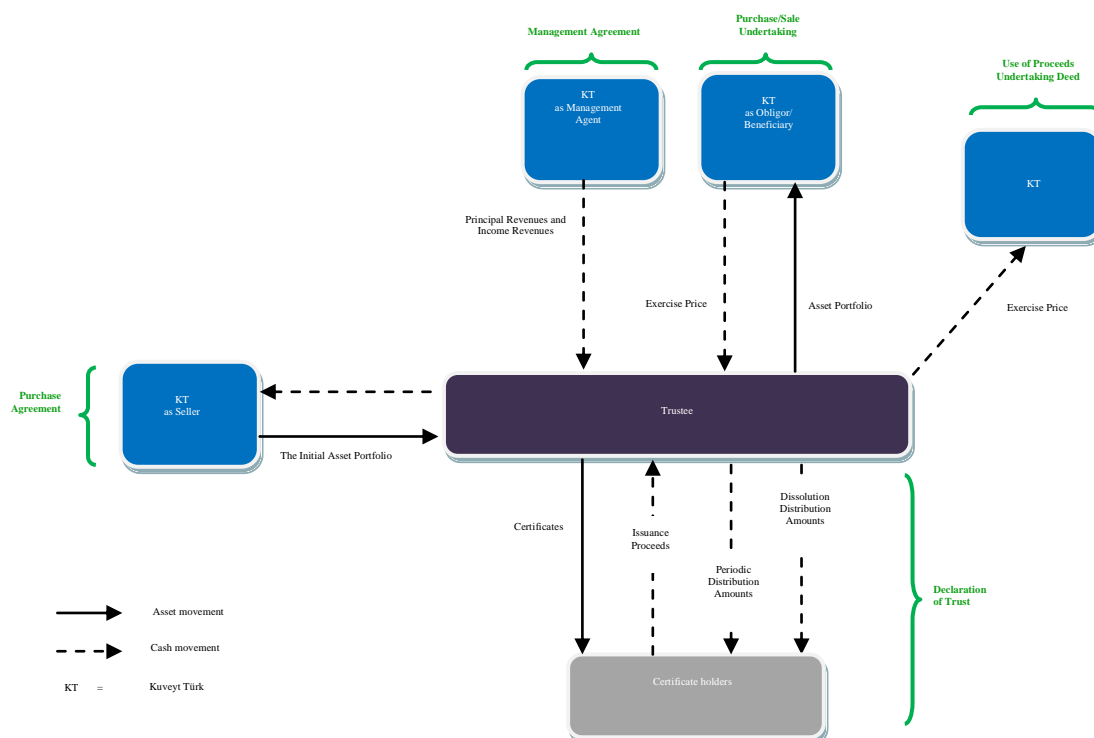
Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

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

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying the transaction. This section is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Prospectus. Words and expressions defined in the Conditions shall have the same meanings in this section. In the case of any conflict between this section and the Conditions, the Conditions shall prevail.

Structure Diagram



Cashflows

Payments by the Certificateholders and the Trustee

On the Closing Date, the Certificateholders will pay the issuance proceeds in respect of the Certificates to the Trustee. The Trustee will apply the Issuance Proceeds to purchase Kuveyt Türk's interests, rights, benefits and entitlements in, to and under the Initial Asset Portfolio pursuant to the Purchase Agreement.

Periodic Distribution Amounts

Pursuant to the Management Agreement, on the relevant Payment Date, the Managing Agent shall credit to the Transaction Account amounts standing to the credit of the Income Collection Account. If on the relevant Payment Date, the amount standing to the credit of the Transaction Account is less than the relevant Periodic Distribution Amounts payable on the Certificates on the relevant Periodic Distribution Date (the shortfall being, the "**Periodic Distribution Shortfall**"), the Managing Agent shall pay into the Transaction Account from the Reserve Collection Account an amount (if any) equal to the Periodic Distribution Shortfall (or such lesser amount as is then standing to the credit of the Reserve Account). If, following payment of amounts standing to the credit of the Reserve Collection Account, a Periodic Distribution Shortfall remains, the Managing Agent may provide, or procure, a liquidity facility ("**Liquidity Facility**") by payment to the Transaction Account such amounts to ensure that the Trustee receives the relevant Periodic Distribution Amounts payable on the Certificates on the relevant Periodic Distribution Date.

Dissolution Distribution Amounts

Pursuant to the Purchase and Asset Portfolio Undertaking, Kuveyt Türk will undertake to pay the Dissolution Event Exercise Price to the Trustee on or before the Dissolution Event Redemption Date or on the Business Day prior to the Scheduled Dissolution Date (whichever is the earliest) in accordance with the Purchase and Asset Portfolio Undertaking, but at all times, subject to the provisions of the Use of Proceeds Undertaking Deed. Following the payment of the Dissolution Event Exercise Price to the Trustee, Kuveyt Türk and the Trustee will purchase and sell, respectively, all of the Trustee's interests, rights, benefits and entitlements in, to and under the Asset Portfolio. Kuveyt Türk and the Trustee shall enter into a Sale Agreement to effect such sale. See Condition 9.1 (*Loss Absorption upon the Occurrence of a Non-Viability Event - Write-Down of the Certificates*) regarding the exercise of the Purchase and Asset Portfolio Undertaking in the case of a Non-Viability Event.

Pursuant to the Sale and Transfer Undertaking, the Trustee will undertake to accept payment of the Exercise Price from Kuveyt Türk on the Tax Redemption Date, the Capital Disqualification Event, or as the case may be, the Trustee Call Date. Following the payment of the Exercise Price to the Trustee, Kuveyt Türk and the Trustee will purchase and sell, respectively, all of the Trustee's interests, rights, benefits and entitlements in, to and under the Asset Portfolio. Kuveyt Türk and the Trustee shall enter into a Sale Agreement to effect such sale.

The Dissolution Event Exercise Price or Exercise Price (as applicable), shall be an amount equal to the Dissolution Distribution Amount payable on the relevant Dissolution Date. The payment of the Dissolution Event Exercise Price or the Exercise Price (as applicable) shall be made subject to the terms of the Use of Proceeds Undertaking Deed (see "*Summary of the Principal Transaction Documents – Use of Proceeds Undertaking Deed*").

TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the Terms and Conditions of the Certificates which (subject to modification and except for the text in italics) will be endorsed on each Certificate in definitive form (if issued) and will, save as provided in "Global Certificate", apply to the Global Certificate.

Each of the U.S.\$350,000,000 Fixed Rate Resettable Tier 2 certificates due 2026 (the "**Certificates**") is issued by KT Sukuk Company Limited (in its capacity as the issuer and trustee, as applicable, the "**Trustee**") and represents an undivided beneficial ownership interest in the Trust Assets (as defined in Condition 4.1 (*Trust Arrangements – Summary of the Trust Arrangements*)) held on trust (the "**Trust**") for the holders of such Certificates (the "**Certificateholders**") pursuant to a declaration of trust (the "**Declaration of Trust**") dated on or about 17 February 2016 (the "**Closing Date**") made between the Trustee, Kuveyt Türk Katılım Bankası A.Ş. ("**Kuveyt Türk**") and HSBC Corporate Trustee Company (UK) Limited, in its capacity as: (i) the donee of powers set out in clause 6 (*Powers Vested in the Delegate*) of the Declaration of Trust; and (ii) as delegate of the Trustee pursuant to clause 7 (*Delegation of Authority to the Delegate*) of the Declaration of Trust (the "**Delegate**").

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Closing Date (the "**Agency Agreement**") made between, among others, the Trustee, HSBC Bank plc as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agents appointed from time to time in respect of the Certificates, the "**Paying Agents**") and transfer agent (in such capacity, the "**Transfer Agent**" and, together with any further or other transfer agents appointed from time to time in respect of the Certificates, the "**Transfer Agents**") and HSBC Bank plc as registrar (in such capacity, the "**Registrar**"). The Paying Agents, the Transfer Agents and the Registrar are together referred to in these Conditions as the "**Agents**". References to the Agents or any of them shall include their successors from time to time.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents (as defined below). Copies of the Transaction Documents are available for inspection during normal business hours at the Specified Offices of the Principal Paying Agent. For the purposes of these Conditions, "**Specified Office**" shall have the meaning given thereto in the Agency Agreement. The Certificateholders have the benefit of, are bound by, and are deemed to have notice of the provisions of the following documents (the "**Transaction Documents**"):

- (i) the Declaration of Trust;
- (ii) the Agency Agreement;
- (iii) a purchase agreement between the Trustee (in its capacity as purchaser), Kuveyt Türk (in its capacity as seller) to be dated on or about the Closing Date (the "**Purchase Agreement**");
- (iv) a management agreement between the Trustee and Kuveyt Türk (in its capacity as Managing Agent) to be dated on or about the Closing Date (the "**Management Agreement**");
- (v) a purchase and asset portfolio undertaking granted by Kuveyt Türk in favour of the Trustee and the Delegate to be dated on or about the Closing Date (the "**Purchase and Asset Portfolio Undertaking**");
- (vi) a sale and transfer undertaking granted by the Trustee in favour of Kuveyt Türk to be dated on or about the Closing Date (the "**Sale and Transfer Undertaking**"); and
- (vii) a use of proceeds undertaking deed granted by the Trustee in favour of Kuveyt Türk to be dated on or about the Closing Date (the "**Use of Proceeds Undertaking Deed**"),

each as may be amended and restated from time to time and any other documents entered into from time to time and designated as Transaction Documents by the parties thereto and the Delegate.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee to apply the sums paid by it in respect of its Certificates towards: (a) the acquisition of the Initial Asset Portfolio; and (b) to enter into each Transaction Document to which it is a party, subject to the provisions of the Declaration of Trust and these Conditions.

Capitalised terms which are used but not defined herein will have the meaning attributed thereto in the Transaction Documents.

1. **FORM, DENOMINATION AND TITLE**

1.1 **Form and Denomination**

The Certificates are issued in registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each an "**Authorised Denomination**"). A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Certificateholders (the "**Register**").

*Upon issue, the Certificates will be represented by interests in the Global Certificate, in fully registered form, which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. Except in certain limited circumstances, owners of interests in the Global Certificate will not be entitled to receive Definitive Certificates representing their holdings of Certificates. See "Global Certificate".*

1.2 **Title**

The Trustee will cause the Registrar to maintain the Register in respect of the Certificates in accordance with the provisions of the Agency Agreement. Title to the Certificates passes only by registration in the Register. The registered holder of any Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no person will be liable for so treating the holder of any Certificate. The registered holder of a Certificate will be recognised by the Trustee as entitled to its Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate. In these Conditions, "**Certificateholder**" and (in relation to a Certificate) "**holder**" have the meanings given thereto in the Declaration of Trust.

The Trustee and the Delegate may call for, and shall be at liberty to accept and place full reliance on as sufficient evidence thereof and shall not be liable to any Certificateholder by reason only of either having accepted as valid or not having rejected, an original certificate or other document purporting to be signed on behalf of Euroclear or Clearstream, Luxembourg or any other relevant clearing system to the effect that at any particular time or throughout any particular period any particular person is, was or will be shown in its records as having a particular nominal amount of Certificates credited to his or her securities account.

2. **TRANSFERS OF CERTIFICATES**

2.1 **Transfers**

Subject to Condition 2.4 (*Transfers of Certificates – Closed Periods*), Condition 2.5 (*Transfers of Certificates – Regulations*) and the provisions of the Declaration of Trust, a Certificate may be transferred in an Authorised Denomination only by depositing the Certificate, with the form of transfer on the back duly completed and signed, at the Specified Office of any of the Transfer Agents.

Transfers of interests in the Certificates represented by a Global Certificate will be effected in accordance with the rules and operating procedures of the relevant clearing system through which the interest is held.

2.2 **Delivery of New Certificates**

Each new Certificate to be issued upon any transfer of Certificates will, within five (5) business days of receipt by the relevant Transfer Agent of the duly completed form of transfer endorsed on

the relevant Certificate (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), be delivered at the Specified Office of the relevant Transfer Agent or mailed by uninsured mail at the risk and expense of the holder entitled to the Certificate to the address specified in the form of transfer.

Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five (5) business days of receipt by the relevant Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk and expense of the holder of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

For the purposes of this Condition 2.2, "**business day**" shall mean a day on which banks are open for business in the city in which the Specified Office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

2.3 **Formalities Free of Charge**

Registration of any transfer of Certificates will be effected without charge by or on behalf of the Trustee or any Transfer Agent but upon payment (or the giving of such indemnity as the Trustee or any Transfer Agent may reasonably require) by the transferee in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

2.4 **Closed Periods**

No Certificateholder may require the transfer of a Certificate to be registered during the period of seven (7) days ending on (and including) the due date for any payment of the Dissolution Distribution Amount (as defined in Condition 8.1 (*Capital Distributions – Scheduled Dissolution*)) or any Periodic Distribution Amount (as defined in Condition 6.1 (*Periodic Distributions – Periodic Distribution Amounts and Periodic Distribution Dates*)).

2.5 **Regulations**

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfer of Certificates scheduled to the Declaration of Trust. The regulations may be changed by the Trustee from time to time with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

The holder of Certificates shall be entitled to receive, in accordance with Condition 2.2 (*Transfers of Certificates – Delivery of New Certificates*), only one Certificate in respect of its entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 2.2 (*Transfers of Certificates – Delivery of New Certificates*).

3. **STATUS, SUBORDINATION AND LIMITED RECOURSE**

3.1 **Status**

Each Certificate evidences an undivided beneficial ownership interest in the Trust Assets, subject to the terms of the Declaration of Trust and these Conditions, and is a limited recourse obligation of the Trustee. Each Certificate ranks *pari passu*, without any preference or priority, with the other Certificates.

3.2 **Subordination**

The payment obligations of Kuveyt Türk under the Transaction Documents to which it is a party to fund the Periodic Distribution Amounts, the Dissolution Distribution Amount, and any other amounts payable under the Certificates, will constitute direct, unsecured and subordinated obligations of Kuveyt Türk and shall, in the case of a Subordination Event and for so long as that Subordination Event subsists, rank:

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

By virtue of such subordination of the payment obligations of Kuveyt Türk under the Transaction Documents to which it is a party, no amount will, in the case of a Subordination Event and for so long as that Subordination Event subsists, be paid by Kuveyt Türk in respect of its obligations under the Transaction Documents in relation to the Certificates until all payment obligations in respect of Senior Obligations have been satisfied.

In these Conditions:

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

"BRSA Regulation" means the BRSA Regulation on Equities of Banks (published in the Official Gazette dated 5 September 2013, No 28756, as amended, modified, supplemented or superseded from time to time);

"Junior Obligations" means any class of share capital (including ordinary and preferred shares) of Kuveyt Türk together with any present and future undated or perpetual subordinated indebtedness, including any obligations arising out of any other subordinated loans or debt instruments (as defined in Article 7 of the BRSA Regulation) or other payment obligations of Kuveyt Türk that rank, or are expressed to rank, junior to Kuveyt Türk's obligations under the Transaction Documents;

"Parity Obligations" means any securities or other instruments issued by or for the benefit of Kuveyt Türk, including any present and future dated subordinated loans (as defined in Article 8 of the BRSA Regulation) or other payment obligations of Kuveyt Türk that rank, or are expressed to rank, *pari passu* with Kuveyt Türk's obligations under the Transaction Documents;

"Senior Obligations" means any of Kuveyt Türk's present and future indebtedness and other obligations (including, without limitation: (i) obligations for any Senior Taxes, statutory preferences and other legally-required payments; (ii) obligations to depositors and other creditors; and (iii) obligations under hedging and other financial instruments), other than its obligations in respect of: (a) the Transaction Documents; (b) any Parity Obligations; and (c) any Junior Obligations;

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

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

"Turkey" means the Republic of Turkey.

3.3 **Limited Recourse**

The proceeds of the Trust Assets are the sole source of payments due in respect of the Certificates. Save as provided in the next paragraph, the Certificates do not represent an interest in or obligation of either the Trustee or Kuveyt Türk. Accordingly, Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that, notwithstanding anything to the contrary contained in these Conditions or any Transaction Document, they will have no recourse to any assets of the Trustee (other than the Trust Assets) or Kuveyt Türk, the Delegate or the Agents in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished.

Kuveyt Türk is obliged to make certain payments under the relevant Transaction Documents to which it is a party directly to the Trustee for and on behalf of the Certificateholders, and the Delegate will have recourse against Kuveyt Türk to recover such payments (acting in the name and on behalf of the Trustee).

The net proceeds of realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates. If, following the distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 14 (*Enforcement*), no holder of Certificates will have any claim against the Trustee (to the extent the Trust Assets have been exhausted) or Kuveyt Türk or against any of its assets, the Delegate or the Agent in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no holder of Certificates will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Trustee or Kuveyt Türk as a consequence of such shortfall or otherwise.

For the avoidance of doubt: (i) the Trust Assets do not constitute collateral or a security interest in favour of the Certificateholders, the Trustee or the Delegate; and (ii) the laws and regulations applicable in each of England and Wales, Turkey and the Cayman Islands do not regard the Trust Assets as collateral or a security interest in favour of the Certificateholders, the Trustee or the Delegate.

3.4 **Agreement of Certificateholders**

By subscribing for or acquiring the Certificates, each Certificateholder acknowledges that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (a) no payment of any amount whatsoever shall be made by or on behalf of the Trustee except to the extent funds are available therefor from the Trust Assets and further agrees that no recourse shall be had for the payment of any amount owing hereunder or under any Transaction Document, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon any Transaction Document, against the Trustee, Kuveyt Türk (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate or the Agents to the extent the Trust Assets have been exhausted following which all obligations of the Trustee, Kuveyt Türk, the Delegate and the Agents shall be extinguished;
- (b) prior to the date which is one year and one day after the date on which all due amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, it will not institute against, or join with any other person in instituting against, the Trustee any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law; and
- (c) no recourse (whether by institution or enforcement of any legal proceeding or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee arising under these Conditions or otherwise in connection with the Certificates by virtue of any law, statute or otherwise shall be had against any shareholder, officer, director or corporate administrator of the Trustee in its capacity as

such and any and all personal liability of every such shareholder, officer, director or corporate administrator in their capacity as such for any breaches by the Trustee of any such duty, obligation or undertaking is hereby expressly waived and excluded to the extent permitted by law.

3.5 **No Set-off or Counterclaim**

All payment obligations of, and payments made by, the Trustee in respect of the Certificates and Kuveyt Türk under the Transaction Documents to which it is a party in relation to any amounts payable in respect of the Certificates must be determined and made without reference to any right of set-off or counterclaim of any holder of the Certificates or the Trustee, as the case may be, and whether against the Trustee or Kuveyt Türk or arising before or in respect of any Subordination Event. By virtue of the subordination of Kuveyt Türk's payment obligations under the Transaction Documents to which it is a party in relation to amounts payable in respect of the Certificates, following a Subordination Event and for so long as that Subordination Event subsists and prior to all payment obligations in respect of Senior Obligations having been satisfied, no Certificateholder or the Trustee shall exercise any right of set-off or counterclaim in respect of any amount owed to such holder by the Trustee in respect of the Certificates or Kuveyt Türk under the Transaction Documents in relation to any amounts payable in respect of the Certificates and any such rights shall be deemed to be waived.

3.6 **No Link to Derivative Transactions**

None of the Transaction Documents, the Certificates or any obligations of the Trustee or Kuveyt Türk in respect of the Certificates or the Transaction Documents, respectively, will be: (i) linked to any derivative transaction or derivative contract in any way which would result in a violation of Article 8(2)(c) of the BRSA Regulation; or (ii) in any manner the subject of any guarantee or security.

4. **TRUST ARRANGEMENTS**

4.1 **Summary of the Trust Arrangements**

On the Closing Date, the Trustee will enter into the Purchase Agreement with Kuveyt Türk (in such capacity, the "**Seller**"). Pursuant to the Purchase Agreement the Seller will sell a portfolio (the "**Initial Asset Portfolio**") of certain constituent assets (the "**Constituent Assets**") to the Trustee and the Trustee will purchase the Initial Asset Portfolio using the proceeds of the issue of the Certificates (the "**Issuance Proceeds**"). The Trustee will also enter into the Management Agreement on the Closing Date with Kuveyt Türk as managing agent (in such capacity, the "**Managing Agent**") of the Asset Portfolio.

Kuveyt Türk will grant the Purchase and Asset Portfolio Undertaking on the Closing Date in favour of the Trustee and the Delegate, by which Kuveyt Türk will undertake to purchase all of the Trustee's rights, interests, benefits and entitlements in, to and under the Asset Portfolio on the Scheduled Dissolution Date (as defined in Condition 8.1 (*Capital Distributions – Scheduled Dissolution*)) or, if earlier, on the due date for dissolution in accordance with Condition 8.6 (*Capital Distributions – Dissolution following a Dissolution Event*), at an amount equal to the Dissolution Distribution Amount.

The Trustee will grant the Sale and Transfer Undertaking on the Closing Date in favour of Kuveyt Türk. Pursuant to the Sale and Transfer Undertaking, Kuveyt Türk may, following the occurrence of a Trustee Call, Tax Event or a Capital Disqualification Event, by exercising its option under the Sale and Transfer Undertaking and serving notice on the Trustee in accordance with Condition 8.2 (*Capital Distributions – Early Dissolution at the option of the Trustee*), Condition 8.3 (*Capital Distributions – Early Dissolution upon a Capital Disqualification Event*) or 8.4 (*Capital Distributions – Early Dissolution for Tax Reasons*) (as the case may be), oblige the Trustee to sell all of its rights, interests, benefits and entitlements in, to and under the Asset Portfolio on the Trustee Call Date, Tax Redemption Date or Capital Disqualification Redemption Date (as the case may be) at an amount equal to the Dissolution Distribution Amount, after taking into account any corresponding payments to be made under the Management Agreement.

The Trustee has opened a transaction account (the "**Transaction Account**") with the Principal Paying Agent into which Kuveyt Türk will deposit all amounts due to the Trustee under the Management Agreement and the Purchase and Asset Portfolio Undertaking or the Sale and Transfer Undertaking, as the case may be, respectively.

Pursuant to the Declaration of Trust, the Trustee will declare that it will hold certain assets (the "**Trust Assets**") primarily consisting of:

- (a) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Asset Portfolio, the amounts standing to the credit of the Principal Collection Account and Profit Collection Account from time to time, and the obligations of the Managing Agent to make payments under the Management Agreement;
- (b) all of the Trustee's other rights, title, interest and benefit, present and future, in, to and under the Transaction Documents; and
- (c) all monies standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing in its own name and on behalf and for the account of the holders of the Certificates *pro rata* according to the face amount of Certificates held by each holder in accordance with the Declaration of Trust and these Conditions.

4.2 **Application of Proceeds from Trust Assets**

On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (a) *first*, to the Delegate and any Appointee in respect of all amounts (including by way of indemnity) owing to it, or which it is entitled to receive payment pursuant to the Transaction Documents in its capacity as Delegate or Appointee (as the case may be);
- (b) *second, pro rata and pari passu*: (i) to the Trustee in respect of all amounts properly incurred and documented owing to it under the Transaction Documents in its capacity as Trustee; (ii) to the extent not paid by Kuveyt Türk in accordance with the terms of the Agency Agreement, to each Agent in respect of all amounts owing to such Agent on account of its liabilities and all fees, costs, charges and expenses properly incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent; and (iii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents, the Corporate Services Agreement and the Registered Office Agreement in its capacity as Trustee Administrator;
- (c) *third*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;
- (d) *fourth*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount; and
- (e) *fifth*, only if such payment is made on a Dissolution Date, to the Managing Agent to retain as an incentive payment in accordance with the Management Agreement.

In these Conditions:

"Corporate Services Agreement" means the corporate services agreement dated 12 November 2015 between the Trustee and the Trustee Administrator;

"Registered Office Agreement" means the registered office agreement dated 11 August 2015 between the Trustee and the Trustee Administrator; and

"Trustee Administrator" means MaplesFS Limited.

5. COVENANTS

The Trustee covenants that for so long as any Certificate is outstanding (as defined in the Declaration of Trust), except as contemplated in the Transaction Documents, it shall not:

- (a) incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares);
- (b) secure any of its present or future indebtedness for borrowed money or any other certificates issued by it by any lien, pledge, charge, mortgage or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets except pursuant to the Transaction Documents;
- (d) amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) without the prior approval of the Delegate;
- (e) act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
- (f) have any subsidiaries or employees;
- (g) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;
- (h) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (i) prior to the date which is one year and one day after the date on which all due amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:
 - (i) as provided for or permitted in the Transaction Documents;
 - (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
 - (iii) such other matters which are incidental thereto.

6. PERIODIC DISTRIBUTIONS

6.1 Periodic Distribution Amounts and Periodic Distribution Dates

Subject to Condition 3 (*Status, Subordination And Limited Recourse*), Condition 4.2 (*Trust Arrangements – Application of Proceeds from Trust Assets*), Condition 6.3 (*Periodic Distributions – Cessation of Accrual*), Condition 7 (*Payment*) and Condition 9 (*Loss Absorption*)

upon the occurrence of a Non-Viability Event), the Principal Paying Agent shall distribute to holders of the Certificates, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account a distribution in relation to the Certificates on each Periodic Distribution Date, equal to the applicable amount (each a "**Periodic Distribution Amount**") determined as follows:

- (a) in respect of the period from (and including) the Closing Date to (but excluding) the Trustee Call Date, at the rate of 7.900 per cent. per annum (the "**Initial Periodic Distribution Rate**"); and
- (b) in respect of the period from (and including) the Trustee Call Date to (but excluding) the Scheduled Dissolution Date (the "**Reset Period**"), at the rate per annum equal to the aggregate of the Reset Margin and the Relevant 5 Year Reset Rate (the "**Reset Periodic Distribution Rate**" and, together with the Initial Periodic Distribution Rate, each a "**Periodic Distribution Rate**"), as determined by the Principal Paying Agent on the Determination Date.

In the case of any Write-Down (as defined in Condition 9.1) of the Certificates, Periodic Distribution Amounts will be distributed on the Certificates:

- (i) if the Certificates are Written-Down in full, on the date of the Write-Down (the "**Write-Down Date**") and in respect of:

- (A) the period from (and including) the Periodic Distribution Date immediately preceding the Write-Down Date to (but excluding) the Write-Down Date; and
- (B) the Aggregate Face Amount of the outstanding Certificates during that period; and

- (ii) if the Certificates are not Written-Down in full, on the Periodic Distribution Date immediately following such Write-Down (the "**Partial Write-Down Periodic Distribution Date**") and calculated as the sum of the Periodic Distribution Amount payable in respect of:

- (A) the period from (and including) the Periodic Distribution Date immediately preceding the Write-Down Date to (but excluding) the Write-Down Date; and
- (B) the period from (and including) the Write-Down Date to (but excluding) the Partial Write-Down Periodic Distribution Date,

and, in each case, in respect of the Aggregate Face Amount of the outstanding Certificates during those respective periods.

In these Conditions:

"**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets in Istanbul, London and New York City are open for general business;

"**Determination Date**" means the third Business Day immediately preceding the Trustee Call Date;

"**Periodic Distribution Date**" means each of 17 February and 17 August in each year, commencing on 17 August 2016 and, subject to Condition 6.3 (*Periodic Distributions – Cessation of Accrual*), ending on the Scheduled Dissolution Date;

"**Reference Bank**" means the principal office of each of five leading dealers in the U.S. dollar interest rate swap market as selected by the Trustee (after consultation with Kuveyt Türk);

"**Relevant 5 Year Reset Rate**" means the annual mid-swap rate for U.S. dollar swap transactions with a maturity of five years, expressed as a percentage, which appears on Bloomberg page

"ISDAFIX1" (or on such other page as may replace that page on the Bloomberg information service, or on such other equivalent information service as may be nominated by the person providing or sponsoring such information, in each case for the purposes of displaying equivalent or comparable rates) at or around 11:00 a.m. (New York City time) on the Determination Date. If such rate does not appear on such page on the Determination Date, the Relevant 5 Year Reset Rate will be a percentage per annum determined by the Principal Paying Agent on the basis of the arithmetic mean of quotations provided by the Reference Banks of the bid and offered rates for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a five year fixed-for-floating U.S. dollar interest rate swap transaction in a Representative Amount offered by each Reference Bank at approximately 11:00 a.m. (New York City time) on the Determination Date to an acknowledged dealer of good credit in the U.S. dollar swap market, where the floating leg (calculated on an Actual/360 day count basis) is equivalent to the rate for deposits in U.S. dollars for a three month period offered by the principal London offices of leading dealers in the New York City interbank market to prime banks in the London interbank market. The Principal Paying Agent will request each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the Relevant 5 Year Reset Rate will be the percentage reflecting the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, it will be the arithmetic mean of the quotations provided. If only one quotation is provided, it will be the quotation provided. If no quotations are provided, the Relevant 5 Year Reset Rate will be 1.150 per cent. per annum;

"Representative Amount" means an amount that is representative of a single transaction in the relevant market at the relevant time; and

"Reset Margin" means 6.750 per cent. per annum.

The Principal Paying Agent may rely upon and shall not be in any way responsible for any ratio, quotation or information provided to it by a Reference Bank which is subsequently found to be incorrect or inaccurate in any way or any losses whatsoever from acting in accordance therewith.

6.2 **Calculation of Periodic Distribution Amounts payable other than on a Periodic Distribution Date**

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Return Accumulation Period (the **"Relevant Period"**), it shall be calculated as an amount equal to the product of: (a) the Periodic Distribution Rate applying to such Relevant Period; (b) the face amount of the relevant Certificate; and (c) the number of days in the Relevant Period calculated on the basis of a year of 12 30-day months divided by 360 (with the result being rounded to the nearest U.S.\$0.01, U.S.\$0.005 being rounded upwards).

The period from and including the Closing Date to but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date is called a **"Return Accumulation Period"**.

6.3 **Cessation of Accrual**

Subject to Condition 3.2 (*Status, Subordination And Limited Recourse – Subordination*) and Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*), no further amounts will be payable on any Certificate from and including its due date for redemption, unless default is made in payment of the Dissolution Distribution Amount in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition 6.

7. **PAYMENT**

7.1 **Payments in respect of the Certificates**

Subject to Condition 7.2 (*Payment – Payments subject to Applicable Laws*), payment of the Dissolution Distribution Amount and any Periodic Distribution Amount will be made by the Principal Paying Agent in U.S. dollars by wire transfer in same day funds to the registered account of each Certificateholder or by U.S. dollar cheque drawn on a bank that processes

payments in U.S. dollars mailed to the registered address of the Certificateholder if it does not have a registered account. Payments of the Dissolution Distribution Amount will only be made against surrender of the relevant Certificate at the Specified Office of any of the Paying Agents. The Dissolution Distribution Amount and each Periodic Distribution Amount will be paid to the holder shown on the Register at the close of business on the date (the "**record date**") being the seventh day before the date on which the Dissolution Distribution Amount or the relevant Periodic Distribution Amount, as the case may be, is paid.

For the purposes of this Condition 7, a Certificateholder's registered account means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the relevant record date, and a Certificateholder's "**registered address**" means its address appearing on the Register at that time.

7.2 **Payments subject to Applicable Laws**

Payments in respect of Certificates are subject in all cases to any fiscal or other laws and regulations and directives applicable in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*).

7.3 **Payment only on a Payment Business Day**

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, in each case by the Principal Paying Agent, on the due date for payment or, in the case of a payment of the Dissolution Distribution Amount, if later, on the Business Day on which the relevant Certificate is surrendered at the Specified Office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the relevant Certificateholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition 7.3 arrives after the due date for payment.

If the amount of the Dissolution Distribution Amount or any Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

In these Conditions, "**Payment Business Day**" means a day on which commercial banks and foreign exchange markets in London and New York City are open for general business and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

7.4 **Agents**

The names of the initial Agents and their initial Specified Offices are set out in the Agency Agreement. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents with the prior written consent of the Delegate and in accordance with the Agency Agreement **provided that:** (a) it will at all times maintain a Principal Paying Agent, a Transfer Agent and a Registrar (which may be the same entity); and (b) it will at all times maintain a Paying Agent (which may be the Principal Paying Agent) having its Specified Office in a European city. Notice of any termination or appointment and of any changes in Specified Offices will be given to Certificateholders promptly by the Trustee in accordance with Condition 16 (*Notices*).

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee and (to the extent provided therein) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders or any other party under the Transaction Documents. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

8. CAPITAL DISTRIBUTIONS

8.1 Scheduled Dissolution

Unless the Certificates are previously redeemed, purchased and cancelled or written down in full and cancelled, the Trustee will redeem each Certificate at the Dissolution Distribution Amount on the Periodic Distribution Date falling on 17 February 2026 (the "**Scheduled Dissolution Date**"). Upon payment in full of the Dissolution Distribution Amount to the Certificateholders, the Trust will be dissolved, the Certificates shall cease to represent Trust Assets and no further amounts shall be payable in respect thereof and the Trustee and Kuveyt Türk shall have no further obligations in respect thereof.

In these Conditions, "**Dissolution Date**" means any of the Scheduled Dissolution Date, the Trustee Call Date, the Capital Disqualification Redemption Date, the Tax Redemption Date and the Dissolution Event Redemption Date, and "**Dissolution Distribution Amount**" in relation to a Certificate means its then outstanding face amount plus all accrued and unpaid Periodic Distribution Amounts in respect of such Certificate.

8.2 Early Dissolution at the option of the Trustee

The Trustee, having given not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable and shall specify the Trustee Call Date), may redeem all (but not some only) of the Certificates on 17 February 2021 (the "**Trustee Call Date**") at the Dissolution Distribution Amount, subject to Kuveyt Türk having obtained the prior approval of the BRSA for such redemption (the "**Trustee Call**").

8.3 Early Dissolution upon a Capital Disqualification Event

The Trustee, having given not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Capital Disqualification Redemption Date**")), may redeem all (but not some only) of the Certificates at any time at the Dissolution Distribution Amount **provided that** no such notice of redemption shall be given unless a corresponding notice has been received by the Trustee from Kuveyt Türk under the Sale and Transfer Undertaking, the delivery of which is, subject to Kuveyt Türk having obtained the prior approval of the BRSA for such redemption and having delivered to the Delegate: (i) a certificate signed by two directors of Kuveyt Türk stating that a Capital Disqualification Event has occurred; and (ii) a confirmation in writing by the BRSA (if applicable) of the occurrence of the relevant Capital Disqualification Event.

In these Conditions:

"**Capital Disqualification Event**" shall be deemed to have occurred if, as a result of any change, after the Closing Date, to any applicable law (including the BRSA Regulation), or the application or official interpretation thereof, which change in application or official interpretation is confirmed in writing by the BRSA, the payment obligations of Kuveyt Türk under the Transaction Documents to which it is a party in an amount equal to the face amount of the outstanding Certificates is fully or partially excluded from inclusion as Tier 2 capital of Kuveyt Türk (save where such exclusion is only as a result of any applicable limitation on the amount of such capital); and

"**Tier 2 capital**" means tier 2 capital as provided under Article 8 of the BRSA Regulation.

8.4 Early Dissolution for Tax Reasons

The Certificates may be redeemed by the Trustee in whole, but not in part, on any Periodic Distribution Date (such date, the "**Tax Redemption Date**"), on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable), subject to having obtained the prior approval of the BRSA, at the Dissolution Distribution Amount, if:

- (a) (1) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 11 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date; and (2) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
- (b) (1) the Trustee has received notice from Kuveyt Türk that Kuveyt Türk has or will become obliged to pay additional amounts pursuant to the terms of the Management Agreement or any other Transaction Document as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date; and (2) such obligation cannot be avoided by Kuveyt Türk taking reasonable measures available to it,

(each, a "**Tax Redemption Event**"), **provided that** no such notice of redemption shall be given unless a corresponding notice has been received by the Trustee from Kuveyt Türk under the Sale and Transfer Undertaking and no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which (in the case of (a) above) the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due or (in the case of (b) above) Kuveyt Türk would be obliged to pay such additional amounts if a payment to the Trustee under the Management Agreement was then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Trustee shall deliver to the Delegate: (i) a certificate signed by two directors of the Trustee stating that the Trustee is entitled to effect such dissolution and setting forth a statement of facts showing that the conditions precedent in (a) or (b) above to the right of the Trustee so to dissolve have occurred; and (ii) an opinion of independent legal advisers of recognised international standing to the effect that the Trustee or Kuveyt Türk, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment. The Delegate shall be entitled to accept (without further investigation or formality) any such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Certificateholders.

8.5 **Dissolution Following Expiry of Notice of Redemption**

Upon the expiry of any notice of redemption as is referred to in Condition 8.2 (*Capital Distributions – Early Dissolution at the option of the Trustee*), Condition 8.3 (*Capital Distributions – Early Dissolution upon a Capital Disqualification Event*) and Condition 8.4 (*Capital Distributions – Early Dissolution for Tax Reasons*), the Trustee shall be bound to redeem the Certificates at the Dissolution Distribution Amount and upon payment in full of the Dissolution Distribution Amount to the Certificateholders, the Trust will dissolve, the Certificates shall cease to represent the Trust Assets and no further amounts shall be payable in respect thereof and neither the Trustee nor Kuveyt Türk shall have any further obligations in respect thereof.

8.6 **Dissolution Following a Dissolution Event**

Upon the occurrence of a Dissolution Event (as defined in Condition 13 (*Dissolution Events*)) which is continuing, the Certificates may be redeemed at the Dissolution Distribution Amount.

8.7 **No other Dissolution**

The Trustee shall not be entitled to redeem the Certificates, and the Trustee shall not be entitled to dissolve the Trust, otherwise than as provided in this Condition 8, Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*) in respect of a Write-Down in whole of the face amount of Certificates then outstanding, and Condition 14 (*Enforcement*).

8.8 **Cancellation**

All Certificates which are redeemed will forthwith be cancelled and accordingly may not be held, reissued or resold.

9. **LOSS ABSORPTION UPON THE OCCURRENCE OF A NON-VIABILITY EVENT**

9.1 **Write-Down of the Certificates**

If a Non-Viability Event occurs at any time, the then outstanding face amount of each Certificate shall *pro rata* with the other Certificates and any other Parity Loss-Absorbing Instruments be reduced by the relevant Write-Down Amount (any such reduction, a "**Write-Down**", "**Written-Down**" and "**Writing-Down**" shall be construed accordingly) on the Non-Viability Event Write-Down Date; **provided that** such Write-Down shall only take place in conjunction with:

- (a) the maximum possible reduction in the principal amount and/or corresponding conversion into equity being made in respect of any Junior Loss-Absorbing Instruments as provided in the terms of such Junior Loss-Absorbing Instruments; and
- (b) the implementation of Statutory Loss-Absorption Measures, involving the absorption by all other Junior Obligations to the maximum extent allowed by law of the relevant loss(es) giving rise to the Non-Viability of Kuveyt Türk within the framework of the procedures and other measures by which the relevant loss(es) giving rise to the Non-Viability Event may be absorbed by such Junior Obligations pursuant to Article 71 of Banking Law (No. 5411) and/or otherwise under Turkish law and regulations.

For these purposes, any determination of a Write-Down Amount shall take into account the absorption of the relevant loss(es) to the maximum extent possible or otherwise allowed by law by all Junior Obligations and the Writing Down of the Certificates *pro rata* with any other Parity Loss-Absorbing Instruments, thereby maintaining the respective rankings described under Condition 3.2 (*Status, Subordination and Limited Recourse – Subordination*).

A Non-Viability Event may occur on more than one occasion and the Certificates may be Written-Down on more than one occasion, with each such Write-Down resulting in the reduction of the then outstanding face amount of the Certificates by the relevant Write-Down Amount and upon any such Write-Down, the Certificateholders' rights to the Trust Assets shall automatically be deemed to be irrevocably and unconditionally written down by the Write-Down Amount.

Following the occurrence of a Non-Viability Event and receipt by the Trustee of an Initial Non-Viability Notice from Kuveyt Türk, on the relevant Non-Viability Event Write-Down Date amounts due under the Purchase and Asset Portfolio Undertaking shall be written down as follows: Kuveyt Türk shall acquire the relevant portion of the Asset Portfolio from the Trustee pursuant to the exercise of the Purchase and Asset Portfolio Undertaking in consideration for the relevant Exercise Price, and in accordance with the terms of the Purchase and Asset Portfolio Undertaking, the relevant Exercise Price shall be written down by the Write-Down Amount.

As of the date of this Prospectus, a number of corrective, rehabilitative and restrictive measures may be taken by the BRSA under Articles 68 to 70 of the Banking Law (No. 5411) prior to any determination of Non-Viability of Kuveyt Türk. In conjunction with any such determination, the relevant loss(es) of Kuveyt Türk may be absorbed by shareholders of Kuveyt Türk pursuant to Article 71 of the Banking Law (No. 5411) upon: (a) the transfer of shareholders' rights and the management and supervision of Kuveyt Türk to the SDIF; or (b) the revocation of Kuveyt Türk's operating licence and its liquidation. However, the Write-Down of the Certificates under the BRSA Regulation may take place before any such transfer or liquidation.

*As a result of the proviso in the first paragraph of this Condition 9, while the Certificates may be Written-Down before any transfer or liquidation as described in the preceding paragraph, the Write-Down must take place in conjunction with such liquidation in order that the respective rankings described in Condition 3.2 (*Status, Subordination and Limited Recourse – Subordination*) are maintained and the relevant loss(es) are absorbed by Junior Obligations to the maximum extent possible. Where a Write-Down of the Certificates does take place before the liquidation of Kuveyt Türk, the Trustee (or the Delegate acting in the name and on behalf of the Trustee pursuant to the Declaration of Trust) would only be able to claim and prove in such liquidation in respect of the outstanding face amount of the Certificates following the Write-Down.*

While a Write-Down of the Certificates may take place before the absorption of the relevant loss(es) giving rise to the Non-Viability Event to the maximum extent possible by Junior Obligations, such loss absorption might be taken into account by the BRSA, where relevant, in the determination of the Write-Down Amount in order for the respective rankings described in Condition 3.2 (Status, Subordination and Limited Recourse – Subordination) to be maintained on any Write-Down as provided in this Condition 9.

9.2 **Notification of a Non-Viability Event**

On the fifth Business Day following the occurrence of a Non-Viability Event (or on such earlier date as the BRSA may determine), Kuveyt Türk shall notify the Trustee and the Principal Paying Agent (with a copy to the Delegate) of a Non-Viability Event, along with the statement(s) in writing received from (or published by) the BRSA of its determination of such Non-Viability Event (together, the "**Initial Non-Viability Notice**").

Kuveyt Türk shall notify the Trustee and the Principal Paying Agent (with a copy to the Delegate) of the relevant Write-Down Amount as soon as reasonably practicable upon receiving notice thereof from the BRSA, along with the statement(s) in writing received from (or published by) the BRSA of its determination of such Write-Down Amount (together, the "**Non-Viability Notice**"). The Trustee shall then immediately give notice of such Non-Viability Event, the relevant Write-Down Amount and the Non-Viability Event Write-Down Date to the Certificateholders in accordance with Condition 16 (*Notices*).

9.3 **Limited Recourse**

Neither the Trustee nor the Delegate will have any further claim against Kuveyt Türk in respect of any Written-Down Amount of the Certificates or in respect of the relevant portion of the Trust Assets corresponding to the relevant Write-Down Amount.

9.4 **Write-Down in whole**

If, at any time, the Certificates are Written-Down in whole:

- (a) the Certificateholders' rights to the Trust Assets shall automatically be deemed to be irrevocably and unconditionally written down by the Write-Down Amount;
- (b) the Certificates shall be cancelled; and
- (c) subject to payment of the Periodic Distribution Amounts accrued and unpaid to (but excluding) the relevant Non-Viability Event Write-Down Date, all rights of any Certificateholder for payment of any amounts under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Dissolution Event) shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-Down Date;
- (d) the Trustee shall dissolve the Trust; and
- (e) neither the Trustee nor the Delegate will have any further claim against Kuveyt Türk in respect of any Certificates.

9.5 **Interpretation**

In these Conditions:

"**Initial Non-Viability Notice**" has the meaning given to it in Condition 9.2 (*Loss Absorption upon the Occurrence of a Non-Viability Event - Notification of a Non-Viability Event*);

"**Junior Loss-Absorbing Instruments**" means any Loss Absorbing Instrument that is or represents a Junior Obligation;

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

"Non-Viable" means, in the case of Kuveyt Türk, where Kuveyt Türk is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law (No. 5411) that: (i) its operating licence is to be revoked and Kuveyt Türk liquidated; or (ii) the rights of its shareholders, and the management and supervision of Kuveyt Türk, are to be transferred to the SDIF;

"Non-Viability Event" means the determination by the BRSA, and notification thereof to Kuveyt Türk, that, upon the inurrence of a loss by Kuveyt Türk (on a consolidated or non-consolidated basis), Kuveyt Türk has become, or it is probable that Kuveyt Türk will become, Non-Viable;

"Non-Viability Event Write-Down Date" shall be the date on which the Write-Down will take place as specified in the Non-Viability Notice, which date shall be no later than 15 Business Days (or such other date as determined by BRSA) after the date of the Non-Viability Notice;

"Non-Viability Notice" has the meaning given to it in Condition 9.2 (*Loss Absorption upon the Occurrence of a Non-Viability Event - Notification of a Non-Viability Event*);

"Parity Loss-Absorbing Instruments" means any Loss-Absorbing Instrument that is or represents a Parity Obligation;

"SDIF" means the Savings Deposit Insurance Fund (*Tasarruf Mevduatı Sigorta Fonu*) of Turkey;

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

"Write-Down Amount" means, in respect of a Certificate, the amount by which the outstanding face amount of such Certificate as of the date of the relevant Write-Down is to be Written-Down, which shall be determined as described in Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*) and may be all or part only of such face amount, in each case as specified in writing (including by way of publication) by the BRSA, and **"Written-Down Amount"** shall be construed accordingly.

10. PURCHASE OF CERTIFICATES

Pursuant to Article 8 of the BRSA Regulation, the Certificates shall not be assigned and/or transferred to, or for the benefit of, any of Kuveyt Türk's affiliates or subsidiaries (as contemplated in the Banking Law (Law No. 5411)).

11. TAXATION

All payments in respect of the Certificates shall be made without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of any Relevant Jurisdiction ("**Taxes**"), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay additional amounts so that the full amount which otherwise would have been due and payable under the Certificates is received by parties entitled thereto, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate:

- (a) the holder of which is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or

- (b) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Payment Business Day.

Notwithstanding anything to the contrary in these Conditions, none of the Trustee, any Paying Agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or with respect to any Certificate pursuant to Section 1471 to 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA"), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Trustee, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA. As a result, the Periodic Distribution Amounts and/or other profit amounts and/or Dissolution Distribution Amounts received by Certificateholders may be less than expected.

In these Conditions, references to the Dissolution Distribution Amount or any Periodic Distribution Amount payable in respect of a Certificate shall be deemed to include any additional amounts payable under this Condition 11. In addition, in these Conditions:

"Relevant Date" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the Certificateholders in accordance with Condition 16 (*Notices*); and

"Relevant Jurisdiction" means each of the Cayman Islands (in the case of any payment made by the Trustee) and Turkey (in the case of any payment made by Kuveyt Türk) or, in each case, any political sub-division or authority thereof or therein having power to tax.

The Management Agreement and the Purchase and Asset Portfolio Undertaking provide that payments thereunder by Kuveyt Türk shall be made without withholding or deduction for, or on account of, any Taxes, unless the withholding or deduction of the Taxes is required by law and without set-off or counterclaim of any kind, and in the event that there is such deduction or withholding, provides for the payment by Kuveyt Türk of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

12. **PRESCRIPTION**

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within periods of ten years (in the case of the Dissolution Distribution Amount) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof, subject to the provisions of Condition 6 (*Periodic Distributions*).

13. **DISSOLUTION EVENTS**

13.1 If:

- (a) default is made by Kuveyt Türk in the payment of the Dissolution Distribution Amount and the default continues for a period of seven (7) days; or
- (b) a Subordination Event occurs; or
- (c) an order is made by any competent court or the Government of Turkey, as the case may be, or a resolution is passed for the winding up, dissolution or liquidation of Kuveyt Türk,

(subject to the Delegate, being indemnified and/or secured and/or prefunded to its satisfaction), (each, a **"Dissolution Event"**), then the Trustee (failing whom, the Delegate) shall give notice of the occurrence of such Dissolution Event to the holders of Certificates (the **"Dissolution Notice"**) in accordance with Condition 16 (*Notices*) with a request to such holders to request if they wish the Certificates to be redeemed and the Trust to be dissolved. The Delegate may in its absolute

discretion or if so requested in writing by the holders of at least 25 per cent. of the aggregate face amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution of the holders of the Certificates (each a "**Dissolution Request**"), the Delegate shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Trustee, Kuveyt Türk and all the holders of the Certificates in accordance with Condition 16 (*Notices*) that the Certificates are to be redeemed at the Dissolution Distribution Amount on the date specified in such notice (the "**Dissolution Event Redemption Date**"), in which event all amounts payable by Kuveyt Türk in respect of its obligations under the Transaction Documents shall accordingly forthwith become immediately due and payable on the Dissolution Event Redemption Date, subject to the subordination provisions described in Condition 3.2 (*Status, Subordination and Limited Recourse – Subordination*) and the non-viability provisions described in Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*) and the Trustee and/or the Delegate shall (subject to it being indemnified and/or prefunded and/or secured to its satisfaction) take action in accordance with Condition 14 (*Enforcement*). If it has not already done so, following a Dissolution Request, the Trustee (or the Delegate in the name and on behalf of the Trustee) shall exercise its rights under the Purchase and Asset Portfolio Undertaking by serving an Exercise Notice on Kuveyt Türk. Notice of any such action shall promptly be given to the Certificateholders in accordance with Condition 16 (*Notices*).

- 13.2 If default is made by Kuveyt Türk in the payment of any amount due pursuant to its obligations under any Transaction Document to which it is a party and/or default is made in the payment of a Periodic Distribution Amount (the amount of such payment default being, the "**Non-Payment Amount**") and the default continues for a period of seven (7) days (a "**Non-Payment Event**"), the Delegate may in its absolute discretion or shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Trustee, Kuveyt Türk and all the holders of the Certificates in accordance with Condition 16 (*Notices*). If so requested in writing by the holders of at least 25 per cent. of the aggregate face amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution of the holders of the Certificates (each a "**Non-Payment Request**"), the Trustee or the Delegate acting in the name and on behalf of the Trustee shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) exercise its rights under the Purchase and Asset Portfolio Undertaking and the Non-Payment Sale Agreement against Kuveyt Türk and/or institute proceedings for Kuveyt Türk to be declared bankrupt or insolvent or for there otherwise to be a Subordination Event, or for Kuveyt Türk's winding-up, dissolution or liquidation, and prove in the winding-up, dissolution or liquidation of Kuveyt Türk.

14. **ENFORCEMENT**

- 14.1 Upon the occurrence of a Dissolution Event and following the receipt of a Dissolution Request, subject to the Use of Proceeds Undertaking Deed, (and subject in each case to it being indemnified and/or secured and/or pre-funded to its satisfaction), the Trustee or the Delegate may in its absolute discretion or the Delegate shall (acting pursuant to the Declaration of Trust) upon being requested in writing by Certificateholders representing at least one quarter in face amount of the Certificates for the time being outstanding or by an Extraordinary Resolution (subject to being indemnified and/or secured and/or pre-funded to its satisfaction), take one or more of the following steps:

- (a) enforce the provisions of the Purchase and Asset Portfolio Undertaking and the Sale Agreement, subject to the Use of Proceeds Undertaking Deed, against Kuveyt Türk; and/or
- (b) take such other steps as the Trustee or the Delegate may consider necessary in their absolute discretion to protect the interests of the Certificateholders, which may include instituting proceedings for Kuveyt Türk to be declared bankrupt or insolvent or for there otherwise to be a Subordination Event, or for Kuveyt Türk's winding-up, dissolution or liquidation, and prove in the winding-up, dissolution or liquidation of Kuveyt Türk.

Notwithstanding the foregoing, the Delegate may at any time, at its discretion and without notice, take such proceedings and/or other steps as it may think fit against or in relation to each of the Trustee and/or Kuveyt Türk to enforce their respective obligations under the Transaction Documents, the Conditions and the Certificates.

- 14.2 Upon payment in full of the Dissolution Distribution Amount or a Write-Down in whole of the face amount of the Certificates in accordance with Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*), the Trust will dissolve, the Certificates shall cease to represent the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.
- 14.3 Subject to Condition 14.5 (*Enforcement*), the Delegate is also entitled (subject to being indemnified and/or secured and/or prefunded to its satisfaction) to institute proceedings (other than those referred to in Condition 14.1 (*Enforcement*)) acting in the name and on behalf of the Trustee against Kuveyt Türk to enforce any obligation, condition, undertaking or provision binding on Kuveyt Türk under the Transaction Documents, **provided that** Kuveyt Türk shall not by virtue of the institution of any such proceedings be obliged to pay any amount or amounts in relation to any amount payable in respect of the Certificates sooner than the same would otherwise have been payable by it, except with the prior approval of the BRSA.
- 14.4 Neither the Trustee nor the Delegate shall not be bound in any circumstances to take any action, proceeding or step to enforce the provisions of the Transaction Documents or take any action against Kuveyt Türk unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Certificates then outstanding, and, in either case, then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing, **provided that** the Delegate shall not be liable for the consequences of exercising or not exercising its discretion or taking or refraining from taking any such action and so do without having regards to the effect of the such action on individual Certificateholders.
- 14.5 No Certificateholder shall be entitled to proceed directly against Kuveyt Türk (in any circumstance) or the Trustee unless: (i) Trustee or the Delegate having become bound so to proceed against Kuveyt Türk in the name and on behalf of the Trustee, fails to do so within a reasonable period of becoming so bound and such failure is continuing; and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against the Trustee) holds at least 25 per cent. of the aggregate face amount of the Certificates then outstanding. Under no circumstances shall the Delegate have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Purchase and Asset Portfolio Undertaking and the Declaration of Trust and the sole right of the Delegate against Kuveyt Türk shall be to enforce its respective obligations under the Transaction Documents.
- 14.6 The foregoing paragraphs in this Condition 14 are subject to this Condition 14.6. After enforcing or realising the Trust Assets and distributing in full the proceeds of the Trust Assets in accordance with Condition 4.2 (*Trust Arrangements – Application of Proceeds from Trust Assets*) and the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and the Trustee shall not be liable for any further sums and, accordingly, no holder of the Certificates may take any further steps against the Trustee, the Delegate or any other person to recover any further sums in respect of the Certificates and the right to receive any sums unpaid shall be extinguished. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.
- 14.7 All claims by the Trustee (or the Delegate acting in the name and on behalf of the Trustee) against Kuveyt Türk under the Transaction Documents (including, without limitation, any claim in relation to any unsatisfied payment obligation of Kuveyt Türk under the Transaction Documents) shall be subject to, and shall be superseded by the provisions of Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*), irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim, **provided that** nothing in these Conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.

15. **REPLACEMENT OF CERTIFICATES**

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Registrar, the Trustee or Kuveyt Türk may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

16. **NOTICES**

All notices to Certificateholders will be valid if:

- (a) published in a daily newspaper having general circulation in London (which is expected to be the *Financial Times*) approved by the Delegate; or
- (b) mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective registered addresses.

Any notice shall be deemed to have been given on the day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

17. **MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION**

- 17.1 The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions or the provisions of the Declaration of Trust. The quorum at any meeting for passing an Extraordinary Resolution other than one relating to a Reserved Matter will be two or more Voters present holding or representing in the aggregate more than 50 per cent. in aggregate face amount of the Certificates for the time being outstanding, or at any adjourned such meeting two or more Voters present whatever the outstanding face amount of the Certificates held or represented by him or them, except that any meeting the business of which includes an Extraordinary Resolution relating to a Reserved Matter, the quorum shall be two or more Voters present holding or representing more than 75 per cent. in aggregate face amount of the Certificates for the time being outstanding, or at any adjourned such meeting two or more Voters present holding or representing more than 25 per cent. in aggregate face amount of the Certificates for the time being outstanding. To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the persons voting on a show of hands or, if a poll is duly demanded, a majority of not less than three-quarters of the votes cast on such poll. The quorum for a meeting for all business other than an Extraordinary Resolution will be two or more Voters present holding or representing in the aggregate more than one-twentieth of the face amount of Certificates for the time being outstanding, or at an adjourned such meeting two or more Voters present whatever the outstanding face amount of the Certificates held or represented by them.

- 17.2 The Declaration of Trust provides that an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held in accordance with the Declaration of Trust, shall be binding upon all the Certificateholders whether or not present or whether or not represented at such meeting and whether or not voting and each of them shall be bound to give effect thereto accordingly and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof. A Written Resolution or an Electronic Consent shall take effect as an Extraordinary Resolution. A Written Resolution or an Electronic Consent will be binding on all Certificateholders whether or not they participated in such Written Resolution or Electronic Consent.

- 17.3 The Declaration of Trust provides that the Delegate may agree, without the consent or sanction of the Certificateholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Trust or any other Transaction Document, which: (a) (excluding in respect of a Reserved Matter) in any such case is not, in the opinion of the Delegate, materially prejudicial to the interests of

Certificateholders; or (b) to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error.

17.4 In connection with the exercise by it of any of its powers, authorities, obligations and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Delegate shall have regard to the general interests of the Certificateholders as a class (and shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof) and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Delegate or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

17.5 Any modification, waiver, authorisation or determination made pursuant to this Condition 17 shall be binding on all the Certificateholders and, unless the Delegate otherwise agrees, shall be notified by the Trustee to the Certificateholders as soon as practicable thereafter in accordance with Condition 16 (*Notices*).

18. **INDEMNIFICATION AND LIABILITY OF THE TRUSTEE AND THE DELEGATE**

18.1 The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction, as well as provisions entitling the Delegate to be paid costs and expenses in priority to the claims of Certificateholders.

18.2 The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of Kuveyt Türk or the Trustee under the Transaction Documents and shall not under any circumstances have any liability or be obliged to account to the Certificateholders in respect of any payments which should have been made by Kuveyt Türk or the Trustee but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.

18.3 Each of the Trustee and the Delegate is exempted from: (i) any liability in respect of any decline in value or loss realised upon any sale or other disposition of, or loss or theft of the Trust Assets or any cash; (ii) any obligation to insure the Trust Assets or any cash; (iii) any liability in respect of any defect or failure in the right or title over any of the Trust Assets; and (iv) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of wilful default, gross negligence or fraud by the Trustee or the Delegate, as the case may be.

18.4 The Declaration of Trust also contains provisions pursuant to which the Delegate is entitled, among other things: (i) to enter into business transactions with Kuveyt Türk, the Trustee and/or any of their respective Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to Kuveyt Türk, the Trustee and/or any of their respective Subsidiaries; (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Certificateholders; and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

19. **RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. **GOVERNING LAW AND DISPUTE RESOLUTION**

- 20.1 The Declaration of Trust and the Certificates (including the remaining provisions of this Condition 20 and any non-contractual obligations arising out of or in connection with the Declaration of Trust and the Certificates) are governed by, and shall be construed in accordance with, English law, except for the provisions of Condition 3.2 (*Status, Subordination and Limited Recourse – Subordination*) (including reference thereto in Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*)), which will be governed by, and construed in accordance with, Turkish law.
- 20.2 Both the Trustee and Kuveyt Türk have in the Declaration of Trust irrevocably agreed for the benefit of the Delegate and the Certificateholders that the courts of England shall have exclusive jurisdiction to settle any dispute, controversy or claim arising from or connected with the Declaration of Trust and the Certificates or the consequences of their nullity or any non-contractual or other dispute (a "**Dispute**") and have accordingly submitted to the exclusive jurisdiction of the English courts.
- 20.3 Each of the Trustee and Kuveyt Türk has also agreed that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, it will not argue to the contrary.
- 20.4 The documents which start any proceedings and any other documents required to be served in relation to those proceedings may (without limiting any other means available) be served on Kuveyt Türk by being delivered to Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street London, EC1A 4HD or, if different, its registered office for the time being, and on the Trustee by being delivered to Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street London, EC1A 4HD (marked for the attention of "Process Agency") or, if different, its registered office for the time being, or at any address of the relevant party in England at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the relevant party, such party shall appoint a further person in England to accept service of process on its behalf and failing such appointment within 15 days, the Delegate shall be entitled to appoint such a person by notice addressed to the Trustee or (as appropriate) Kuveyt Türk and delivered to the Trustee or Kuveyt Türk pursuant to the Declaration of Trust. Nothing in this Condition 20.4 shall affect the right of any party to serve process in any other manner permitted by law. This Condition 20.4 applies to proceedings in England.
- The Trustee and Kuveyt Türk agree, without limitation to the generality of any of the foregoing and without prejudice to the enforcement of a judgment obtained in the courts of England pursuant to the provisions of Article 54 of the Act on International Private Law and Procedural Law (Law No. 5718) of Turkey, that if a judgment is obtained against Kuveyt Türk and/or the Trustee in the courts of England, such judgment shall constitute conclusive evidence of the existence and amount of the claim against Kuveyt Türk and/or the Trustee, pursuant to first paragraph of Article 193 and 199 of the Civil Procedure Code of Turkey (Law No.6100) (published in the Official Gazette dated 4 February 2011, No. 27836) and Article 59 of the Act on International Private Law and Procedural Law (Law No. 5718) of Turkey.
- 20.5 Each of the Trustee, the Delegate and Kuveyt Türk has irrevocably agreed in the Declaration of Trust that if any proceedings are commenced in relation to a Dispute and/or any Proceedings are brought by or on behalf of a party under the Declaration of Trust, it will: (i) not claim interest under, or in connection with, such proceedings.
- 20.6 For the avoidance of doubt, nothing in Condition 20.6 shall be construed as a waiver of rights in respect of Periodic Distribution Amounts, Dissolution Distribution Amount or profit of any kind howsoever described payable by Kuveyt Türk or the Trustee pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by any court.

GLOBAL CERTIFICATE

The Certificates will be in registered form. Certificates will be issued outside the United States in reliance on Regulation S under the Securities Act.

Global Certificates

Certificates will initially be represented by a global certificate in registered form (a "**Global Certificate**"). Global Certificates will be deposited with a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the Common Depositary. Persons holding interests in Global Certificates will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Certificates in fully registered form.

Holders

For so long as any Certificate is represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular face amount of such Certificate (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Certificate standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such face amount of such Certificate for all purposes other than: (i) with respect to any payment on such face amount of such Certificate; and (ii) confirming the appointment of the Delegate as agent of the Certificateholders, for which purpose the registered holder of the relevant Global Certificate shall be treated by the Trustee, the Delegate and their respective agents as the holder of such face amount of such Certificate in accordance with and subject to the terms of the Global Certificate and the expressions "**Certificateholder**" and "**holder of Certificates**" and related expressions shall be construed accordingly.

Payments to registered Holder

Payments of any amount in respect of the Global Certificates will, in the absence of provision to the contrary, be made to the person shown in the Register as the registered Holder of the Certificates represented by a Global Certificate at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where the "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business. None of the Trustee, the Delegate, Kuveyt Türk, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such interests.

Payment of any amounts in respect of Certificates in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 1.1 (*Form, Denomination and Title – Form and Denomination*)) immediately preceding the due date for payment in the manner provided in that Condition.

Exchange for definitives

Interests in a Global Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Certificates (a "**Definitive Certificate**") upon the occurrence of an Exchange Event (as defined below). The Trustee will promptly give notice to Certificateholders in accordance with Condition 16 (*Notices*) if an Exchange Event occurs. For these purposes, an "**Exchange Event**" will occur if: (a) the Trustee or the Delegate has been notified that both Euroclear and Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business and no successor clearing system is available; or (b) upon the occurrence of a Dissolution Event. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any other person acting on their behalf, as the case may be, (acting on the instructions of any holder of an interest in such Global Certificate) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Trustee may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the

Registrar. A Certificateholder who holds a principal amount of less than the minimum Authorised Denomination will not receive a Definitive Certificate in respect of such holding and would need to purchase a principal amount of Certificates such that it holds an amount equal to one or more Authorised Denominations.

It shall be a condition to each Certificateholder exchanging its interests in a Global Certificate for Definitive Certificates that each such Certificateholder provides a confirmation to the Trustee and Delegate that such Certificateholder confirm the appointment of HSBC Corporate Trustee Company (UK) Limited as Delegate of the Certificateholders for the purposes specified in and subject to the provisions of the Declaration of Trust.

USE OF PROCEEDS

On the Closing Date, the Trustee will apply the Issuance Proceeds to purchase Kuveyt Türk's interests, rights, benefits and entitlements in, to and under the Initial Asset Portfolio pursuant to the Purchase Agreement.

DESCRIPTION OF THE TRUSTEE

Registered Office

The registered office of the Trustee is at MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands and the telephone number of the registered office is +1 345 945 7099.

Date of Incorporation and Legal Form

The Trustee is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law (as amended) on 31 July 2015 (with registration number 302586).

The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 shares of U.S.\$1.00 each, of which 250 shares are fully paid up and issued. All of the issued shares of the Trustee (the "**Shares**") are or will be held by MaplesFS Limited as share trustee (the "**Share Trustee**") under the terms of a declaration of trust (the "**Share Declaration of Trust**") dated 12 November 2015 under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust). Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has the power to benefit the Qualified Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

Purpose and Business Activity

The principal objectives of the Trustee are unrestricted and the Trustee has full power and authority to carry out any objective not prohibited by the laws of the Cayman Islands. The Trustee has been established to raise capital for Kuveyt Türk by the issuance of Certificates.

The Trustee is organised as a special purpose entity and consequently does not have any employees or own any physical assets.

The Trustee does not engage in, and has not, since its incorporation, engaged in, any activities other than those incidental to: (i) its registration and maintenance as an exempted company; (ii) the authorisation of the offering and issue of Certificates to which it is or will be a party; (iii) the ownership of such interests and other assets referred to herein; (iv) the other matters contemplated in this Prospectus or any other Prospectus related to the offering and issue of trust certificates to which it is or will be a party; (v) the authorisation and execution of the other documents referred to in this Prospectus or any other Prospectus related to the offering and issue of trust certificates to which it is or will be a party; and (vi) other matters which are incidental or ancillary to those activities.

The Trustee's ongoing activities will principally comprise: (i) the issue of Certificates; and (ii) the exercise of related rights and powers and other activities referred to in this Prospectus or reasonably incidental to those activities.

The Trustee does not have subsidiaries or non-executive directors.

The Trustee's financial year ends on 31 December of each year. Since the date of its incorporation, no financial statements of the Trustee have been prepared and the Trustee has not carried out any operations. The Trustee is a special purpose vehicle and will not prepare its own financial statements or accounts.

Management

The directors of the Trustee and their respective business addresses and principal activities are as follows:

Name and Occupation

Name	Principal Occupation
Nishma Sanghvi.....	Assistant Vice President, Maples Fund Services (Middle East) Limited
Cleveland Stewart.....	Senior Vice President, MaplesFS Limited

The business address of Nishma Sanghvi is c/o Maples Fund Services (Middle East) Limited, Office 616, 6th floor, Liberty House, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

The business address of Cleveland Stewart is c/o MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

There are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to the Trustee.

Corporate Administration

MaplesFS Limited also acts as the corporate administrator of the Trustee (in such capacity, the "**Corporate Administrator**"). The office of the Corporate Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of a corporate services agreement dated 12 November 2015 entered into between the Trustee and the Corporate Administrator (the "**Corporate Services Agreement**"), the Corporate Administrator has agreed to perform in the Cayman Islands, the United Arab Emirates and/or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee and the Corporate Administrator have also entered into a registered office agreement (the "**Registered Office Agreement**") for the provision of registered office facilities to the Trustee. In consideration of the foregoing, the Corporate Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement and the Registered Office Agreement provide that either the Trustee or the Corporate Administrator may terminate such agreements upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Agreement provide that either party shall be entitled to terminate such agreements by giving at least three months' notice in writing to the other party with a copy to any applicable rating agency.

The Corporate Administrator will be subject to the overview of the Trustee's board of directors.

The Corporate Administrator's principal office is P.O. Box 1093, Boundary Hall, Crickets Square, Grand Cayman, KY1-1102, Cayman Islands.

The directors of the Trustee are all employees or officers of the Corporate Administrator or an affiliate thereof.

DESCRIPTION OF KUVEYT TÜRK KATILIM BANKASI A.Ş.

Overview

Kuveyt Türk Katilim Bankasi Anonim Şirketi A.Ş. (which translates to Kuveyt Türk Participation Bank Inc.) ("**Kuveyt Türk**") is a full service bank operating primarily in the Republic of Turkey ("**Turkey**") and is a subsidiary of Kuwait Finance House, a financial institution incorporated in the State of Kuwait ("**Kuwait**") (see "*—Shareholders and Capital Structure—Shareholders—KFH*" for further details). Kuveyt Türk's business is undertaken in compliance with the principles of interest-free banking, known as participation banking in Turkey. Kuveyt Türk's commercial registration number is 250489/198060. Its registered address is Büyükdere Cad. No. 129, 34394 Esentepe-Sisli, Istanbul and its telephone number is +90 212 354 11 11. As at the date of this Prospectus, Kuveyt Türk is regulated by the BRSA and in accordance with Banking Law No. 5411, dated 1 November 2005 ("**Banking Law**").

Kuveyt Türk was incorporated on 22 November 1988 as a joint stock company and commenced operations on 31 March 1989 with the name Kuveyt Türk Evkaf Kurumu A.Ş., after being granted a licence by the CBT to operate as a "Special Finance Institution" (an institution undertaking banking activities in an interest-free manner). Following the introduction of a new banking framework in 2005 (whereby the regulation and supervision of all interest-free financial institutions in Turkey was transferred to the BRSA, Kuveyt Türk was reclassified as a "Participation Bank" (*katılım bankası*), see "*Overview of the Turkish Banking Sector and Regulations*" for further details). On 26 April 2006, in accordance with changes to the BRSA's regulations, Kuveyt Türk changed its name to Kuveyt Türk Katilim Bankasi A.Ş.

Kuveyt Türk's core business segments are:

- **Retail Banking:** which focuses on deposit taking (current and participation accounts), the granting of loans, credit card facilities and fund transfer facilities to all individual customers (see "*—Business Activities—Retail Banking*" for further details);
- **Small and Medium Business Banking:** which focuses on deposit taking (current and participation accounts), the granting of loans, credit facilities and current, saving and investment accounts for small and medium sized enterprises ("**SMEs**") **provided that** (i) the relevant small business has an annual turnover of less than TRY5 million and that the level of credit provided to such SME is below TRY7.5 million ("**Small Business**") or (ii) the relevant medium business has an annual turnover between TRY5 million and TRY40 million and that the level of credit provided to such SME is over TRY10 million ("**Medium Sized Business**") (see "*—Business Activities—Small Business Banking*" for further details);
- **Commercial Banking:** which focuses on granting of loans, other credit facilities and banking services to institutional customers **provided that** the annual turnover is between TRY40 million and TRY150 million (see "*—Business Activities—Commercial Banking*" for further details);
- **Corporate Banking:** which focuses on loans and other credit facilities and current, saving and investment accounts for all corporate customers comprising businesses that have an annual turnover in excess of TRY150 million (see "*—Business Activities—Corporate Banking*" for further details); and
- **Treasury, International and Investment Banking:** which focuses on: (i) international banking services to Kuveyt Türk's retail and corporate customers such as international trade finance; (ii) international organisation in order to expand Kuveyt Türk's international network; (iii) investment banking; and (iv) treasury services, which is responsible for managing Kuveyt Türk's liquidity and market risks (see "*—Business Activities—Treasury, International and Investment Banking*" for further details).

As at 31 December 2014, Kuveyt Türk had approximately 2,184,099 individual customers, 1,943 private customers, 53,526 sole proprietor customers, 155,746 small business banking clients (comprising both Small Business and Medium Sized Business), 12,000 commercial clients and 3,700 corporate clients, over 90 per cent. of which originated from Turkey, to which it provided retail, small business, commercial, corporate and international banking services. Kuveyt Türk expanded its branch network in Turkey by opening 20 branches in 2008, 19 branches in 2010, 41 branches in 2011, 39 branches in 2012 and 47 branches in 2013. In 2014 Kuveyt Türk added 40 new branches bringing the total number of branches in Turkey to 331. The BRSA granted Kuveyt Türk approval to open additional branches and by 30 June

2015 Kuveyt Türk had opened 26 branches in Turkey, which is anticipated to contribute to an increase in Kuveyt Türk's market share. Approximately 40 per cent. of Kuveyt Türk's branches are in Istanbul, with the rest spread across the country.

In addition to its head office in İstanbul and its branches spread across Turkey, Kuveyt Türk provides banking services to international customers through its wholesale banking branch in Bahrain, its subsidiary incorporated in the Dubai International Financial Centre ("**DIFC**") in the Emirate of Dubai ("**Dubai**") in the UAE and its financial services branch in Mannheim, Germany (see "*Group Structure, Subsidiaries, International Branches and Strategic Relationships*" for further details).

History

Kuveyt Türk is a joint stock company, incorporated on 22 November 1988 in Turkey and a subsidiary of KFH, a financial institution incorporated in Kuwait. (See "*—Shareholders and Capital Structure — Shareholders—KFH*" for further details).

On 28 February 1989, Kuveyt Türk was granted a Special Finance Institution licence in accordance with the Council of Ministers Decree Number 83/7506 dated 19 December 1983 by the CBT and commenced operations on 31 March 1989 under the name Kuveyt Türk Evkaf Kurumu A.Ş. In the initial stages following its incorporation, Kuveyt Türk focused predominantly on providing interest-free financing to corporate customers and opened eight branches in Turkey within five years. Since 2003, Kuveyt Türk has adopted a more retail-oriented approach to service Small Business and individuals and was the first participation bank in Turkey to provide products and services to retail customers.

In 2000, Kuveyt Türk began implementing its growth strategy (see "*—Strategy*" for further details) and opened a total of eight new branches, thereby doubling its network of branches at the time. In the same year, Kuveyt Türk began offering online banking services to its customers, followed by the introduction of its Automated Teller Machines ("**ATM**") network. In 2001 Kuveyt Türk introduced debit cards, followed by credit cards in 2002 whereby it became the first Turkish participation bank to become a member of Visa® International.

In 2002, Kuveyt Türk turned its focus to international opportunities particularly within the GCC countries (comprising the UAE, Kingdom of Saudi Arabia, State of Qatar, the Sultanate of Oman, Bahrain and Kuwait) and accordingly opened an offshore branch in Bahrain. The branch was established in December 2002 with a wholesale banking licence issued by the Central Bank of Bahrain (see "*—Group Structure, Subsidiaries, International Branches and Strategic Relationships*" for further details).

In May 2005, Kuveyt Türk established a representative office in Mannheim, Germany, to focus on trade financing and fund mobilisation from the local population of Turkish descent. On 28 August 2009, Kuveyt Türk received a financial services branch licence from the German Federal Financial Supervisory Authority ("**BaFin**") which permitted Kuveyt Türk to convert its representative office into a financial services branch. Kuveyt Türk commenced its financial services operations from the branch on 26 April 2010. On 2 April 2015, BaFin approved the establishment of KT Bank AG, a subsidiary which is fully licensed in Germany. KT Bank AG commenced operations in July 2015 with three branches. As at the date of this Prospectus, no other bank provides interest-free banking in Germany.

On 15 November 2009, Kuveyt Türk was granted a licence to establish a subsidiary in Dubai, Kuveyt Turkish Participation Bank (Dubai) Limited ("**KT Dubai**"), to undertake interest-free finance activities from the DIFC in Dubai. On 29 March 2011, the category of licence granted to KT Dubai was extended and it was duly authorised by the Dubai Financial Services Authority ("**DFSA**") to expand the provision of its financial services to include providing credit facilities pursuant to its Islamic finance business.

Shareholders and Capital Structure

Shareholders

As at 30 September 2015, Kuveyt Türk's principal shareholders and their shareholdings were as follows:

Shareholders	Per cent.
KFH	62.32
General Directorate for Foundations—Turkey (" GDF ").....	18.74
Public Institution for Social Security—Kuwait (" PIFSS ")	9.01
The Islamic Development Bank (" IDB ")	9.01

Shareholders	Per cent.
Others	0.92
Total.....	100.0

KFH

As at 30 September 2015, KFH, one of the world's largest Islamic banks by assets, held approximately 62.32 per cent. of the share capital of Kuveyt Türk. KFH was established in Kuwait in 1977 as the first bank operating in accordance with *Sharia* principles and is listed on the Kuwait Stock Exchange ("KSE").

GDF

As at 30 September 2015, the GDF (Vakıflar Genel Müdürlüğü Mazbut Vakıfları) held approximately 18.74 per cent. of the share capital of Kuveyt Türk. The GDF was established in 1924 to administer, manage and regulate existing and future Turkish charitable foundations as a state entity directly reporting to the Turkish Prime Minister. The GDF consists of a large number of recorded foundations, the assets and prospects of which are administered and managed by the GDF. Pursuant to Foundations Law No. 2762 and the Law on the Organisation and Duties of the General Directorate for Foundations, the assets and properties of the recorded foundations are administered and managed by the GDF.

PIFSS

As at 30 September 2015, the PIFSS held approximately 9.01 per cent. of the share capital of Kuveyt Türk. PIFSS was founded in 1976, to implement the Kuwaiti social security system including social security benefits for: (i) old age, disability, sickness and death of civil workers in the government, private and oil sectors; (ii) old age, disability, sickness and death of the self-employed, those working for their own account and their affiliates; and (iii) sufferers of occupational diseases. PIFSS is a major investor on the KSE and in other Arab and Islamic countries.

IDB

As at 30 September 2015, the IDB held approximately 9.01 per cent. of the share capital of Kuveyt Türk. The IDB is a multinational development bank established in 1973 as a result of the Declaration of Intent issued by the Conference of Finance Ministers of Muslim Countries to promote the economic development and social progress of its member countries in accordance with the principles of Islamic law. The IDB currently has 56 member states, all of which are shareholders and members of the Organisation of the Islamic Conference. Turkey is a founding member and owns 8.41 per cent. of the shares of the IDB. Other major shareholders include Saudi Arabia, Kuwait, Libya, Iran and the UAE. The head office of the IDB is located in Jeddah in Saudi Arabia.

Capital Structure

At the time of incorporation Kuveyt Türk's initial share capital was TRY15,000,000,000. The following table sets out the total share capital reflecting capital increases which have been undertaken since 2005. All shareholders have contributed to capital increases *pro rata* in accordance with their respective shareholding.

Date of registration	Capital (TRY)
5 May 2005.....	200,188,000
2 May 2007.....	213,500,000
30 June 2007.....	260,000,000
30 May 2008.....	500,000,000
14 April 2010.....	550,000,000
8 August 2010.....	850,000,000
1 May 2011.....	950,000,000
19 April 2012.....	1,100,000,000
29 May 2013.....	1,460,000,000
24 June 2013.....	1,700,000,000
4 April 2014.....	1,930,000,000
28 May 2014.....	2,290,000,000
6 April 2015.....	2,530,000,000

On 28 May 2014, Kuveyt Türk increased its share capital by TRY360,000,000 by way of a cash injection from its shareholders. On 6 April 2015, Kuveyt Türk further increased its share capital by TRY240,000,000 from retained earnings to TRY2,530,000,000. This allowed Kuveyt Türk to extend additional cash loans, resulting in increased income from current accounts and equity.

As part of Kuveyt Türk's five year strategic plan to support its growth objectives, an additional share capital increase of TRY800,000,000 was undertaken in 2015 and TRY1,300,000,000 is planned for 2017. The exact date and form of this increase will be decided by the shareholders in March of 2017. While there is no guarantee that all the shareholders will approve each capital increase, the shareholders are aware and have been supportive thus far of Kuveyt Türk's medium term growth plans and objectives, it is anticipated that they will continue to support capital increases or otherwise support alternative methods of funding Kuveyt Türk's growth objectives.

As at 30 September 2015, Kuveyt Türk's authorised and issued share capital was TRY2,530,000,000 and each share has a nominal value of TRY1. The shares of Kuveyt Türk are not listed. There are no different classes of shares or different privileges attached to any shares.

Strategy

Kuveyt Türk's primary objectives are to establish itself as the leading participation bank within Turkey and to become one of the top 10 banks (by assets) in Turkey by 2018. Kuveyt Türk's strategy to achieve its objectives is set out below.

Growing local customer base through expansion of branch network and alternative distribution channels

Kuveyt Türk intends to grow its local customer base by expanding its branch network throughout Turkey into under-banked areas which it considers represent high growth opportunities. Kuveyt Türk has expanded its branch network to 350 branches within Turkey at the end of 2015 and, in this regard, Kuveyt Türk's senior management ("**Senior Management**") have identified Anatolia as a key area which they believe is under-banked and provides opportunities for expansion of its branch network over the next few years.

Kuveyt Türk also aims to increase its customer base and decrease operational costs through the expansion of its alternative distribution channels including Extended Teller Machines ("**XTMs**"), ATMs, internet banking, Automated Teller Safes, call centres and mobile banking. XTMs are satellite branches with mostly automated banking services which link to customer service assistants located in the head office. XTMs are minimally staffed with employees who are there to greet customers and assist with using the XTM terminals. The XTM project is unique to Kuveyt Türk and represents a cost efficient approach to providing banking services. Operating costs of an XTM are 20 per cent. of the cost of a traditional branch. There are currently 23 XTM branches in operation. Initial indications show that these XTM branches have had a high uptake rate by customers. Based on this success Kuveyt Türk plans to open additional XTMs over the next couple of years. In addition, Kuveyt Türk aims to grow its international customer base by expanding its international geographical presence (see "*—Strategy—Strategic investments and international expansion*" for further details).

Selective growth focused on value generating and unique products

Kuveyt Türk believes that the small business and retail banking sector offer profitable opportunities in Turkey. By expanding its relationship with existing small business customers and offering bespoke financial service products, Kuveyt Türk hopes to experience significant growth opportunities. Kuveyt Türk also intends to further expand its retail customer base by focusing on developing unique products and services aimed at addressing their particular needs through its growing domestic branch network and alternative distribution channels.

Leverage off existing customer base through enhanced product offerings and increasing product diversity and service quality, with a special focus on cross-selling

Kuveyt Türk aims to develop revenue opportunities by continuing to provide bespoke solutions and a variety of products to meet the evolving needs of customers. The approach involves continuously reviewing and developing products and service offerings to complement its core banking products as well

as increasing operations geared towards small businesses. Kuveyt Türk opened its first corporate only branch in Istanbul in 2010, and, in 2011, opened its second corporate only branch in Ankara. As of year-end 2014, Kuveyt Türk had 31 corporate only branches to target high-value Turkish corporates and provide bespoke Commercial Banking and Corporate and International Banking services. The branches are also designed to support and increase Kuveyt Türk's corporate loan portfolio and increase its market share in trade finance and various other related financial products and services.

Kuveyt Türk also aims to distinguish itself from competitors by providing innovative products such as gold products (see "*Business Activities—Retail Banking — Gold savings and trading products*" for further details) and accordingly capitalising on first mover advantage. By providing bespoke and innovative products and services, Senior Management believes Kuveyt Türk will expand upon its current customer base, increase revenues and maintain sustainable growth. Kuveyt Türk also aims to be a 'house' bank for its customers, whereby customers have access to a full range of services, and aims to provide high quality customer service and customer satisfaction. Senior Management believes this will assist Kuveyt Türk in retaining customers as well as providing further opportunities for both account and service cross selling.

To further enhance Kuveyt Türk's product diversity and service quality, Kuveyt Türk established a research and development centre ("**R&D Centre**") (see "*Research and Development*" for further details).

Enhancing profitability and improving operational efficiency through cost control initiatives

Kuveyt Türk aims to increase net profit through increased operational efficiency and cost control initiatives. It endeavours to increase its operating efficiency by developing its alternative distribution channels and outsourcing certain functions, such as its corporate vehicle requirements, to car fleet companies.

In line with this strategy, Kuveyt Türk has initiated a cost optimisation project ("**Cost Optimisation Project**") to analyse its costs in comparison with the banking sector and use the results to optimise its costs. In addition, several other projects are underway for improved operational efficiency, such as an electronic invoicing system, its direct banking platform, the further expansion of XTM branches (see "*Strategy—Growing local customer base through expansion of branch network and alternative distribution channels*" for further details) and mobile credit applications.

Strategic investments and international expansion

Although Kuveyt Türk's strategic plan is to primarily focus on organic growth opportunities, Kuveyt Türk from time to time may seek to enhance growth through sector and/or geographic-specific strategic associations. Kuveyt Türk's strategy is to also invest in related businesses which allow it to supplement its product offerings and align with its strategy to provide products which are ancillary to its banking services. An example of this is Kuveyt Türk's investment in Neova Sigorta A.Ş. ("**Neova**"), an insurance company to provide interest-free (*takaful*) insurance to its Turkish customers. In addition, Kuveyt Türk established a joint pension fund company with Albaraka Türk Katılım Bankası A.Ş. which began operations in the second half of 2014 (see "*Group Structure, Subsidiaries, International Branches and Strategic Relationships*" for further details).

Kuveyt Türk's strategy for international expansion comprises three core elements, namely: (i) that Kuveyt Türk's customers have a direct business relationship with the geographic location (to capture trade financing opportunities and key trade finance routes); (ii) that Kuveyt Türk has a presence in key geographical regions to source funding; and (iii) the locations have a strong Turkish immigrant community with continuing relationships with Turkey. Kuveyt Türk aims to strengthen and consolidate its presence in Europe and the GCC. In this regard, Kuveyt Türk has established a subsidiary with three branches in Germany.

Strategies of each core business segment

In addition to Kuveyt Türk's overall strategy, Kuveyt Türk has also developed specific strategies for each of its core business segments to improve its business and maintain sustainable growth and profitability.

Retail Banking

Kuveyt Türk's aim is to target young customers, particularly university students and new workforce entrants, as well as female customers. In addition, Kuveyt Türk plans to increase its product range to enhance its customer base and to target its existing high net worth clients and new high net worth individuals by offering *Sharia* compliant investment services focused on asset management and financing.

Small Business Banking

Kuveyt Türk focuses on providing banking services for small and medium sized establishments and companies including all credit-related products and financing products. Operating within an interest-free banking framework, Kuveyt Türk seeks to provide innovative, practical and cost effective financing solutions for the specific requirements of its small and medium business customers.

Commercial Banking

Kuveyt Türk intends to increase market share in financing and deposits by enhancing its focus on commercial and mid-sized businesses, in particular by increasing the volume of its project financing, loans made available under leasing facilities and gradually building its commercial property financing. Kuveyt Türk intends to continue developing and enhancing its asset base and building a more diversified portfolio.

Corporate Banking

Kuveyt Türk designs and offers business solutions to corporates through dedicated client care teams which allows project based solutions to companies with a view to becoming a long-term strategic partner and principal bank of such companies.

Treasury, International and Investment Banking

Kuveyt Türk aims to consolidate and strengthen the various departments within its international banking business segment by increasing the rate of uptake by its customers for investment services products through cross-selling treasury and investment services to selected retail and corporate banking clients. Kuveyt Türk intends to broaden the scope of its investment services capacity to allow customers to benefit from its expanding interest-free banking product range (including hedging, foreign exchange operations, fixed income, equity and commodity markets access). Kuveyt Türk aims to further develop its direct risk management advisory and financial advisory capabilities.

Business Activities

BRSA regulations prescribe a common segment reporting requirement with respect to financial statements by all banks in Turkey. These BRSA reporting segments are: (i) Retail Banking; (ii) Corporate and Commercial Banking; and (iii) International and Investment Banking and Treasury. Accordingly, Kuveyt Türk reports its financial statements on the basis of these segments for both, its BRSA Accounts and IFRS Accounts. However, Kuveyt Türk believes its business activities are more accurately reflected as: (i) Retail Banking; (ii) Small Business Banking; (iii) Commercial Banking; (iv) Corporate; and (v) Treasury, International and Investment Banking and therefore the description of Kuveyt Türk's business activities are described as such below.

The following table sets out income and profit and certain asset and liability information regarding the business segments for the year ended 31 December 2014 (see "*Business Activities*" for more details).

For the period ended 31 December 2014	Retail Banking	Small Business Banking	Commercial Banking	Corporate Banking	Treasury, International & Investment Banking	Segments Total	Reconciliation	Grand Total
Net financing income.....	361,553	193,823	319,719	78,200	(70,177)	883,118	16,891	900,009
Net profit for the year	172,447	153,136	222,845	84,353	(73,549)	559,232	(101,196)	458,036
Segment Assets.....	4,507,793	4,099,487	11,662,161	2,228,546	11,257,158	33,750,746	-	33,750,746
Segment Liabilities & Equity.....	15,119,728	2,444,620	4,420,443	901,104	7,628,148	30,514,043	3,236,703	33,750,746

The following table sets out income and profit and certain asset and liability information regarding the business segments (with such segments as reported in the IFRS Accounts) for the years ended 31 December 2014 and 31 December 2013.

For the year ended 31 December 2014	Retail Banking	Corporate and Commercial Banking	International and Investment Banking and Treasury	Unallocated*	Total
<i>(TRY in thousands)</i>					
Net operating income.....	1,082,196	521,947	179,551	-	1,783,694
Net profit for the year	741,441	631,773	(37,096)	(878,082)	458,036
Total assets	8,607,280	13,890,707	11,252,759	-	33,750,746
Total liabilities	17,564,348	5,321,547	7,268,148	3,236,703	33,750,746

For the year ended 31 December 2013	Retail Banking	Corporate and Commercial Banking	International and Investment Banking and Treasury	Unallocated*	Total
<i>(TRY in thousands audited)</i>					
Net operating income.....	482,733	614,656	(24,684)	-	1,072,706
Net profit for the year	252,549	758,904	(10,983)	(639,295)	361,175
Total assets	5,266,657	9,716,138	9,884,518	735,212	25,602,525
Total liabilities	12,095,960	4,733,518	5,641,498	3,131,549	25,602,525

^(*) Items not directly attributable to a banking segment, such as, personnel costs, operational costs, finance leasing costs, etc. A large portion of this number is attributed to personnel costs and operational costs.

Retail Banking

Overview

The Retail Banking Department was established in 2000. Kuveyt Türk was the first participation bank in Turkey to offer retail banking services to customers. Kuveyt Türk provides a wide range of retail banking services and products to individuals with a primary focus on middle-to-high-income individuals. Kuveyt Türk conducts its retail banking operations through its 332 branches as at 30 June 2015 located throughout Turkey, as well as through its alternative distribution channels including XTMs, ATMs, internet banking, 24-hour telephone banking, and POS terminal payment locations.

Retail Banking in Participation Banks

The principles underlying participation banking products determine the ways in which the proceeds from Kuveyt Türk's retail credits may be used and how these proceeds are transferred. Transfers of funds are effected in such a manner that the proceeds are transferred directly to the vendor or service provider that is the subject of the transaction. Repayments of retail credits are done in a similar way as at a conventional bank, with a larger portion of the earlier payments being applied to the mark-up portion and, subsequently, a greater portion applied to the principal closer to the end of the term. Turkish law requires Kuveyt Türk to permit retail customers to pre-pay in part or in full. In the event that a retail customer makes an early payment, Kuveyt Türk commits to making a reduction of the profit share and commission payable *pro rata* to the sums that are paid early. The current accounts and participation accounts offered by Kuveyt Türk also comply with interest-free banking principles. Kuveyt Türk utilises the funds deposited by account holders (which are accumulated in a pool for specific business activities), and any profits earned from such respective pools of funds are shared between the account holders and Kuveyt Türk in proportion to a pre-agreed ratio. For the year ended 31 December 2014, Retail Banking accounted for 26 per cent. of Kuveyt Türk's total assets (excluding unallocated assets), and 58 per cent. of Kuveyt Türk's total liabilities (excluding unallocated liabilities). As at 31 December 2013, Retail Banking accounted for 21.18 per cent. of Kuveyt Türk's total assets (excluding unallocated assets), and 53.83 per cent. of Kuveyt Türk's total liabilities (excluding unallocated liabilities).

As at 31 December 2014, Kuveyt Türk had approximately 769,869 active retail customers (including individuals and Small Business) with outstanding cash or non-cash loan balances (as compared to 900,000 active retail customers for the same period in 2013). The customers of Kuveyt Türk's Retail

Banking Department had total cash loans outstanding as at 31 December 2014 of TRY4,064 million, as compared to TRY2,653 million as at 31 December 2013. Kuveyt Türk's deposits from customers are primarily denominated in Turkish lira, Euro and U.S. dollars.

Retail Products

Kuveyt Türk offers its customers a range of retail products which are supported by the adoption of stringent credit criteria, including specified financing limits for each retail product (see "*Risk Management*" for further details). Kuveyt Türk's retail products include:

- *Deposit taking:* Kuveyt Türk provides customers with deposit taking services categorised under two types of accounts (set out below). The majority of Kuveyt Türk's deposits are short-term deposits averaging between one and two months. The majority of these deposits are typically rolled over on maturity.
 - *Current Accounts:* These are accounts which may be opened in Turkish lira or foreign currency in return for a Special Current Account Deposit Book in the name of the customer. The funds deposited may be withdrawn at any time, either partially or completely (as preferred by the customer). The accounts allow customers to pay invoices via automatic payment instructions, carry out electronic fund transfers ("**EFTs**"), collect cheques/bonds and make credit payments. As at 31 December 2014, Kuveyt Türk had 807,500 current accounts opened for customers. Customers do not receive any mark-ups (i.e. profit share) on their deposits.
 - *Participation Accounts:* These are high-revenue accounts that may be opened in one of three currencies (Turkish lira, U.S. dollars or Euro). These accounts offer customers the option of participating in the profit and loss of Kuveyt Türk which arises through the investment of the deposited funds by Kuveyt Türk. The funds are accumulated in participation accounts which are used in the financing of the real sector (in order to be compliant with the principles of interest-free banking). Kuveyt Türk has five types of participation accounts: the Classical Account, the Silver Account, the Gold Account, the Platinum Account and the Platinum+ Account, each of which differs according to minimum deposit requirements. In participation accounts, customers forfeit any accrued profits if amounts on deposit are withdrawn prior to maturity. As at 31 December 2014, Kuveyt Türk had 415,301 participation accounts opened for customers.
- *Gold savings and trading products:* Kuveyt Türk has introduced a number of products based on and related to gold, including the following:
 - *Gold Storage Account:* These accounts enable customers to invest in gold (buy or sell). Through the Gold Storage Account, accountholders have the added benefit of minimising risk as the government (through a separate scheme) guarantees the amount of gold up to the value of U.S.\$48,000. In addition, these accounts can have varying maturity dates, providing greater flexibility to customers and enabling them to convert their gold savings into TRY or U.S. dollars at market value on demand.
 - *Participation Accounts (denominated in gold):* This type of participation account can be opened with 10 grams of gold and provides customers with the ability to save in gold and generate returns on their savings. Each gram of gold deposited in this account is used in the physical gold trading sector and profits from that are returned to the customer in the form of more gold. The participation account has different maturity options ranging between three months and one year and can be opened at Kuveyt Türk branches or via the internet.
 - *Kuveyt Türk Gram Altın—Physical Gold:* Kuveyt Türk has commenced purchasing and selling physical gold denominated in 1, 1.5, 2.5, 5, 10, 20, 50 and 100 grams certified and coined by the İstanbul Gold Refinery. This is an alternative product offered to customers who prefer to have physical gold rather than cash accounts. Kuveyt Türk gold purchased from Kuveyt Türk branches and other gold products carrying the certificate of the İstanbul Gold Refinery can be resold to all branches after the necessary security checks have been undertaken.

- **Gold Transfer and Delivery:** Kuveyt Türk also provides its customers with the ability to transfer their gold to other accounts as well as the delivery of gold. This is undertaken for a set fee.
- **Physical Gold Deposit:** Kuveyt Türk introduced a new product whereby its customers are able to deposit their physical gold savings into their current and/or participation accounts electronically without the need to convert the gold into physical cash.
- **Silver and platinum trading:** In addition to providing its customers the opportunity to trade in gold, Kuveyt Türk has established additional products which allow customers to invest in silver and platinum at market prices (a first of its kind product to be provided by a participation bank). These products allow customers to buy silver or platinum for investment purposes, which Kuveyt Türk then holds at the İstanbul Gold Exchange on their behalf.
- **Car financing:** Kuveyt Türk finances vehicle purchases for individuals and businesses pursuant to a Murabaha structure by purchasing approved vehicles and selling them to the relevant customer at a pre-determined mark-up price, paid back to Kuveyt Türk in instalments. Leasing is also widely used for car financing.
- **Property finance:** Kuveyt Türk provides financing to customers to purchase land, properties which have been, or are being, built by an approved developer, and properties on the secondary market. Kuveyt Türk also provides financing for self-construction. In each instance, evaluation and approval is determined on a case-by-case basis. Property financing is provided on a fixed rate basis.
- **Consumer loans:** Kuveyt Türk provides general purpose financing to customers including study, travel, home appliance purchases and boat financing. Collateral taken when providing such financings is dependent upon on the credit capability of each customer and is evaluated on a case by case basis.
- **Credit and debit cards:** Kuveyt Türk was the first participation bank to introduce interest-free debit cards and credit cards to its customers in 2001 and 2002, respectively. As at 31 December 2014, Kuveyt Türk has issued a total of approximately 1,097,535 debit cards and 218,492 credit cards. Debit cards permit customers to access their current accounts and conduct transactions, including ATM withdrawals, fund transfers, account activity and balance enquiries, retail purchases and credit card, utility and other payments. Kuveyt Türk intends to continue developing unique card products to capture niche markets. In accordance with the principles underlying its participation banking status, Kuveyt Türk's credit cards contain some features that are not typical of conventional credit cards. For example, the credit cards may only be used for purchases and not for cash advances.

In addition to earning fees from the customers' use of credit cards, Kuveyt Türk has Point of Sale ("POS") terminals in stores throughout Turkey from which Kuveyt Türk earns a small fee from each transaction in which the cards are used (regardless of whether they are used by a customer of Kuveyt Türk or not). The number of Kuveyt Türk POS terminals through which transactions using Kuveyt Türk's own debit or credit cards and the credit cards of other banks are effected has slightly decreased to 19,333 units as at 31 December 2014 compared to 20,000 units as at 31 December 2013. The volume of transactions has slightly decreased with TRY3,276 million for the year ended 31 December 2014 compared to TRY3,280 million for the same period in 2013.

As at 31 December 2014, Kuveyt Türk had TRY4,064 million in outstanding retail loans as compared to TRY2,653 million as at 31 December 2013. Home financings accounted for 90.43 per cent., or TRY3,675 million, of Kuveyt Türk's total retail loans, as at 31 December 2014 as compared to 87.03 per cent., or TRY2,416 million, as at 31 December 2013. Auto financings accounted for 4 per cent., or TRY163 million, of Kuveyt Türk's total retail loans as at 31 December 2014, as compared to 5.00 per cent., or TRY132 million, as at 31 December 2013. All of Kuveyt Türk's home and vehicle financings are collateralised by the property or vehicles purchased with the proceeds of such credits. Credit card financings accounted for 2.86 per cent., or TRY120 million, of Kuveyt Türk's total retail loans as at 31 December 2014, as compared to 4.34 per cent., or TRY121 million, as at 31 December 2013.

Customers

Kuveyt Türk categorises its retail customers primarily based on the amount of their opening deposits with Kuveyt Türk as follows: Classic (minimum opening balance TRY250), Silver (TRY50,000), Gold (TRY250,000), Platinum (TRY750,000) and Platinum+ (TRY1,500,000). As a client's deposits increase, Kuveyt Türk offers the client a wider variety of products with more attractive terms, thereby encouraging customers to concentrate their banking business with Kuveyt Türk. Kuveyt Türk intends to increase the number of customers of its Retail Banking Department by cross-selling new products and services and expanding the branch network (see "*Strategy*" for further details).

The individuals primarily targeted by Kuveyt Türk's Retail Banking Department comprise professionals and owners of businesses that use Kuveyt Türk's services primarily for their non-business related banking needs. For the year ended 31 December 2014, Kuveyt Türk provided retail banking services to approximately 2,184,099 individuals.

Small Business Banking

Overview

Kuveyt Türk's Small Business Banking Department has developed special products and services tailored to Small Business and Medium Sized Business. In addition, Kuveyt Türk provides small business owners with credit support as well as consultancy for banking and finance.

Small Business Banking in Participation Banks

In accordance with the principles underlying Kuveyt Türk's participation banking status, its financings are made for the purposes of "production support", a term particular to participation banks. In this context, production support is used to describe tangible assets used by a business (i) in its operations including, among other things, raw materials, machinery, tools, vehicles and equipment and (ii) for the payment of certain service providers, so long as such services (such as installation services) are provided in connection with the acquisition of tangible assets.

As a participation bank, Kuveyt Türk does not provide credit to fund a business' general working capital which does not have any underlying assets. Instead, when credit is extended, the proceeds are given directly to the vendor or service provider subject to the transaction, rather than to the customer. In a typical Murabaha financing transaction, the small business customer applies for credit for the purpose of purchasing a product/service that it will use in its business. If the credit is granted, Kuveyt Türk buys the product directly from the vendor and sells this product/service for credit at a marked-up price to Kuveyt Türk's small business customer. The customer repays the principal of the credit plus the fixed mark-up through instalment payments made over time. Kuveyt Türk also offers credits in *Istisna'a* transactions where the product being purchased by the customer does not yet exist at the time the credit is granted.

Unlike retail customers, Kuveyt Türk's small business customers do not have the legal right to pre-pay their credit obligations. Under certain circumstances, however, Kuveyt Türk may permit a small business customer to pre-pay such obligations. In such cases, in addition to requiring pre-payment of 100 per cent. of the principal of the credit, Kuveyt Türk also requires a small percentage of the scheduled fixed mark-up payments as a "discouragement fee".

Customers

Kuveyt Türk's Small Business Banking Department provides a wide range of products and services to Small Business and Medium Sized Business. As at 31 December 2014, the total amount of Kuveyt Türk's outstanding cash loans to Small Business customers represented 34 per cent. of the cash loans of its Small Business Banking Department, amounting to TRY7,159 million. As at 31 December 2013, the total amount represented 46 per cent. of the cash loans, amounting to TRY7,707 million.

Commercial Banking

Overview

Kuveyt Türk's Commercial Banking Department designs and offers business solutions to large corporates (operating primarily in the manufacturing, construction, wholesale and trade industries) through dedicated teams. Operating within an interest-free banking framework, Kuveyt Türk's Commercial Banking Department seeks to provide innovative financing solutions for the specific requirements of the customers.

Commercial Banking in Participation Banks

In accordance with the principles underlying Kuveyt Türk's participation banking status, its financings are made for the purposes of "production support", a term particular to participation banks. In this context, production support is used to describe tangible assets used by a business (i) in its operations including, among other things, raw materials, machinery, tools, vehicles and equipment and (ii) for the payment of certain service providers, so long as such services (such as installation services) are provided in connection with the acquisition of tangible assets.

As a participation bank, Kuveyt Türk does not provide credit to fund a business' general working capital which does not have any underlying assets. Instead, when credit is extended, the proceeds are given directly to the vendor or service provider subject to the transaction, rather than to the customer. In a typical Murabaha financing transaction, the commercial customer applies for credit for the purpose of purchasing a product/service that it will use in its business. If the credit is granted, Kuveyt Türk buys the product directly from the vendor and sells this product/service for credit at a marked-up price to Kuveyt Türk's commercial customer. The customer repays the principal of the credit plus the fixed mark-up through instalment payments made over time. Kuveyt Türk also offers credits in *Istisna'a* transactions where the product being purchased by the customer does not yet exist at the time the credit is granted.

Unlike retail customers, Kuveyt Türk's commercial customers do not have the legal right to pre-pay their credit obligations. Under certain circumstances, however, Kuveyt Türk may permit a commercial customer to pre-pay such obligations. In such cases, in addition to requiring pre-payment of 100 per cent. of the principal of the credit, Kuveyt Türk also requires a small percentage of the scheduled fixed mark-up payments as a "discouragement fee".

As at 31 December 2014, Commercial Banking accounted for 41.16 per cent. of Kuveyt Türk's total assets (excluding unallocated assets) (as compared to 39.07 per cent. as at 31 December 2013) and 17.44 per cent. of Kuveyt Türk's total liabilities (as compared to 21.07 per cent. as at 31 December 2013).

Commercial Products and Services

Kuveyt Türk's principal commercial products and services are categorised into two sections: (i) Cash loans; and (ii) Non-Cash loans.

Cash Loans

Kuveyt Türk provides a broad range of cash loans facilities and financial leasing products to its commercial customers to meet their short and long-term financing requirements. Kuveyt Türk's cash loans are used to support the business activities of Kuveyt Türk's commercial customers and consist principally of loans that are offered in Turkish lira, U.S. dollars and Euros.

Kuveyt Türk focuses on high volume, short-term financing provided for the purposes of production support and working capital requirements (described below) in order to mitigate any adverse effects caused by interest rate fluctuations. Kuveyt Türk also provides a broad range of financial leasing products. Through its leasing products, commercial customers are able to obtain machinery, equipment and other goods from both domestic and international vendors. Under Turkish law, conventional banks are not allowed to engage directly in leasing activities – they are only permitted to do so through leasing subsidiaries. Consequently, Kuveyt Türk (as a participation bank) can enter into leasing transactions more efficiently with its customers compared to conventional banks. Kuveyt Türk also has a basket loans product which allows customers who seek to reduce foreign exchange risk with foreign exchange indexed loans, to borrow in two or three different currencies for the same project. As at 31 December 2014,

Kuveyt Türk had TRY710.85 million in net minimum finance lease payments receivable, as compared to TRY400.77 million as at 31 December 2013. Kuveyt Türk also provides commercial customers with a variety of credit card services.

Non-Cash Loans

Kuveyt Türk offers its commercial customers non-cash loans denominated in all major foreign currencies, principally comprised of letters of guarantee, letters of credit, acceptances and commitments. Non-cash loan facilities are extended in connection with a broad range of activities, including domestic and international trade finance, tenders in the construction sector, tenders in connection with privatisations and public sector tenders.

Kuveyt Türk aims to introduce innovative products to the Turkish market and has developed a number of tailor-made products in relation to its non-cash loans. For example Kuveyt Türk has developed a gold "forward" product, a first of its kind to be offered by a participation bank in Turkey. As part of this product, Kuveyt Türk offers its customers the ability to fix future exchange rates in order to protect the customer from exchange rate fluctuations. Kuveyt Türk utilises relationships developed with established financial institutions in various countries to assist with channelling and distributing these tailor-made financial products.

Customers

As at 31 December 2014, Kuveyt Türk had over 92,000 commercial clients to whom designated commercial relationship managers provide a dedicated point of contact throughout, assessing their cash management, treasury, trade finance, working capital finance, asset and project finance requirements (as compared to 80,000 commercial clients as at 31 December 2013). Kuveyt Türk's commercial customers had cash loans outstanding with Kuveyt Türk of TRY14,686 million and total non-cash loans (comprising of letters of credit and letters of guarantee) outstanding with Kuveyt Türk of TRY6,920 million (as compared to TRY11,831 million cash loans and TRY7,924.6 million non-cash loans as at 31 December 2013 outstanding with Kuveyt Türk).

The customers of Kuveyt Türk's Commercial Banking Department include Turkish companies in various sectors including textile, construction, food-stuff, metals, machinery and plastic manufacturing, as well as the automotive industries. With respect to cash loans, Kuveyt Türk's highest customer concentrations were historically in the textile sector. Kuveyt Türk has, however, expanded and diversified its customer base and moved its cash credit focus towards the construction, food-stuff and metals and machinery industries, thereby also helping to decrease risks relating to credit concentration. With respect to non-cash credits, a majority of Kuveyt Türk's customers are in the construction industry.

Corporate Banking

Overview

The Corporate Banking Department was established to offer project-based solutions to companies with a view to becoming a long-term strategic business partner and principal bank of such companies.

Corporate Banking in Participation Banks

As a participation bank, Kuveyt Türk does not provide credit to fund a business' general working capital which does not have any underlying assets. Instead, when credit is extended, the proceeds are given directly to the vendor or service provider subject to the transaction, rather than to the customer. In a typical Murabaha financing transaction, the corporate customer applies for credit for the purpose of purchasing a product/service that it will use in its business. If the credit is granted, Kuveyt Türk buys the product directly from the vendor and sells this product/service for credit at a marked-up price to Kuveyt Türk's corporate customer. The customer repays the principal of the credit plus the fixed mark-up through instalment payments made over time. Kuveyt Türk also offers credit in *Istisna'a* transactions where the product being purchased by the customer does not yet exist at the time the credit is granted.

Unlike retail customers, Kuveyt Türk's corporate customers do not have the legal right to pre-pay their credit obligations. Under certain circumstances, however, Kuveyt Türk may permit a corporate customer to pre-pay such obligations. In such cases, in addition to requiring pre-payment of 100 per cent. of the

principal of the credit, Kuveyt Türk also requires a small percentage of the scheduled fixed mark-up payments as a "discouragement fee".

Corporate Products and Services

Kuveyt Türk's Corporate Banking Department designs and offers business solutions to corporates through dedicated teams. Kuveyt Türk's principal products and services are categorised into two sections: (i) Cash Loans; and (ii) Non-Cash Loans.

Cash Loans

Kuveyt Türk provides the same cash loans as described in Commercial Banking but aimed at corporate customers covering their international needs (see "*Commercial Banking – Cash Loans*" for further details).

Kuveyt Türk provides foreign cash loans to its corporate customers through its Bahrain branch, which not only provides maturity and cost opportunities but also provides tax benefits for the clients. Kuveyt Türk also intermediates the trade business facilities of its customers through its Dubai subsidiary and seeks to increase its cash loans for Turkish corporates having business in these regions.

Non-Cash Loans

Kuveyt Türk offers its corporate customers non-cash loans denominated in all major foreign currencies, principally comprised of letters of guarantee, letters of credit, acceptances and commitments. Non-cash loan facilities are extended in connection with a broad range of activities, including domestic and international trade finance, tenders in the construction sector, tenders in connection with privatisations and public sector tenders.

Customers

As at 31 December 2014, Kuveyt Türk had over 3,700 corporate clients to whom designated corporate relationship managers provide a dedicated point of contact throughout, assessing their cash management, treasury, trade finance, working capital finance, asset and project finance requirements. Kuveyt Türk's corporate customers had cash loans outstanding with Kuveyt Türk of TRY1,841.2 million and total non-cash loans (comprising of letters of credit and letters of guarantee) outstanding with Kuveyt Türk of TRY2,833 million (as compared to TRY1,761.5 million cash loans and TRY3,047.3 million non-cash loans as at 31 December 2013 outstanding with Kuveyt Türk).

The customers of Kuveyt Türk's Corporate and Investment Banking Department include Turkish companies in various sectors including energy, telecommunication, food and beverage, metals, construction, machinery and plastic manufacturing, as well as the automotive industries. With respect to cash loans, Kuveyt Türk's highest corporate customer concentrations are in the energy and food and beverage sector. With respect to non-cash loans, a majority of Kuveyt Türk's customers are in the energy, textile and construction industry.

Treasury, International and Investment Banking

Overview

The Treasury, International and Investment Banking segment is divided into separate departments: the Treasury Department, the International Banking Department, the Investment Banking Department and the Product & Performance Management Department. Through this business segment, Kuveyt Türk aims to expand and improve its global correspondent banking network to meet intermediate foreign and international payments as well as to source low-cost funding.

As at 31 December 2014, the Treasury, International and Investment Banking Department accounted for 33.4 per cent. of total assets (excluding unallocated assets). As at 31 December 2013, the then corporate and international banking segment accounted for approximately 39.75 per cent. of the total assets (excluding unallocated assets). As at 31 December 2014, the Treasury, International and Investment Banking segment accounted for 22.60 per cent. of total liabilities.

Treasury, International and Investment Banking in Participation Banks

In accordance with the principles underlying Kuveyt Türk's participation banking status, its financings with respect to its Treasury, International and Investment Banking Department are made for the purposes of "production support", a term particular to participation banks. In this context, production support is used to describe tangible assets used by a business (i) in its operations including, among other things, raw materials, machinery, tools, vehicles and equipment and (ii) for the payment of certain service providers, so long as such services (such as installation services) are provided in connection with the acquisition of tangible assets.

Treasury Department

The Treasury Department is responsible for managing Kuveyt Türk's liquidity and market risk and acts under the supervision of the Assets and Liabilities Committee ("ALCO") (see "*Risk Management*" for further details).

The Treasury Department is active in the money market, currency trading and precious metals trading (see "*Risk Management*" for further details). The core strategy for Kuveyt Türk's Treasury Department is to focus on liquidity and market risk management. The Treasury Department does not carry out proprietary trading. As at 31 December 2014, Kuveyt Türk's foreign exchange trade volume was U.S.\$37,000 million, compared to U.S.\$35,000 million as at 31 December 2013.

The Treasury department is also responsible for the marketing of treasury products that Kuveyt Türk offers to customers. These products include currency spot trading, precious metals trading and currency forwards and swaps. Kuveyt Türk carries out a variety of operations related to gold, including import and export, refining services, and contracts with international gold refiners and, in February 2013, Kuveyt Türk received authorisation for clearing transactions on the Istanbul Gold Exchange. Kuveyt Türk has also entered into a number of ISDA (International Swaps and Derivatives Association) agreements with international counterparties and has been ranked first in terms of gold trading volume in BIST Precious Metals Market. As at 31 December 2014, Kuveyt Türk's total Murabaha transactions volume was U.S.\$10,100 million and swap volume transactions amounted to U.S.\$53,600 million, as compared to U.S.\$5,300 million and U.S.\$44,500 million respectively in 2013.

Investment Banking Department

Kuveyt Türk's Investment Banking Department offers customers credit arrangement services and corporate products related to structured international financing projects. Kuveyt Türk was the first Turkish participation bank to have an investment banking arm when it established its Investment Banking Department in 2000. Kuveyt Türk's Investment Banking Department has undertaken a number of intermediary and advisory roles in relation to project financing. Although active in different sections of corporate finance, Kuveyt Türk intends to continue to focus on niche financing products such as the arrangement of internationally syndicated interest-free credit facilities for Turkish corporations. In line with Kuveyt Türk's reputation of providing innovative financing solutions, the Investment Banking Department has been involved in the introduction of a number of innovative transaction types. The Investment Banking Department introduced the "matched Murabaha" to the Turkish market in 2005 followed by Kuveyt Türk's internationally syndicated commodity Murabaha transaction that was arranged to meet Kuveyt Türk's funding need. The U.S.\$200 million facility, which reached commercial close in 2006 (and renewed in the amount of U.S.\$115 million in 2009 and repaid in full in April 2010). Kuveyt Türk's U.S.\$100 million Sukuk due 2013 issued in 2010, which was listed on the London Stock Exchange was the first Sukuk issuance from Turkey.

The Investment Banking Department has also been involved in project finance transactions of considerable quantity and volume, such as being one of the four banks collaborating in the privatisation of Dicle Elektrik Dagitim (Turkey's electricity distribution company), one of Turkey's important privatisation projects in 2013 (this was Kuveyt Türk's first syndicated project finance in Turkey). Furthermore, the financing of hydroelectric and wind power plants remains a growing business line in the Investment Banking portfolio.

In terms of the volume of transactions, Kuveyt Türk's main area of focus is financing arrangements for its corporate customers. The majority of these transactions are generated through Kuveyt Türk's branch

network and relationship managers. The main products Kuveyt Türk offers are trade finance services, with transaction sizes typically ranging from U.S.\$500,000 to U.S.\$5 million and so called "club deals", with transaction sizes ranging typically from U.S.\$10 million to U.S.\$20 million. In addition, Kuveyt Türk arranges internationally syndicated facilities with transaction values of over U.S.\$20 million. Kuveyt Türk has arranged approximately U.S.\$1,052 million of syndications and club deals since 2004. Working through its Bahrain branch and its Dubai subsidiary, Kuveyt Türk intends to continue to use its relationship with KFH to tap additional funding sources in the GCC. In the future, Kuveyt Türk believes that its Dubai subsidiary will provide a key avenue to meet its future funding needs (see "*Group Structure, Subsidiaries, International Branches and Strategic Relationships*" for further details).

International Banking Department

The International Banking Department is responsible mainly for establishing, monitoring, managing and improving relationships with domestic and foreign banks (financial institutions) in terms of products and other business areas. International Banking covers all relationship management efforts of Kuveyt Türk. In order to increase the efficiency of Kuveyt Türk's existing correspondent network, the International Banking Department concentrates efforts on product and service diversification, reciprocity and relationship continuity. Undertaking and managing these efforts together with correspondent banks are crucial for Kuveyt Türk in terms of maintaining a good international reputation. In addition to improving efficiency, the International Banking Department is also responsible for expanding the existing network. It takes into consideration the foreign trade policies of countries and particularly the target regions and countries specified in the Turkish government's medium term plan. The International Banking Department takes into account Kuveyt Türk's growth targets, targeted foreign markets as well as advice and suggestions of Credit, Marketing and Risk Management Departments.

The following additional business units are within the International Banking Department:

Limit Allocation to Correspondent Banks: Another function of the International Banking Department includes allocating, monitoring and overseeing limits to correspondent banks on behalf of Kuveyt Türk. Placing particular importance on this unit in 2013, Kuveyt Türk undertook intensive efforts to monitor and report limits and risk; limit allocations and/or limit increase demands were integrated into the system. Subsequently, the Counterparty Limit Management ("**CLM**") module was developed and put into service to enable relevant units to monitor all transactions made with financial institutions.

Competition

As at 30 June 2015, according to the Banks Association of Turkey, there were 52 banks operating in Turkey, including five participation banks (see "*Overview of Turkish Banking Sector and Regulations—Participation Banks*"). The private commercial banks in Turkey can be divided into three groups: (i) large private banks (with a bank-only asset size between TRY1 billion and TRY20 billion); (ii) small private banks (with a bank-only asset size less than TRY1 billion); and (iii) banks under foreign control.

In addition to the four other participation banks in Turkey, Kuveyt Türk considers its main competitors to be the medium-sized commercial banks (in terms of asset size). Kuveyt Türk considers these banks to be its main competitors due to the level of their activities in certain areas of the Turkish banking sector and, in particular, retail and small business banking and import/export trade finance. However, the commercial banks do not have Islamic windows and do not operate in accordance with interest-free principles. This provides Kuveyt Türk with an advantage which, along with its reputation for the various innovative products which it has introduced, contributes to customer awareness of Kuveyt Türk's brand and services.

Although the main competition faced by Kuveyt Türk is from the other participation banks in Turkey and the medium-sized commercial banks (in terms of asset size) in Turkey, Kuveyt Türk also faces competition from large and small-sized private Turkish banks and from foreign banks operating in Turkey. The principal area of competition is in relation to small businesses, corporate banking and retail banking activities as Kuveyt Türk is competing against all banks in Turkey in respect of the provision of mortgage credits (as regulation permits banks to fully collateralise these, therefore increasing the appetite for the provision of such credit) and as the profit margins on products offered to small businesses are relatively higher in the current market conditions.

In addition to the establishment of Ziraat Participation Bank, the Government of Turkey has also approved plans for other state-controlled banks such as Vakıf Bank and Halk Bank to enter the

participation banking market through the establishment of subsidiaries which will operate as participation banks, which is also likely to increase competition further.

Although the banking industry in Turkey is highly competitive, Senior Management believe that Kuveyt Türk is well positioned to compete in this environment due to its expanding branch network, international network and strong customer deposit base and expects the recent developments in the participation banking sector to lead to an overall growth in demand for interest-free products and banking services.

Competitive Strengths

Kuveyt Türk believes that it enjoys a number of key competitive advantages, including the following:

Committed and strong majority shareholder support: Kuveyt Türk's majority shareholder, KFH, is one of the world's largest Islamic banks in terms of assets (see "*—Shareholders and Capital Structure — KFH*"). KFH has over 35 years of experience in providing *Sharia* compliant banking services and Kuveyt Türk has been able to leverage this experience when developing and introducing new products to the Turkish market, as well as in adopting best practices within its operations, including practices relating to reporting and risk management systems. Senior Management believe that the support provided by KFH to Kuveyt Türk (including the global expertise represented by directors appointed by them) has been important in Kuveyt Türk's growth, both in Turkey and the GCC. Senior Management believe that Kuveyt Türk also benefits from being associated with the KFH brand, which it believes provides Kuveyt Türk with a competitive advantage as the levels of trade between Turkey and the GCC increase. In addition to the support on business know-how and experience, the shareholders have supported Kuveyt Türk since its establishment to strengthen its capital structure and to leverage its financing opportunities and increase its market share. The shareholders provide periodic capital injections (see "*—Shareholders and Capital Structure—Capital Structure*" for frequency of capital injections).

Growing and attractive interest-free banking market: The Turkish banking sector has been one of the fastest growing in the Middle East and North Africa region. Between 2003 and 2008, the Turkish banking sector grew by approximately 40 per cent. annually in terms of loan volume. With the global economic crisis, the growth slowed down to 7 per cent. in 2009, but returned to a similar level (34 per cent.) in 2010 and thereafter. Senior Management expect that the banking sector will continue to grow, driven by the expected strong economic growth in Turkey, which is supported by, among other factors, lower inflation, a relatively stable currency, positive demographics (for example, the third largest population in Europe (approximately 74 million) with a relatively low median age of 29 years), low interest rates and a relatively sophisticated regulatory environment which was tested in the final financial crises. Market data also indicates that the participation bank segment of the Turkish banking sector is growing at a faster rate than conventional banks in terms of assets, and Kuveyt Türk believes that the participation banking sector has significant growth potential given its current low share of total banking assets in Turkey (approximately 5.1 per cent. as at 31 March 2015).

In addition, Senior Management believe that there is a growing demand for interest-free banking products not only in Turkey but also from the Turkish and other Muslim populations living outside Turkey. Senior Management believe that the breadth of its current and future product and service offerings, its experience and its significant and expanding branch network that is supported by Kuveyt Türk's alternative distribution channels and advanced Information Technology ("**IT**") systems, make it well positioned to take advantage of this growth and support in becoming the leading participation bank in Turkey.

Strong balance sheet and extensive customer deposit base with well-functioning and diversified funding base: Through the expansion of its branch network, Senior Management believe that Kuveyt Türk has a strong and diversified deposit base. Kuveyt Türk has a track record of increasing customer deposits and reducing the costs of deposits and actively endeavours to diversify its funding base through the establishment of international branches. Kuveyt Türk's access to foreign investors has allowed it to develop new ways to raise financing. For example, Kuveyt Türk was the first participation bank in Turkey to execute a Murabaha syndication in 2004 for a customer, was the first participation bank in Turkey to obtain financing through an internationally syndicated U.S.\$200 million commodity Murabaha facility in 2006 (which was renewed in the amount of U.S.\$115 million in 2009 and repaid in full in April 2010) and issued the first Sukuk originating from Turkey in 2010.

A strong track record in innovation of interest-free products and services: Kuveyt Türk provides a wide range of innovative and tailor-made products for both Retail Banking, Small Business Banking, Commercial Banking, Corporate Banking, International and Investment Banking customers allowing it to best meet the developing needs of its diverse client base. Throughout Kuveyt Türk's operating history, it has been an innovator among participation banks in product development, while remaining committed to the principles of interest-free banking.

Kuveyt Türk was the first participation bank to offer retail banking services in Turkey when it established its dedicated Retail Banking department in 2000. Senior Management believe that this "first mover" position has been an important factor behind the substantial market share of 34.5 per cent. Kuveyt Türk had in individual credits of total individual credits issued by participation banks as at 31 March 2015.

Kuveyt Türk has also introduced a number of pioneering products in Turkey in the area of structured trade finance through its investment banking products. (See "*—Business Activities—Retail Banking—Gold savings and trading products and—silver and platinum trading*" for further details.)

Kuveyt Türk differentiates itself from its competitors by making extensive use of the latest technology to offer innovative products and services. For example, Kuveyt Türk enhanced its distribution capabilities through its XTM branches which are a direct result of its R&D Centre (see "*—Strategy—Growing local customer base through expansion of branch network and alternative distribution channels*" and "*—Research and Development*").

Recently, Kuveyt Türk introduced "Seninbankan" which is the first Shari'a compliant digital banking platform in Turkey. Through "Seninbankan" customers are able to obtain banking services without going to physical branches. Kuveyt Türk has gained more than 5,000 new customers since it went live.

Senior Management believe that Kuveyt Türk's strong position in the interest-free retail banking segment and culture of innovation, combined with the loyalty of its customers provides it with a strong platform for future growth, particularly in retail banking.

Well established strategy for improving service quality and customer oriented business: Kuveyt Türk continues to emphasise the importance of high quality service and customer satisfaction in all its operations and at all levels in its organisation. Senior Management consider Kuveyt Türk's customer oriented marketing approach to be one of the primary strengths of Kuveyt Türk and improving service quality is defined as one of the key factors of strength. This established service culture, together with its energetic, well-educated and incentivised employee base, has been important in maintaining Kuveyt Türk's high customer satisfaction levels. Senior Management believe that Kuveyt Türk's ability to offer high quality service and cultivate focused relationships with its retail and corporate and commercial customers lies at the core of its success and benefits all aspects of its operations, including deposit collection and credit quality which, in turn, will assist Kuveyt Türk to achieve further growth, profitability and efficiency.

Flexibility of Kuveyt Türk's operating model: As a participation bank, Kuveyt Türk benefits from certain advantages with respect to risk management not generally experienced by conventional banks. For example, because of the profit sharing principles underlying its customer accounts, there is no promised rate of return to account holders. Instead, the performance of the return on the accounts is linked to the performance of Kuveyt Türk's investment pools. In this context, revenues are derived primarily from the income generated through utilising funds for various interest-free financing products, trade finance and service charges. Due to the short term nature of the funds collected in Turkey, Kuveyt Türk has generally opted for short term financing instruments such as Murabaha to overcome any maturity mismatches. Finally, the monthly principal repayment structure of its credits gives Kuveyt Türk the opportunity to have more predictable month-to-month cash inflow than conventional banks. On the other hand, as part of its liquidity management policies, Kuveyt Türk places some of its unlisted funds in Murabaha investments in commodity markets or swap facilities for the short term, through correspondent banks with which it has established business lines. In compliance with its well-established business strategies, Kuveyt Türk does not work with a speculative line in treasury transactions, preferring to keep a square position in foreign currencies. As a consequence, Kuveyt Türk tends to be less exposed to foreign currency risk than some conventional banks since its policy is to maintain a balanced position by matching foreign currency deposits and foreign currency credits. Senior Management believe that this

access to funds affords it greater flexibility in fixing its mark-up rates to the market and channelling its resources into better performing sectors.

Experienced management team with a proven track record: Kuveyt Türk has a highly experienced management team with a clearly defined, long term focus on developing Kuveyt Türk's operations and a proven track record in growing Kuveyt Türk's operations and profitably in a competitive market. Kuveyt Türk's management team has about 150 years of combined experience in top managerial and operational positions in the interest-free banking sector. Senior Management believe that the combined experience of Kuveyt Türk's management team will support its ongoing strategy.

Group Structure, Subsidiaries, International Branches and Strategic Relationships

Kuveyt Türk is headquartered in İstanbul, Turkey. Kuveyt Türk is the parent company of the group, which, at the date of this Prospectus, consists of four wholly-owned operating subsidiaries, two further subsidiaries that are not wholly-owned, one offshore branch and one financial services branch.

Subsidiaries

Körfez Gayrimenkul Yatırım Ortaklığı A.Ş. ("Körfez REIT")

Körfez REIT (Real Estate Investment Trust), formerly known as Körfez Gayrimenkul İnşaat Taahhüt Turizm San. ve Tic. A.Ş., was incorporated in June 1996 as a joint stock company under the Turkish Commercial Code and was converted into a real estate investment trust on 29 December 2011. The investment strategy of the company is developing real estate projects and carrying out construction, marketing, management and finance activities within the real estate sector.

Körfez REIT made its initial public offering on 26 April 2014, increasing its issued capital from TRY49,500,000 to TRY66,000,000. Körfez Tatil (as defined below) which is a wholly owned subsidiary of Kuveyt Türk purchased 23.75 per cent. of the share capital pursuant to the initial public offering. 25 per cent. of the shares of Körfez REIT are now listed on the İstanbul Stock Exchange and trading commenced on 6 May 2014.

Körfez REIT is developing a commercial and residential real estate project in the Kartal area located on the Anatolian side of İstanbul. Körfez REIT is the landowner and developer of the Kartal Project. Construction and sales activities are being carried out by Dumankaya Construction Co. in line with a revenue sharing agreement. Construction is approximately 90 per cent. complete and approximately 14 per cent. of the units have been sold. Körfez REIT has collected 42 per cent. of the minimum agreed sales revenue share of the contract. The sales revenue of the Kartal Project are Körfez REIT's main sources of revenue.

Körfez REIT has no accrued net revenue for the year ended 31 December 2014 since the Kartal Project is still under construction. The sales revenue of the Kartal is estimated to be reflected in the year end financials in 2015, in line with the delivery of the units to the customers.

Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği A.Ş. ("Körfez Tatil")

Körfez Tatil was incorporated in 2001 in Edremit, Turkey. Körfez Tatil was established to operate the Güre Project, a thermal tourism facility developed by Körfez REIT in Edremit, Balıkesir, Turkey. The Güre Project was composed of 199 time-sharing apartment units and a hotel, both of which are currently being demolished to develop a larger and modern project in line with the urban regeneration law. Körfez Tatil is a wholly-owned subsidiary of Kuveyt Türk.

Körfez Tatil's loss for the year ended 31 December 2014 was TRY884,000 (in accordance with the relevant regulations on accounting framework and accounting standards as promulgated by the Turkish Commercial Code and relevant legislation) compared to a profit of TRY485,900 for the year ended 31 December 2013.

KT Sukuk Varlık Kiralama A.Ş. ("KT Sukuk")- Wholly Owned Subsidiary

KT Sukuk was incorporated on 23 September 2011 in Turkey and was established to issue sukuk securities amounting to U.S.\$350,000,000.

KT Kira Sertifikaları Varlık Kiralama A.Ş. ("KT Kira")- Wholly Owned Subsidiary

KT Kira was incorporated on 3 September 2013 in Turkey and was established to issue sukuk securities in U.S. dollars, Malaysian ringgit and Turkish lira.

Private Pension Company ("PPC")

PPC was incorporated in 2013 in collaboration with Albaraka Türk Katılım Bankası A.Ş. and commenced operations in late 2014. PPC offers customers private pension system plans featuring funds that comply with the interest-free pension system, such as sukuk, equities, participation accounts and gold and silver funds.

Kuveyt Turkish Participation Bank Dubai Ltd ("KT Dubai")- Wholly Owned Subsidiary

KT Dubai was issued a licence to operate as a subsidiary branch office from within the DIFC on 15 November 2009. Kuveyt Türk undertakes its banking business in Dubai as a separate entity for local law requirements through KT Dubai. KT Dubai is a wholly-owned subsidiary of Kuveyt Türk.

KT Dubai was established with a capital of U.S.\$12 million and is authorised by the Dubai International Financial Centre to operate as an Islamic Financial Institution. KT Dubai is anticipated to provide further opportunities to Kuveyt Türk to diversify its funding source, capture trade flow finances and other business opportunities that are not currently available to Kuveyt Türk through its Bahrain branch due to regulatory restrictions.

KT Bank AG ("KT Bank")- Wholly Owned Subsidiary

On 2 April 2015, Kuveyt Türk was granted a licence by BaFin to convert its branch in Germany to a fully-fledged bank to operate in accordance with participation banking principles. Accordingly, KT Bank was established with a capital of Euro 45 million and commenced operations in July 2015.

International Branches

In line with its strategy to expand its international network, Kuveyt Türk has established an offshore branch in Bahrain and three branches through its subsidiary in Germany (see "*History*" for further details). Through the Bahrain branch, Kuveyt Türk is able to diversify its funding sources and accordingly enhance its product offerings and through the branches of the German subsidiary Kuveyt Türk is able to capture customers' requirements for interest-free banking facilities.

Associates

Neova

Neova was incorporated in İstanbul in 2008 and commenced operations in the second half of 2010. As at the date of this Prospectus, Kuveyt Türk holds 6.99 per cent. of the shares in Neova. Neova is the first insurance company providing *Sharia* compliant insurance products in Turkey.

Islamic International Rating Agency ("IIRA")

The IIRA is the sole rating agency established to provide capital markets and the banking sector in predominantly Islamic countries with a rating spectrum. The IIRA was incorporated in Manama, Bahrain and commenced operations in July 2005. The IIRA is sponsored by multilateral development institutions, leading banks and other financial institutions and rating agencies. The company's shareholders operate from eleven countries which constitute the agency's primary marketing focus. As at the date of this Prospectus, Kuveyt Türk owns 8.36 per cent. of the shares of the IIRA.

Kredi Garanti Fonu A.Ş. ("KGF")

KGF is a company recently incorporated in order to provide support to small businesses in Turkey and is predominantly owned by banks and associations in Turkey. As at the date of this Prospectus, Kuveyt Türk owns 1.75 per cent. of the shares of KGF.

Borsa Istanbul A.Ş. ("Borsa")

Established on the basis of Capital Markets Law no. 6362, Borsa was established for the purpose of serving as a securities exchange.

Kuveyt Türk owns 0.0035 per cent. of the shares of Borsa.

Capital Adequacy

Kuveyt Türk calculates its capital adequacy ratio in accordance with guidelines promulgated by the BRSA, which are based on the standards established for international settlements. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposure. In accordance with these guidelines, Kuveyt Türk had to maintain a minimum capital adequacy ratio of 12 per cent. throughout 2014. Kuveyt Türk currently calculates its capital adequacy ratio requirements in accordance with Basel II.

As at 31 December 2014, Kuveyt Türk's capital adequacy ratio was 15.21 per cent. and was 14.43 per cent. as at 31 December 2013 (in accordance with BRSA Accounts) (see "*Risk Factors—Risk factors relating to Kuveyt Türk's Business*" for further details).

The table below sets out Kuveyt Türk's regulatory capital as at 31 December 2014 and 2013.

	As at 31 December			
	2014		2013	
	(TRY in thousands)			
Tier 1 capital.....	2,881,380		2,227,915	
Tier 2 capital.....	563,835		478,066	
Deductions from capital.....	(19,385)		(5,583)	
Total capital.....	3,425,830		2,700,398	
Risk weighted assets amount subject to market, operational and credit risk.....	22,525,507		18,718,658	
	Actual	Required	Actual	Required
Tier 1 capital ratio.....	12.79%	-	11.90%	-
Total capital ratio.....	15.21%	12%	14.43%	12%

Information Technology

Kuveyt Türk is committed to maintaining an IT infrastructure that supports its growth while minimising operational risks and business interruptions. Kuveyt Türk has made significant investments during the past few years on developing its IT infrastructure, improving the efficiency of its IT processes and growing its IT personnel.

Kuveyt Türk's core banking systems run on Microsoft Windows Systems infrastructure and core databases are hosted on Microsoft SQL 2012 servers. The core banking system used within Kuveyt Türk was developed in-house. The system is continuously developed and enhanced in accordance with the business strategies and requirements of Kuveyt Türk. The system includes modules to support all main functions of Kuveyt Türk, such as accounting, customer relations, money transfers, deposits, loans, trade finance, treasury, etc. These systems also have the features to easily integrate with third party systems such as VISA, MasterCard, SWIFT and utility payment systems.

Kuveyt Türk relies on availability of IT systems to continue its banking operations and maintaining accessibility of IT systems during disaster situations. Thus, Kuveyt Türk makes significant investment on IT disaster recovery systems and maintains a Disaster Recovery Plan for ten years, which includes operating a Disaster Recovery Centre (the "**DRC**") for such a period.

In 2010, the DRC was established at the Türk Telecom Data Centre in Ankara, approximately 450 kilometres from İstanbul. An online backup system is used to transfer system data to the DRC. Maintaining online backup of this data at the DRC enables all clients at branches and other remote locations to divert their connections to the DRC from the main system in headquarters with minimum loss of service time in case main IT systems in İstanbul become inoperable. In order to ensure full functionality of the DRC, the systems are fully tested once a year in accordance with a disaster scenario.

Kuveyt Türk has initiated the Core Banking Systems Transformation Project ("**BOA-Business Oriented Architecture Project**") in order to support business strategies and continuous growth opportunities for Kuveyt Türk through utilising the most recent technologies. The BOA Project was completed in 2013 and includes a complete transformation of all banking systems.

Kuveyt Türk's IT systems are audited by an independent auditing firm that performs two different audits periodically, an application controls audit and an IT audit based on Control Objectives for Information and Related Technology ("**COBIT**") and Communiqué on Principles to be considered in Information Systems Management in Banks (*Bilgi Sistemleri İlkeler Tebliği*) published by the BRSA. The application controls audit is performed once a year with the focus of ensuring that Kuveyt Türk's core banking system, consisting of different banking modules, has adequate application controls to produce reliable, accurate and consistent financial information on banking activities. The IT audit based on COBIT is carried out every two years. The purpose of this audit is to ensure that Kuveyt Türk's IT processes have appropriate controls to fulfil requirements of COBIT. The audit for Communiqué on Principles to be considered in Information Systems Management in Banks is performed once a year with focus on risk management on information systems, establishment and follow-ups of the internal controls concerning information systems, internet banking, and ATM. These audits are required by the BRSA and audit results are reported to the BRSA by the independent auditing firm.

Intellectual Property

Kuveyt Türk's operations are not, to any significant extent (other than for the purposes of brand recognition and value), dependent on any specific intellectual property right. Kuveyt Türk seeks to protect the trademarks and trade names that it deems necessary for its operations and it takes necessary measures to ensure that these rights are adequately protected. Kuveyt Türk owns a total of 39 trademarks in Turkey, including those relating to the "Kuveyt Türk Sağlam Bankacılık", "Kuveyt Türk Katılım Bankası A.Ş. Bankacılıkta Çözüm Ortaginiz", "Kuveyt Türk aile", "Kuveyt Türk Altın", "Kuveyt Türk Duyarlı Kazanç", "Kuveyt Türk Duyunet", "Kuveyt Türk Evkaf", "Kuveyt Türk Gold", "Gold Plus" and "Kuveyt Türk Gümü?" brands. In addition, Kuveyt Türk licences the "Visa®" mark from Visa International Service Association and the "MasterCard®", "Maestro®" and "Cirrus®" marks from MasterCard International Incorporated.

Research and Development

Kuveyt Türk established a research and development centre accredited by the Ministry of Industry and Trade which has been operational since December 2011. The R&D Centre helps sustain Kuveyt Türk's competitiveness by contributing towards the development and production of new information technology products such as the XTM branches, which are a direct result of the R&D Centre.

Insurance

Kuveyt Türk maintains insurance in respect of its buildings, inventory, plant and equipment. These policies are maintained with Turkish insurance companies which, in turn, generally reinsure their risks in the international markets. Kuveyt Türk's insurance policies cover damages to its property, including its IT systems and data archives resulting from office fire, burglary, and malfunctioning electronic devices. Operational risk insurances such as Director's Office of Liability, Banker's Blanket Bond, Electronic Crime and Professional Indemnity are also covered by insurance.

Kuveyt Türk maintains earthquake insurance as part of its property insurance. The real estate mortgages and other credit collateral are insured as well as Kuveyt Türk's belongings. The insurance companies with which Kuveyt Türk has executed agreements are largely comprised of Neova, Günes, Sigorta A.S., Axa Sigorta A.S., and Ergo Sigorta A.S. Kuveyt Türk has not experienced any material disputes with its insurance companies in respect of insurance claims which Kuveyt Türk has made.

Legal Proceedings

Kuveyt Türk is not currently, and has not been in the last 12 months, involved in any governmental, legal or arbitration proceedings and no such proceedings are pending or so far as it is aware threatened, which may have, or have had, a significant effect on its financial position or profitability.

RISK MANAGEMENT

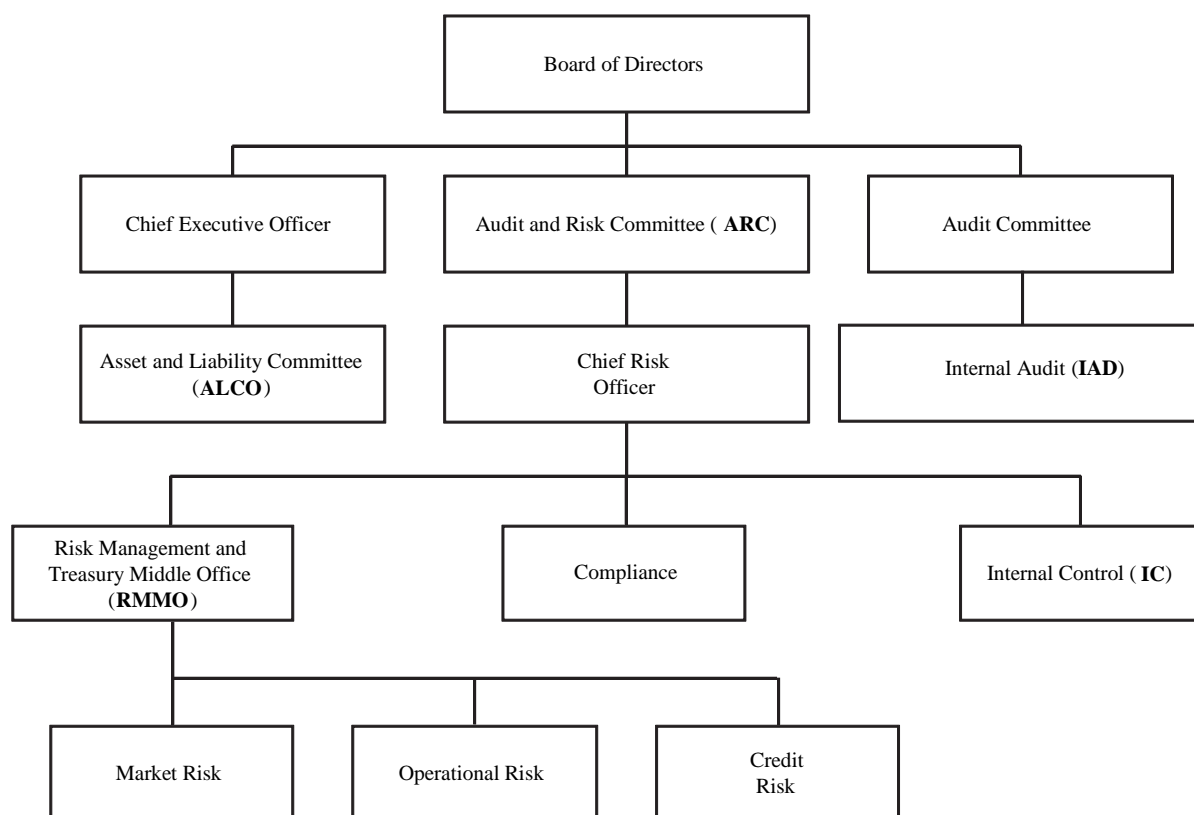
Kuveyt Türk's risk management philosophy is focused on identifying, measuring, monitoring, mitigating and managing various dimensions of business risks. It also aims to ensure that the key risks inherent in its business are minimised and asset values and income streams are protected so that the interests of Kuveyt Türk's depositors are protected, while still maximising returns for the shareholders. Kuveyt Türk continues to maintain and develop its risk management systems, both to meet Kuveyt Türk's on-going internal risk management needs and to comply with all legal and regulatory requirements in the banking sector, including the Basel II criteria and the BRSA regulations. Senior Management has identified the following key risks inherent in the business:

- (i) credit risk;
- (ii) funding and liquidity risk;
- (iii) market risk (including pricing, foreign exchange and interest rate risk); and
- (iv) operational risk (including strategic and reputation risks).

Kuveyt Türk's risk management policy is determined by the Board. In this capacity, the Board approves general principles of risk control and risk management limits for all relevant risks and procedures in order to control and manage risk. Kuveyt Türk's system of risk control and risk management is reviewed frequently and modified as necessary to ensure that all legal and regulatory requirements are complied with. Additionally, Kuveyt Türk's risk management function includes providing training to all employees and increasing their awareness of inherent risks and the importance of risk controls.

Risk Management Structure

Kuveyt Türk's risk management structure is headed by its Board of Directors (the "**Board**") and is organised as set out below:



Risk Committees

Audit Committee

The Audit Committee consists of two directors who oversee and are responsible for: (i) the adequacy and efficiency of Kuveyt Türk's internal systems; (ii) the functioning of these systems (including the accounting and reporting systems) within the framework of the Banking Law and the relevant regulations; and (iii) the integrity of the information generated. The committee's duties also include internal audit plans and conducting preliminary evaluations for the selection of Kuveyt Türk's external independent auditing firms and the rating agencies. The Audit Committee is also responsible for continuously monitoring the auditing firms after they are appointed by the Board and monitoring its relationships with rating agencies. The Audit Committee meets six times a year, and more frequently if required.

Asset and Liability Committee ("ALCO")

The ALCO's role is to develop, monitor and review Kuveyt Türk's implementation of its asset and liability management strategy. The ALCO is responsible for actively monitoring and measuring all areas relating to risk positions of Kuveyt Türk including Kuveyt Türk's profit rate and liquidity risks, its position on interest sensitive assets and liabilities, maturity gaps, conditions of foreign currency and the financial markets. The ALCO meets on a weekly basis and reports to the Board. In each case, the ALCO undertakes a profitability/risk analysis of each position.

The ALCO's responsibilities also include:

- developing and reviewing all policies and procedures relating to credit, market and operational risk;
- making weekly decisions on the overall funding structure as well as regularly determining the amount of resources available to the business segments;
- establishing risk concentration limits, sector limits and portfolio diversification tools and processes for managing risks;
- managing Kuveyt Türk's balance sheet and establishing contingency procedures in respect of liquidity risk;
- managing liquidity policies;
- developing and monitoring business continuity and disaster recovery planning;
- developing and monitoring Kuveyt Türk's expense management policy as well as its authorisation and empowerment policy guidelines; and
- making decisions regarding maturities and pricing of assets and liabilities as well as the buying and selling of securities to manage Kuveyt Türk's position.

The ALCO has eleven members: Kuveyt Türk's CEO, the Chief Finance Officer ("CFO"), the Chief Operating Officer ("COO"), the Executive Vice Presidents of Corporate and International Banking, and Commercial Banking, Strategy, Credits, Retail and Small Business Banking, Legal and Risk Follow-up and Head of Treasury.

Internal Systems Committee ("ISC")

The ISC, which consists of four non-executive directors, oversees, develops and monitors all of Kuveyt Türk's risk management and internal systems, policies and guidelines as well as managing the scope and structure of Kuveyt Türk's overall risk management organisation and activities (the "**Internal Systems Regulations and Risk Management Policies**"). The Internal Systems Regulations and Risk Management Policies were approved for the first time in 2002 and are regularly updated and published by the Board. The ISC is also responsible for coordinating the work of Kuveyt Türk's Internal Audit Department and providing information to the Board about any non-compliance with the relevant regulations and deficiencies in Kuveyt Türk's internal controls, including those highlighted by the BRSA or by Kuveyt

Türk's auditors. The ISC meets on the day prior to any Board meeting and as such meets at least six times a year and more frequently if required.

The ISC is responsible for the following four departments:

Internal Control ("IC") Department

Kuveyt Türk established the IC Department to design, implement, manage and monitor internal control activities and to report the results to the ISC and Audit Committee to ensure that Kuveyt Türk undertakes all its activities in compliance with all applicable internal and external regulations. The IC Department is located in the head office and comprises of 40 employees.

The IC Department is structured in accordance with Kuveyt Türk's strategic objectives and policies, external and internal legislation, international standards, and activities through three different areas:

- *Branches and Regions Internal Control Unit:* domestic branches and its business processes and procedures are controlled, examined and followed-up in terms of internal control system and activities.
- *Head Office and Subsidiaries Internal Control Service:* activities, business processes, risk and control case studies, control designs, products and services of head office's business units, overseas branches and subsidiaries, are controlled, examined and monitored, in terms of internal control system.
- *Information Systems and Independent Audit Coordination Service:* activities such as coordination of external audit activities, follow-up of findings of the controls and audits and Development of Internal Control System and dissemination of the risk and control culture throughout Kuveyt Türk are performed. In addition, important and risky transactions and activities throughout Kuveyt Türk are examined and followed-up remotely via computer (ACL)-assisted auditing techniques.

Compliance Department

The Compliance Department operates to ensure the effective, efficient and proper operation of Kuveyt Türk's compliance policy ("**Compliance Policy**") and to ensure that the head office, the branches, representative offices and subsidiaries conform to Kuveyt Türk's Compliance Policy. The department is also responsible for maintaining and improving Kuveyt Türk's Compliance Policy and for ensuring compliance controls issued by the BRSA are met. In accordance with Kuveyt Türk's internal anti-money laundering ("**AML**") policy and regulatory requirements, the head of the Compliance Department has been appointed as the Money Laundering Reporting Officer ("**MLRO**") (see "*— Anti-Money Laundering and Combating the Finance of Terrorism (AML/CFT) and Client Identification*" for further details).

In addition to the compliance function, the Compliance Department is also responsible for tracking regulatory changes and advising branches and head office on legal and regulatory issues. The Compliance Department reports directly to the Audit Committee and consists of 12 employees.

Internal Audit Department ("IAD")

The IAD is responsible for the internal financial, operational and managerial auditing of Kuveyt Türk's operations in accordance with the rules and regulations set out by the BRSA and consists of 57 employees. The department provides the following services:

- *Assurance services:* studies the findings from audits objectively in order to evaluate Kuveyt Türk's risk management, control and governance processes independently and, within this context, evaluates the level of compliance of Kuveyt Türk's operations with the relevant regulations, the security of IT systems and operational performance of the organisation;
- *Consulting services:* cooperates with Kuveyt Türk's management to enhance the performance of its operations and the quality of its services; and

- *Inquiry and investigation activities:* carries out these activities at the request of Kuveyt Türk's management in order to assess whether there are any deficiencies in Kuveyt Türk's control systems.

The IAD is responsible for reporting any financial, administrative or penal cases that may represent a risk for the shareholders, depositors and/or the employees of Kuveyt Türk. The IAD also works closely with the IC Department. Members of the IAD audit the branches' corporate and retail credits, accounting methods, international operations, banking services, payment systems and alternative distribution channels. Each branch is subject to biannual audits. Kuveyt Türk's various departments within the head office are also subject to periodic audits by the IAD. In this regard, close attention is given to how each department coordinates its activities with the branches as well as its operational procedures. In addition to these planned audits, spontaneous, un-announced audits may be conducted when deemed necessary by the IAD.

Audit reports are prepared and presented to Kuveyt Türk's management, the Internal Systems Committee and Audit Committee. Activity reports are presented to the Board and Audit Committee on a quarterly basis. These reports include a summary of the activities of the IAD. Any significant audit findings and the results of audits conducted in relation to Kuveyt Türk's IT systems are also reported to the Board and the BRSA in the quarterly prepared activity reports. The IAD is also involved in the assessment of all control policies and procedures by operational staff members and internal control personnel.

Risk Management Group ("RMG")

Kuveyt Türk's Internal Systems Regulations and Risk Management Policies are established by the Audit Committee and are implemented and executed by the RMG, Compliance Department and IC Department. The primary objectives of the RMG are to: (i) coordinate the integration of the Internal Systems Regulations and Risk Management Policies among Kuveyt Türk's various business departments; and (ii) to assess and analyse the risks associated with new products, business processes and key performance indicators.

This risk assessment is performed by the credit risk, operational risk, IT risk and market risk groups. The credit risk, operational risk, IT risk and market risk groups all fall under the purview of the RMG (which consists of 11 employees) and is managed by the Group Head of the RMG. The RMG, Compliance Department and IC Department, are part of the ISC and are overseen by the Chief Risk Officer (who reports directly to the Audit Committee and coordinates all communications, reporting and monitoring between the Audit Committee and the RMG).

Credit Risk

Credit risk refers to the potential risk of financial loss if any Kuveyt Türk customer or counterparty fails to meet its commitments in accordance with the terms of its agreements with Kuveyt Türk. Kuveyt Türk is exposed to credit risk: (i) through its financing, trading, treasury and investing activities; (ii) when it acts as an intermediary on behalf of its customers or third parties; and (iii) when it issues guarantees.

Kuveyt Türk controls credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of these counterparties. Kuveyt Türk limits the levels of credit risk it undertakes by diversifying credit allocations among different sectors of the economy. This means that limits are placed on the amount of risk accepted in relation to one customer or counterparty, or groups of customers, and to industry and geographical areas. Kuveyt Türk places a strong emphasis on obtaining sufficient collateral from customers including, wherever possible, security over other assets.

Related departments prepare periodic reports that show the distribution of performing and non-performing loans across sectors, maturity dates, currency distribution of loans, the break-down of loans in terms of customer segmentation, sectors, sensitivity of the corporate loan portfolio in terms of liquidity, management, default, commodity, country, market and investment risks. The control and management of Kuveyt Türk's credit risk is based on a number of principles and policies, as well as a range of procedures, systems and processes including Kuveyt Türk's credit policies and procedures. Kuveyt Türk's principal country, industry, bank and customer risk limits are set out in the credit policy and are subject to regular review.

Credit Approval Policies and Procedures

Kuveyt Türk operates a centralised approach in relation to credit applications, with authority for approval resting with credit committees and joint authorities. Authority for extending new loans is delegated across different hierarchical levels within Kuveyt Türk and is dependent upon a number of factors including the internal rating of the customers, the amount of the proposed loan and the type of collateral available. Every product (whether retail or corporate) is supported by defined policy guidelines and processes for credit risk management (i.e. credit appraisal, approval, monitoring and administration). Particular focus is directed on sustained growth and optimum usage of resources without compromising Kuveyt Türk's asset quality and which are approved by the Board. Kuveyt Türk's approval process is based on the Banking Law and various internal procedures established by the Board.

Collateral

Kuveyt Türk's current credit policy is to obtain adequate collateral, to substantially reduce credit risk wherever feasible.

The credit policy of Kuveyt Türk provides guidelines to credit officers in respect of the appropriate level of collateral to support credit exposure, the ratio of collateral to loan value and the threshold levels for top-up of collateral. Where expert reports are required in relation to collateral to be given (such as for real estate), this is controlled by the Credit Risk Monitoring Department ("**CRMD**"). Kuveyt Türk obtains insurance against collateral (at the customer's cost) which is undertaken by Kuveyt Türk's Credit Operations Department.

Kuveyt Türk generally has a first charge over collateral on an event of default. Acceptable forms of collateral include (amongst other things) real estate, mortgages, vehicle pledges and other property pledges, cheques, bills of exchange, cash collateral, assignment of receivables, personal guarantees and similar items. Kuveyt Türk considers other forms of collateral on a case-by-case basis when supported by acceptable business reasons. Kuveyt Türk generally obtains collateral with a minimum value of 100 per cent. of the approved credit facility. Exceptions from standard collateral requirements are reviewed and sanctioned by the Board or the relevant credit committee in exceptional cases with respect to clients who have high creditworthiness.

As at 31 December 2014, the total gross maximum exposure of cash loan risk was TRY21,139 million (including due from financing activities, net, minimum financial lease payments receivables, net, other assets and derivative financial instruments) and the total gross non-cash loan risk was TRY8,249 million (including contingent liabilities and other guarantees) totalling TRY29,388 million. As at 31 December 2013, the total gross maximum exposure of cash loan risk was TRY16,733.30 million and the total gross non-cash loan risk was TRY8,672 million, totalling TRY25,405.65 million. Approximately 81 per cent. of credit risk was collateralised as at 31 December 2014 and the quality of such collateral is periodically monitored and assessed.

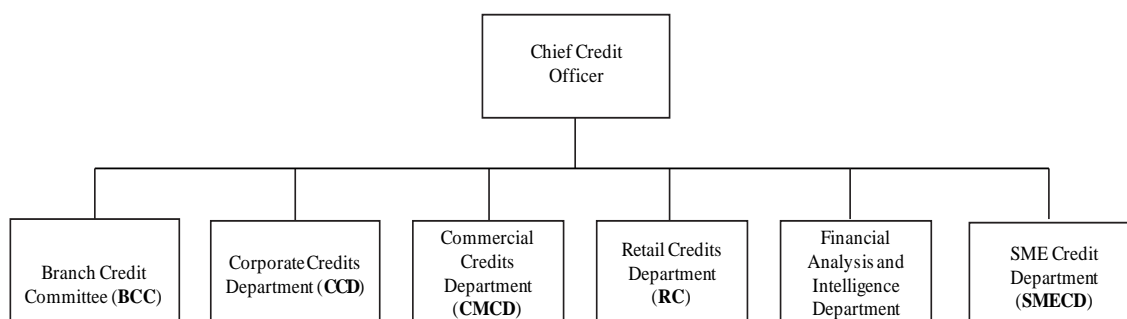
Financing

The main objectives of Kuveyt Türk's financing policies are ensuring:

- the business subject to finance is compliant with key interest-free banking principles;
- that credits remain performing;
- sound credit risk management by adopting efficient credit allocation procedures (which includes a balanced risk allocation with significant sector diversification) and a successful monitoring system;
- the loan portfolio is diversified;
- profitability, efficiency and liquidity are closely monitored; and
- profitable deployment of resources balanced against asset to liability matching.

In accordance with the Banking Law and Kuveyt Türk's internal policy, Kuveyt Türk has implemented a defined process of delegation of financing powers. Senior Management believe this tiered approval system assists in effectively controlling Kuveyt Türk's credit exposure to individual counterparties or groups of counterparties.

The following chart sets out the structure of Kuveyt Türk's credit organisation.



The Banking Law limits the exposure to any single borrower or group of borrowers to 25 per cent. of a bank's total shareholders' equity. Kuveyt Türk's internal credit approval procedures further limit such exposure to 10 per cent of its shareholders' equity. This limit may not be exceeded without the prior approval of the Board.

The approval process consists of six stages:

- Stage 1:** The relevant business units within the branches solicit clients, prepare a financial analysis and intelligence report (see "*— Credit Risk—RCD, SMECD, CCD and CMCD*" for details).
- Stage 2:** The branch management provides an initial decision or requests further information. Once complete, the credit proposal is submitted to the Branch Credit Committee ("BCC"), the Retail Credits Department ("RCD"), Corporate Credits Department ("CCD") or Commercial Credits Department ("CMCD") for authorisation by the relevant credit committees.
- Stage 3:** The BCC, RCD, SMECD, CCD or CMCD independently reviews and evaluates the credit proposals and accordingly the relevant department decides whether or not to reject or submit the credit proposal to the relevant credit committees (see "*— Credit Risk—RCD, SMECD, CCD and CMCD*" for further details).
- Stage 4:** The relevant credit committee or the Board of Directors makes the final decision.
- Stage 5:** The BCC, RCD, SMECD, CMCD or CCD insert the agreed limits into the limits management system and notify the relevant branches.
- Stage 6:** The relevant branch completes the necessary documentation based on condition precedent documents and in accordance with the required and set collaterals, following which the operations team disburses the facility(ies) to the customer.

BCC

The BCC is responsible for the credit approval process of Kuveyt Türk's retail credits up to a maximum level, as set out in the table below. If the credit limit of the customer exceeds the BCC's authority, applications are passed to the RCD. Credit approval at the BCC level is subject to the "**Branch Retail Credit Classification**" model. The model has two main criteria: (i) outstanding risk balance volume; and (ii) delinquency ratio. These criteria are calculated for each branch and based on the type of product (for example real estate, vehicle and other products) for both individual and small business sectors.

Branches are ranked as follows according to the "**Branch Retail Credit Classification**" model as set out below:

- **A, B1, B2, C1, C2, D, E:** Branches have authority to grant limits for individual and Small Business. The below table sets out the maximum limits in TRY allocated to each branch class for product and collateral types.

Ceiling Limits and Branch Capacities:

General Limit (Level I) refers to the highest amount that can be applied to a customer or a group. It is described below by the branch class:

Circular Types:

- **Corporate Macro Circular:** If the customer is an SME and his or his group's turnover for the last full year or its Assets exceeds TRY1,000,000, his limit can be allocated within the framework of the Macro Circular. For partners of an SME company, where the partners are subject to the macro circular, limit allocation is allowed within the framework of the Macro Circular.

BRANCH CAPACITY TABLE (TL) MACRO		Company & Person		Company					Person		
				Other*			Bid Bond	Cheque Book	Consumer-Other**		Cheque Book
		MAX 1		MAX 2					MAX 3		
Allocation Segment	Class	R. Estate	Vehicle	Mortgaged	With Cheque	Signature	Signature* ***	Signature* **	Mortgaged	Signature****	Signature
SME & SME GK	A	500.000	150.000	500.000	150.000	75.000	250.000	60.000	250.000	50.000	60.000
	B1	400.000	125.000	400.000	100.000	50.000	200.000	50.000	200.000	40.000	50.000
	B2	300.000	100.000	300.000	75.000	40.000	150.000	40.000	150.000	30.000	40.000
	C1	200.000	75.000	175.000	30.000	15.000	100.000	30.000	100.000	15.000	30.000
	C2	150.000	60.000	100.000	-	-	50.000	15.000	100.000	5.000	15.000
	D	100.000	50.000	-	-	-	-	30.000	100.000	5.000	30.000

* For SME Banking/Other Loans:

1. Limits against signature are deducted from limits with cheque or mortgaged limits.
2. Limits guaranteed with cheques are deducted from mortgaged limits.
3. A pledge of rights and receivables can be applied by requiring a collateral for self-guaranteed transactions (consumer real estate and consumer real estate).

** For Consumer \ Other Loans, limits against signature are deducted from limits with mortgage.

*** Utilisation with Cheque Book limit signature guarantee is deducted from other products issued with signature guarantee under corporate banking.

****Upper limit allocation with signature for Bid Bond under SME banking.

- **Micro Circular:** If the customer is an SME and keeps books subject to the enterprise account statement, limit allocation is allowed for this customer and its partners within the framework of the Micro Circular. If the customer is an SME and his or his group's turnover for the last full year and its assets exceed TRY1,000,000, his limit can be allocated within the framework of the Micro Circular.

BRANCH CAPACITY TABLE (TL) MICRO		Company & Person		Company					Person		
				Other*			Bid Bond	Cheque Book	Consumer-Other**		Cheque Book
		MAX 1	Vehicle	MAX 2	With Cheque	Signature	Signature* ***	Signature** *	MAX 3	Signature* ***	Signature
Allocation Segment	Class	R. Estate		Mortgaged					Mortgaged		
SME & SME GK	A	250.000	100.000	150.000	50.000	10.000	100.000	50.000	150.000	10.000	50.000
	B1	200.000	100.000	125.000	40.000	7.500	75.000	40.000	125.000	7.500	40.000
	B2	150.000	75.000	100.000	30.000	5.000	50.000	30.000	100.000	5.000	30.000
	C1	100.000	50.000	75.000	20.000	3.000	50.000	30.000	75.000	3.000	30.000
	C2	100.000	50.000	50.000	-	-	50.000	15.000	50.000	3.000	15.000
	D	100.000	50.000		-	-	-	25.000	50.000	3.000	25.000

* For SME Banking/Other Loans:

1. Limits against signature are deducted from limits with cheque or mortgaged limits.
2. Limits guaranteed with cheques are deducted from mortgaged limits.
3. A pledge of rights and receivables can be applied by requiring a collateral for self-guaranteed transactions (consumer real estate and consumer real estate).

** For Consumer \ Other Loans, limits against signature are deducted from limits with mortgage.

*** Utilisation with Cheque Book limit signature guarantee is deducted from other products issued with signature guarantee under corporate banking.

****Upper limit allocation with signature for Bid Bond under SME banking.

- **Personal Circular:** For all real persons considered personal customers having a loan relationship with Kuveyt Türk, except for company partners, the following capacity table applies in connection with the automatic decision support system. The task rules to be used in the automatic decision support system are specified in the KSUE Annex-4c Code of Practice for Personal Loans Automatic Decision Support System.

SYSTEM CAPACITY TABLE (TL)		Person		Person			
				Consumer-Other**		Cheque Book	Letter of Guarantee
		R.Estate	Vehicle	Mortgaged	Signature****	Signature	Signature
Allocation Segment	Class						
Personal / Tradesman*	A	300,000	50,000	100,000	25,000	60,000	50,000
	B1	300,000	50,000	100,000	25,000	50,000	40,000
	B2	300,000	50,000	100,000	25,000	40,000	30,000
	C1	300,000	50,000	100,000	25,000	30,000	15,000
	C2	300,000	50,000	100,000	25,000	15,000	5,000
	D	300,000	50,000	100,000	25,000	30,000	5,000
	E	300,000	50,000	100,000	25,000	25,000	-

* In BOA customer segment covers the following status: whether customers, who are tradesmen, are private company at the basis of personal information and/or corporate customer at the basis of group customers.

RCD

The RCD is responsible for the credit approval process of Kuveyt Türk's retail credits, including individual credits and credit card limits. RCD's credit approval philosophy incorporates a medium-risk appetite, active monitoring of asset quality and maintenance of balance between risk and reward.

If the credit limit of applicants exceeds the BCC's authority or conflicts with Kuveyt Türk's retail credit policy, applications are sent to the RCD. After the RCD finalises the credit evaluation process, credit files are presented to the "**Retail Credit Allocation**" committee to assess credit limits.

RCD's organisation structure consists of two units: the Credit Unit for Individual and Credit Cards and the Projects Unit for Buildings Under Construction.

Credit Unit for Individual and Credit Cards

The Credit Unit for Individual and Credit Cards is responsible for the appraisal process for credits provided to individuals up to TRY15 million and is made up of two sub-units: the Individual Credit Allocation Unit and the Credit Card Allocation Unit.

- *Individual Credit Allocation Unit*

All applications for individual credits must be submitted to Kuveyt Türk's branches on standard forms along with supporting documentation. Following the receipt of the application, Kuveyt Türk collects additional information concerning the applicant, such as information regarding the applicant's occupation, income, credit repayment history, unpaid debts and any past fraud claims.

Kuveyt Türk's main sources of information are:

- (i) the records held by the CBT;
- (ii) the *Kredi Kayıt Bürosu A.Ş. ("KKB")*, a private Turkish credit bureau, which collects credit information from all Turkish banks and provides access to up to 10 years of the applicants' credit history; and
- (ii) SABAS (the central fraud information system).

As part of the review process, Kuveyt Türk also analyses the value and ownership history of the product or real estate the applicant is planning to purchase, and the value of the available security.

Additionally, Kuveyt Türk uses data obtained from *Sosyal Güvenlik Kurumu ("SGK")* (the national social security agency) to compare the income information given by the applicant to the income registered in the SGK system. Kuveyt Türk also calculates the applicant's debt versus income ratio to assess the applicant's ability to repay the credit. The loan to value ratios ("**LTVs**") are set out as follows:

Product	LTVs expressed as a percentage
Real Estate	75
New Vehicles	80
Used Vehicles ⁽¹⁾⁽²⁾	70

⁽¹⁾ If the invoice value (for used cars) is less than or equal to TRY50,000, LTV is limited by 70%.

⁽²⁾ If the invoice value (for used cars) is above TRY50,000; LTV is limited by 70% up to TRY50,000, and LTV is limited by 50% exceeding TRY50,000.

- *Credit Card Allocation Unit*

All limit applications for credit cards must be submitted to Kuveyt Türk's branches on standard forms along with supporting documentation. Applications are sent to the Data Entry Unit within the Alternative Distribution Channels Department ("**ADCD**"). The ADCD enters the relevant data from the forms submitted on to the Kuveyt Türk system. Thereafter, applications are automatically forwarded to the Intelligence Unit within the ADCD for investigation and checks on the applicant. The approved applications from the Intelligence Unit are forwarded to

Credit Card Allocation unit. The credit card allocation unit handles applications in similar way to the Individual Credit Allocation Unit.

Projects Unit for Buildings Under Construction

Some consumers buy real estate from ongoing construction projects in Turkey. The Projects Unit for Buildings Under Construction is responsible for the evaluation of the constructors of the real estate to be purchased. According to the Turkish consumer law, banks are responsible for the principal amount of credit advanced to customers until construction of the property is completed. Therefore, constructors and their projects are evaluated by civil engineers within this unit before applicants are able to obtain credit from Kuveyt Türk. As at 31 December 2014, 17.9 per cent. of total housing loans were made to such ongoing construction projects.

SMECD

Small Business with annual revenues of under TRY40,000,000 fall under the supervision of the SMECD **provided that** the credit that has been applied for is under U.S.\$10,000,000. As with individual credits, applications for small business credits must be submitted to Kuveyt Türk's branches on standard forms along with supporting documentation. As part of Kuveyt Türk's appraisal process, Kuveyt Türk also collects and analyses additional information concerning the applicant. In the case of small businesses, this information comprises the applicant's financial statements, records held by the central chamber of commerce and the shareholder structure of the applicant. Kuveyt Türk uses this information to assess the applicant's ability to repay the credit. Kuveyt Türk also expects the applicant to have at least three years of business experience within the industry sector.

Kuveyt Türk's main sources of information are:

- (i) the information systems maintained by the CBT; and
- (ii) the KKB.

Kuveyt Türk applies a scoring model similar to the one used by the Individual Credit Allocation Unit. The Branch Retail Credit Classification table given under the heading "BCC" also applies to the SMECD (see "— *Credit Risk RCD*" for further details).

CCD and CMCD

Credit applications by Kuveyt Türk's corporate and commercial customers must be submitted to branches on standard forms with the related ancillary documents, including audited financial statements. A credit file is established by the branch office for each applicant which includes publicly available information from the CBT, such as dishonoured cheques and protested bills.

Since 2006, Kuveyt Türk has applied a company rating system for its corporate and commercial customers. The rating process comprises three main stages: (i) financial analysis of the applicant's historical balance sheets, income statements and other available financial documents of the applicant; (ii) inquiries through other banks and financial institutions and through information sources in relation to the relevant sector in which the company operates; and (iii) on-site visits and interviews, including collection of additional information concerning the applicant such as information regarding the applicant's business type, capital structure, shareholders, managerial staff, and market share as well as data regarding competitors.

Kuveyt Türk's rating system comprises a total of 38 main criteria and 227 sub-criteria, both quantitative and qualitative, which are assessed and divided into various grades to determine the customer's creditworthiness. The weight of the financial analysis stage in the scoring system is 60 per cent. and the weight of the inquiries and site visits is 40 per cent. On finalisation of the rating process, Kuveyt Türk gives the customer a credit rating using a range of 0 to 100, the latter being the best score. There are four sub-categories of that rating system. The first category (with the highest rating) is the most favourable one while the last one is automatically rejected. The remaining two categories are assessed case by case with respect to the proposed security structure and other terms and conditions of the requested financings.

CRMD

The CRMD reports to the Executive Vice President, Legal & Risk Follow-Up, and monitors performing loans based on regular review of customer's loan files. The monitoring of the loans is based on various risk related circumstances as stated in the early warning signals. This allows the CRMD to anticipate the bad debts before the defaults occur and coordinates with the relevant departments and branches in order to take the necessary actions. This allows Kuveyt Türk to minimise the credit risk of Kuveyt Türk by increasing the asset quality.

The CRMD applies a wide variety of monitoring tools to ensure that the loans remain performing whilst at all times maintaining a prudent early warning signal system. The following are some of the key monitoring functions in relation performing loans and overdue receivables up to 30 days undertaken by the CRMD:

- monitoring the repayment performance of standard loans and ensures that appropriate monitoring activities are performed by the relevant branches. It also performs the activities related to the collection and recovery of loans for retail, small business and corporate credits up to 30 days overdue. Branches and regional offices are responsible for the close monitoring of principal, profit share, commission and other related payments, financial status, Central Bank records, operations, intra-group relations and collaterals against the loans. Branches and regional offices are required to take the necessary actions based on the early warning signals and inform the relevant departments to undertake the necessary actions;
- sending reports to CBT including limits and risks Kuveyt Türk is exposed to in relation to its customers. The CBT makes consolidated reports by collecting limits and risks in relation to the relevant borrower from all banks, leasing and factoring companies. The CRMD reviews and monitors the consolidated reports of the CBT and determines Kuveyt Türk's level of risk exposure to the particular customer. This monitoring allows Kuveyt Türk to review customers whose credit exposure are increasing or limits are fully used or where existing limits are substantially decreasing as well as ascertain any defaults and sharp interest reductions if debts are being granted to the customer;
- preparing a collateral gap report or disparity report by monitoring limits, outstanding risks and collaterals of the customer. Companies are watched closely according to the monthly collateral gap reports in case of a substantial mismatch;
- tracing the firms according to the reports of internal control and auditing and reviewing where limits are misused or collaterals are insufficient;
- close examination in case an inquiry is made about present customers' written out cheques, execution records, tax liabilities, negative market intelligence and news in press and any infirmity caused by several reasons;
- all types of requests of the branches about to release the collaterals of the active all corporate and commercial, small business and retail credits are evaluated in order to approve or reject them;
- all retail, small business and corporate and commercial credits are classified on a quarterly basis based on risk related circumstances as stated in the early warning signals and according to guidelines of the BRSA; and
- obtains the latest financial analysis and bank and market enquiries from the Financial Analysis and Intelligence Department for Kuveyt Türk's riskier customers.

After the occurrence of a default, the RFD assumes responsibility for following-up the relevant credit balances.

Credit Classification and Provisioning Policy

General

Senior Management is responsible for establishing allowances and provisions in relation to Kuveyt Türk's credit portfolio. In order to establish adequate allowances and provisions, Kuveyt Türk classifies

credits by their perceived risk criteria in accordance with the requirements of IFRS and also the provisioning guidelines under the Banking Law.

Classification and Provisioning Guidelines

In accordance with the applicable BRSA regulations, Kuveyt Türk makes an allowance for possible credit losses. This allowance must be increased proportionally at relevant time periods in the provisioning guidelines so that the allowance reaches a ceiling level of between 20 per cent. and 100 per cent. of the particular non-performing credit, depending on the type of collateral securing such credit and the due date of the credit. A credit is categorised as non-performing when mark-up, fees or principal remain unpaid for 90 days after the due date. In the event that legal proceedings have been initiated, the credit is categorised as non-performing immediately, without requiring the expiry of the 90 days after the due date.

The following table sets out an analysis of Kuveyt Türk's provisions for cash loans in arrears for the periods indicated.

	Year ended 31 December	
	2014	2013
	(TRY in thousands)	
Balance at beginning of period	377,709	302,164
Additions in the current period/year.....	362,520	195,789
Recoveries	(251,543)	(79,778)
Write-offs	(48,332)	(40,466)
Impairment allowance.....	440,354	377,709
Collective Reserve	83,138	35,701
Non-performing loans as percentage of gross cash loans.....	2.42%	2.59%

The following table indicates certain information relating to Kuveyt Türk's cash loans in arrears and related provisions as per IFRS (in accordance with BRSA Accounts).

	As at 31 December					
	2014			2013		
	Credits in arrears	Total provision	% Reserved	Credits in arrears	Total provision	% Reserved
	(TRY in thousands, except percentages)					
Risk Category						
Provisional rates:						
Doubtful.....	80,435	36,472	45.3	162,074	107,927	66.6
Substantial	116,318	55,729	47.9	32,839	24,901	75.8
Loss	314,903	265,014	84.2	237,768	209,180	88.0
Total credits classified as credits in arrears.....	511,656	357,215	2.22	432,681	342,008	2.29

IFRS/BRSA Provisioning

The provisioning policy used in the preparation of Kuveyt Türk's IFRS financial statements (including the IFRS Accounts) differs from that required by the Banking Law. Under Turkish GAAP, provisioning is based on the length of the period of default whereas, under IFRS, provisioning is based on an evaluation made by management. BRSA regulations require that credits that have been in default for 90 days are classified as non-performing credits. After 90 days, 20 per cent. of the total credit of the defaulting customer (after deducting collateral, if any) must be provisioned. After 180 days, the required provision must be 50 per cent. (after deducting collateral, if any) and, after 360 days, must be 100 per cent. of the total credit of the defaulting customer (after deducting collateral, if any). Kuveyt Türk also makes allowance at a special rate specified in the provisioning guidelines for non-cash loans such as letter of guarantees, bill of guarantee and sureties, each cheque leaf of the cheque books and other non-cash loans.

Under IFRS, based upon its evaluation of credits granted, management estimates the total credit risk provision that it believes is adequate to cover uncollectible amounts in Kuveyt Türk's credit and lease portfolio, and losses under guarantees and commitments. Kuveyt Türk reviews its financial assets at each balance sheet date to determine whether there is objective evidence of impairment. If there is objective evidence that Kuveyt Türk will not be able to collect all amounts due (both principal and mark-up) according to the original contractual term of the cash credits, such cash credits are considered impaired

and classified as **"funds in arrears"** in Kuveyt Türk's IFRS financial statements. For non-collateralised cash credits the allowance is measured as the difference between the carrying amount of the credits or lease and the present value of expected future cash flows (excluding future credit losses that have not been incurred) discounted at the original mark-up rate of the credit or lease, as the case may be. For collateralised cash credits, the allowance is measured as the difference between the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral. Losses on cash credits which are financed by Kuveyt Türk's equity or current accounts are recognised in Kuveyt Türk's income statement as provision expenses. Losses on cash credits which are financed through its participation and investment accounts are recognised in Kuveyt Türk's income statement, to the extent of Kuveyt Türk's participation shares. The remaining portion of the allowance is reflected in customers' accounts as a loss incurred in the respective investment account.

These allowances involve significant estimates and are regularly evaluated by Kuveyt Türk for adequacy. The allowances are based on Kuveyt Türk's own loss experiences and management's judgement of the level of losses that will most likely be recognised from assets in each credit risk category, by reference to both the debt service capability and repayment history of the customer. The allowances for possible cash credit losses in Kuveyt Türk's IFRS financial statements have been determined on the basis of existing economic and political conditions at the time. Accordingly, Kuveyt Türk classifies credits as non-performing if:

- the payment of mark-ups, fees or principal is unpaid 90 days after the due date; or the likelihood of payment by the customer is unlikely due to the value/lack of asset; or
- the likelihood of payment by the customer is unlikely due to the poor commercial status of the customer; or
- the likelihood of payment by the customer is unlikely due to a lack of equity and/or capital.

In the event that a customer has more than one credit extended by Kuveyt Türk, all credit advanced by Kuveyt Türk to the particular customer is classified as non-performing credit after the 90 day period from the initial default. If a credit payment is considered doubtful or if a credit is otherwise classified as a non-performing credit, its mark-up is placed on a non-accrual status.

In compliance with BRSA regulations, non-performing loans may be transferred to "Account of Loans Restructured and Tied to a Redemption Plan" at the end of the period provided that at least 15 per cent. of the total sum of receivables has been repaid, they have been monitored under the group for a period of six months and there have been no default problems. As at the date of this Prospectus, approximately 0.29 per cent. of the current performing loans were previously non-performing.

Portfolio Concentrations

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or in activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the counterparties' performance to developments affecting a particular industry or geographic location.

Kuveyt Türk's credit policies are structured to ensure that Kuveyt Türk is not over-exposed to a given client, industry or geographic area through diversification of financing and investment activities. Kuveyt Türk periodically monitors credit exposure limits by geographic region, country grade class, country, economical sector and top customers concentration. Accordingly, Kuveyt Türk actively tries to reduce the credit risk caused by customer concentration by expanding its customer base of Small Business and broadening its industry diversification. Kuveyt Türk has focused its efforts primarily on Small Business.

Concentration of risk is managed by counterparty and by industry sector. The maximum cash loan exposure to any counterparty other than the Central Bank as at 31 December 2014 was TRY102,267 thousand (as compared to TRY100,316 thousand as at 31 December 2013) and non cash loan exposure as at 31 December 2014 was TRY176,177 thousand (as compared to TRY189,014 thousand as at 31 December 2013), before taking account of collateral or other credit enhancements.

An industry sector analysis of Kuveyt Türk's financial assets, before taking into account collateral held or

other credit enhancements, is as follows:

	As at 31 December	
	2014	2013
	Gross exposure	Gross exposure
	(TRY in thousands)	
Financial services.....	12,787,793	9,810,331
Construction and materials.....	9,838,050	7,993,643
General retailers.....	6,079,455	5,141,546
Manufacturing.....	3,901,379	3,596,357
Electricity.....	1,169,057	1,179,951
Health care and social services.....	1,119,171	983,064
Food and beverages.....	1,051,112	821,713
Mining Operations.....	447,244	710,189
Forestry.....	148,379	130,250
Telecommunications.....	180,592	109,133
Real estate.....	229,124	84,033
Other.....	4,888,781	4,446,417
Total.....	41,840,137	35,006,627

The following table sets out Kuveyt Türk's retail cash loans as at the dates indicated (in accordance with BRSA Accounts).

	As at 31 December			
	2014		2013	
	Amount	% of total	Amount	% of total
	(TRY in thousands, except percentages)			
Real estate.....	3,696,383	88	2,437,998	88
Credit cards.....	119,663	3	120,656	4
Vehicles.....	162,616	4	125,322	5
Other (Retail outstanding cash loans).....	201,698	5	97,705	4
Total.....	4,180,360	100	2,781,681	100

The following table sets out Kuveyt Türk's cash loans (excluding financial leases), non-cash loans and cheque book and credit card commitments made to its commercial customers by sector as at the dates indicated.

	As at 31 December							
	2014				2013			
	Cash loans		Non-cash loans		Cash loans		Non-cash loans	
	Amount	%	Amount	%	Amount	%	Amount	%
	(TRY in thousands)							
Agriculture.....	307,938	1.5	57,110	0.7	250,973	1.5	58,241	0.7
Industry.....	5,245,458	25.4	1,566,757	19.0	4,636,945	28.4	1,696,055	19.6
Construction.....	3,042,086	14.7	3,165,142	38.4	2,157,680	13.2	3,469,232	40.0
Services.....	6,806,107	32.9	2,470,217	29.9	5,381,534	33.1	2,575,908	29.7
Other.....	5,254,705	25.5	989,486	12.0	3,873,094	23.8	872,911	10.1
Commitments.....	-	-	2,599,619	-	-	-	2,434,638	-
Total.....	20,656,294	100	10,848,331	100	16,300,226	100	11,106,985	100

Proprietary Investments

Kuveyt Türk's investments held under the "Available-for-Sale" and "Held-for-Trading" categories are marked to market on a monthly basis. Any permanent diminution in the value of investments in the "Held- to-Maturity" category are written down.

Loan Provisions

Kuveyt Türk has provided a sustainable improvement in asset quality through the years. Non performing loans ("NPL") and provisions ("Provisions") ratios are among the first five banks in the top 18 banks of

the Turkish Banking Sector in 2014. Kuveyt Türk's NPL ratio realised 2.21 per cent. as at 31 December 2014.

NPL Ratio	2011	2012	2013	2014
Kuveyt Türk.....	1.98%	2.22%	2.24%	2.21%
Participation Banking Sector.....	3.08%	3.01%	3.42%	4.54%
Banking Sector.....	2.70%	2.86%	2.69%	2.85%
Provisions Ratio	2011	2012	2013	2014
Kuveyt Türk.....	85.33%	88.37%	88.08%	85.04%
Participation Banking Sector.....	65.43%	75.12%	63.19%	62.41%
Banking Sector.....	79.38%	75.19%	76.59%	74.00%

Close Monitoring Loans ratio (restructuring loans and 30 days and more overdue days) is 2.81 per cent. as at 31 December 2014. Kuveyt Türk's Close Monitoring Loans is under 11 per cent. of the Turkish Banking Sector average and under 31 per cent. of the Participation Banking Sector average.

Close Monitoring Loans Ratio	As at 31 December 2014
Kuveyt Türk.....	2.81%
Participation Banking Sector.....	4.10%
Banking Sector.....	3.20%

The restructuring ratio of Kuveyt Türk is 2.44 per cent. as at 31 December 2014. In 2014 Kuveyt Türk was ranked eleventh among the top 18 banks in the Turkish Banking Sector and has provided better performance than some of the major banks in the Turkish Banking Sector and all other participation banks in the Turkish Banking Sector.

The quality of Kuveyt Türk's loan portfolio by class of financial asset is set forth below.

The bank calculates the probability of delinquency and internal rating notes for the portfolio of business loans based on statistical methods up to TRY850,000 (full amount) for all types of limits and up to TRY3,000,000 (full amount) for real estate transactions of Turkish Commercial Code. Ratings which are calculated since 1 February 2013 are shown the table below as of 31 December 2014 (in accordance with BRSA Accounts).

	Cash Loans	Non-cash loans	Total
High Quality	25%	60%	35%
Medium Quality	22%	19%	21%
Average.....	19%	11%	17%
Below Average	6%	2%	5%
Unrated	27%	9%	22%

The following table sets forth the aging analysis of past due but not impaired loans by class of financial asset (in accordance with BRSA Accounts):

Due from financing activities:	As at 31 December 2014				
	Less than 30 Days	30 to 60 days	61 to 90 days	More than 91 days	Total
<i>(TRY in thousands)</i>					
Corporate lending	22,131	5,183	7,107	432,826	467,248
Consumer lending	304	140	124	104,215	104,783
Credit cards.....	1,832	2,263	-	507	4,602
Total	24,268	7,586	7,231	537,548	576,633

Due from financing activities:	As at 31 December 2013				
	Less than 30 Days	30 to 60 days	61 to 90 days	More than 91 days	Total
<i>(TRY in thousands)</i>					
Corporate lending	143,344	121,013	74,390	-	338,747

Due from financing activities:

	As at 31 December 2013				
	Less than 30 Days	30 to 60 days	61 to 90 days	More than 91 days	Total
	<i>(TRY in thousands)</i>				
Consumer lending	9,579	39,020	23,900	-	72,499
Credit cards	3,020	-	-	-	3,020
Total	155,943	160,033	98,290	-	414,266

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk. Although strategic and reputational risks are not included in the capital measurement calculations for Basel II purposes, assessment and monitoring of these risks also fall under the purview of the RMG. Examples of events that are included under this definition of operational risk include losses from fraud, computer systems failures, settlement errors, model errors and natural disasters. Kuveyt Türk also maintains an operational loss database in order to quantify and monitor operational risks (see "*Risk Factors— Risk factors relating to Kuveyt Türk's Business*" for further details).

Kuveyt Türk's operational risk issues are actively managed by regular monitoring of Kuveyt Türk's activities. This allows Kuveyt Türk to quickly detect and correct deficiencies in its policies and procedures for managing operational risks. By promptly detecting and addressing these deficiencies, Kuveyt Türk can substantially reduce the frequency or severity of a loss (or potential loss) event. The RMG makes specific proposals to the head of the Audit Committee whenever it determines that existing operational risks warrant changes to Kuveyt Türk's existing Internal Systems Regulations and Risk Management Policies. The operational risk reports are periodically submitted to Kuveyt Türk's Senior Management.

Operational risk is managed by a dedicated two-member team within Kuveyt Türk. Business risk officers have been identified in each functional area to identify the events and evaluate the incidence of risk, probable losses and frequency thereof, in each functional area. Kuveyt Türk's Operational Risk team reviews the identified risks, controls and residual gaps and monitors the time lines for closing such gaps. The Audit Committee validates the identified risk and the prevailing gaps. Evaluating the operational risk areas is an ongoing process and the procedures and policies are updated accordingly.

Funding

As a participation bank, Kuveyt Türk does not have access to the same sources of funding as conventional banks (such as interest-bearing facilities or security portfolios). Kuveyt Türk's funding base for its activities are substantially derived from: (i) customer deposits (specifically deposits placed in current accounts and participation accounts); (ii) credits from banks and other international financial institutions; (iii) issuance of international and domestic listed sukuk securities; and (iv) shareholders' equity.

	As at 31 December			
	2014	%	2013	%
	<i>(TRY in thousands, except for percentages)</i>			
Current and profit/loss sharing investors' accounts	22,215,843	68.51	17,079,036	68.86
Due to other financial institutions and banks	4,399,347	13.57	4,040,526	16.29
Total equity attributable to equity holders of the parent	3,236,703	9.98	2,418,506	9.75
Sukuk securities issued	2,193,590	6.76	905,841	3.65
Other liabilities and provisions	380,872	1.17	358,121	1.44
Total	32,426,355	100.00	24,802,030	100.00

Customer Deposits

Retail deposits were the major source of funding for Kuveyt Türk for the year ended 31 December 2014. As at 31 December 2014, deposits comprised 65.8 per cent. of Kuveyt Türk's total liabilities and shareholders' equity which is higher than the sector average (at 53.5 per cent.). As at 31 December 2014, deposits increased by 30 per cent. to TRY22,216 million, from TRY17,079.04 million as at 31 December 2013. Kuveyt Türk has a broad and diversified source of depositors and is not reliant on any key anchor

depositors with 74.74 per cent. of its total deposits coming from retail depositors and 67 per cent. of the total depositors, having placed less than TRY1 million with Kuveyt Türk.

The following table sets out the total liabilities which are substantially dominated by deposits, for the core business segments for the years ended 31 December 2014 and 2013.

For the year ended December 31, 2014	Retail Banking	Corporate and Commercial Banking	International and Investment Banking and Treasury	Unallocated*	Total
<i>(TRY in thousands)</i>					
Total liabilities	17,564,348	5,321,547	7,628,148	3,236,703	33,750,746
For the year ended December 31, 2013	Retail Banking	Corporate and Commercial Banking	International and Investment Banking and Treasury	Unallocated*	Total
<i>(TRY in thousands audited)</i>					
Total liabilities	12,095,960	4,733,518	5,641,498	3,131,549	25,602,525

Credits from banks and other international financial institutions

Kuveyt Türk has a number of utilised credit facilities with domestic and international banks in both Turkish lira and foreign currencies, predominantly Euro and U.S. dollars, along with borrowings from the international and domestic debt capital markets. Kuveyt Türk's current borrowings from other financial institutions and banks as of 31 December 2014 and 2013 are as follows:

	As at 31 December	
	2014	2013
<i>(TRY in thousands)</i>		
U.S.\$.....	4,163,680	3,768,436
EURO	227,555	266,297
TRY	8,112	5,793
Total.....	4,399,347	4,040,526

As at 31 December 2014, Kuveyt Türk's total U.S. dollar borrowing was equivalent to TRY4,163.68 million, its total Euro borrowing was equivalent to TRY227.55 million and its borrowing in Turkish lira was TRY8.11 million as at 31 December 2014 (total U.S. dollar borrowing was equivalent to TRY3,768.44 million as at 31 December 2013). Kuveyt Türk's foreign currency borrowing represents 99.82 per cent. of its total borrowing as of 31 December 2014.

Kuveyt Türk also aims to secure longer-term sources of funding in order to further improve the management of the liability side of its balance sheet so as to increase the average maturity of its Turkish lira funding facilities, which at 290 days are close to the sector average. Kuveyt Türk will diversify the financial instruments it makes use of and strengthen its balance sheet. The average maturity of deposits as at 31 December 2014 was 66 days for Turkish lira, deposits which were close to the market average of 75 days. As at 31 December 2014, 6.84 per cent. of Kuveyt Türk's total deposits mature in more than one year and most of its deposits are typically rolled over on maturity.

The availability of funds from banks and other financial institutions, as well as from customer accounts, is influenced by factors such as prevailing interest rates, market conditions and levels of competition (see "Risk Factors — Risks relating to Kuveyt Türk's Business—Kuveyt Türk's business, financial condition, results of operations and prospects have been affected by liquidity risks in the Turkish market and may be further affected by liquidity risks, particularly if Turkish or international financial market conditions deteriorate" for further details).

Legal Risk

Kuveyt Türk has a full-time legal team which deals with both routine and more complex legal issues. Situations of a particular complexity and sensitivity are referred to external firms of lawyers, either in Turkey or overseas, as appropriate. Kuveyt Türk also seeks to mitigate legal risk through the use of properly reviewed standard documentation and appropriate legal advice in relation to its non-standard documentation.

Market Risk

Market risk is the risk of loss to future earnings, values of assets and liabilities or to future cash flows that may result from changes in the price of a financial instrument (for example, as a result of changes in foreign currency exchange rates, interest/profit rates, commodity prices, equity prices and other market changes that affect market risk sensitive instruments). Market risk is attributed to all market risk sensitive financial instruments, including credits, deposits and borrowings. The primary market risks faced by Kuveyt Türk are the indirect effects of interest rate fluctuation and the direct effects of exchange rate fluctuation (see "*Risk Factors — Risk factors relating to Kuveyt Türk's Business*" and "*Foreign Exchange Rate Risk*" below).

The RMG measures and monitors the market risk exposure to the value of the financial instruments held by Kuveyt Türk that may result from any number of market pressures. To measure market risk, Kuveyt Türk has adopted globally accepted and widely implemented risk management techniques. Kuveyt Türk calculates and reports market risk according to a standardised methodology. It manages market risk on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends, and management's estimate of long-and short-term changes in fair value.

Market risk also includes price risks. Kuveyt Türk only has positions in equities and commodities for investment or investment-related purposes. It manages price risks relating to such securities by using position limits, which are monitored by the Treasury Middle Office ("**TMO**"). Foreign currency transactions, both with customers and as part of Kuveyt Türk's proprietary trading, usually generate foreign currency positions. Kuveyt Türk hedges these positions within set intra-day and/or overnight limits and executes transactions only in major convertible foreign currencies.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of Kuveyt Türk's financial instruments. In a conventional bank, interest rate sensitivity is the relationship between market interest rates and net interest income resulting from the re-pricing characteristics of assets and liabilities. As Kuveyt Türk does not have financial assets that are sensitive to interest rate movements (such as government bonds) and because Kuveyt Türk does not guarantee depositors a fixed rate of return, Senior Management believe that Kuveyt Türk has lower interest rate risk than conventional banks. The principal objective of Kuveyt Türk's interest rate risk management activities is to enhance profitability by limiting the effect of adverse interest rate movements in the banking sector and increasing mark-up income by managing mark-up rate exposure. Kuveyt Türk monitors interest rate sensitivity by analysing the composition of its assets and liabilities and off-balance sheet financial instruments (see "*Risk Factors – Risks relating to Kuveyt Türk's Business*" for further details).

The table below sets out Kuveyt Türk's analysis of financial liabilities by contractual maturities on an undiscounted basis as at 31 December 2014.

Financial Liabilities:	As at 31 December 2014					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
(TRY in thousands)						
Due to other financial institutions and banks	-	228,023	1,762,655	2,368,462	-	4,359,140
Subordinated loan	-	-	-	-	463,780	463,780
Sukuk issued	-	50,000	187,000	-	1,938,760	2,175,760
Money market balances	-	708,165	-	-	-	708,165
Derivative financial instruments ^(*)	-	4,288,256	178,108	94,123	-	4,560,487
Current accounts	6,647,014	-	-	-	-	6,647,014
Profit and loss sharing accounts ^(**)	-	3,200,546	6,306,502	5,498,444	439,734	15,445,226

Financial Liabilities:	As at 31 December 2014					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
(TRY in thousands)						
Other financial liabilities.....	-	-	-	-	-	-
Total undiscounted financial liabilities.	6,647,014	8,474,990	8,434,265	7,961,029	2,842,274	34,359,572

Financial Liabilities:	As at 31 December 2013					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
(TRY in thousands)						
Due to other financial institutions and banks	-	189,098	1,717,844	2,092,946	-	3,399,888
Subordinated loans.....	-	-	-	-	426,860	426,860
Sukuk issued.....	-	-	150,000	-	476,953	896,953
Money market balances	-	221,317	-	-	-	221,317
Derivative financial instruments ^(*)	-	3,637,256	849,549	250,527	-	4,737,332
Current accounts	5,004,189	-	-	-	-	5,004,189
Profit and loss sharing accounts ^(**)	-	10,523,531	1,238,221	219,764	48,472	12,029,988
Other financial liabilities.....	-	-	-	-	-	-
Total undiscounted financial liabilities	5,004,189	14,571,202	3,955,614	2,563,237	1,222,285	27,316,527

^(*) As such derivatives will be settled in gross amounts, notional amounts have been disclosed.

^(**) Customers have choice of demanding their accounts anytime by abandoning profit share income.

Foreign Exchange Rate Risk

As a participation bank, Senior Management believe its foreign currency risks are somewhat lower than many conventional banks, because its foreign currency participation and investment accounts are generally matched directly to its foreign currency credits. Kuveyt Türk is, however, subject to foreign exchange rate risk due to adverse movements in currency exchange rates in the currencies in which it maintains assets and liabilities. Changes in foreign exchange rates have an impact on Kuveyt Türk's income and expenses in line with the magnitude of such changes and the current volume of its foreign exchange position. The TMO monitors the foreign exchange rates closely and ensures that cash and non-cash foreign currency commitments can be covered by foreign currency denominated assets to the extent possible. Kuveyt Türk seeks to maintain an even foreign exchange position policy to minimise its currency risk. Kuveyt Türk however, experiences from time to time net short positions in foreign currencies, which may require it to convert Turkish lira at times at unfavourable exchange rates (see "Risk Factors — Risk factors relating to Kuveyt Türk's Business" for further details).

The table below sets out Kuveyt Türk's exposure to foreign currency exchange rate risk for the years set out below.

As at 31 December 2014	EUR	USD	Other	Precious Metals	Total
Cash and balances with the Central bank	120,445	391,654	21,574	-	533,673
Deposits with other banks and financial institutions	421,436	2,427,653	199,187	126,978	3,175,254
Reserve deposits at the Central Bank	310,277	2,913,825	-	931,507	4,155,609
Financial assets – available-for-sale.....	-	609,889	-	-	609,889
Financial assets – held for trading.....	-	7,841	406	-	8,247
Due from financing activities, net	1,633,950	5,527,792	-	174,324	7,336,066
Minimum finance lease payments receivable, net.....	189,336	197,153	-	-	386,489
Precious metals	-	-	-	1,301,466	1,301,466
Other assets.....	69,432	48,254	422	97	118,205
Construction projects, net	-	-	-	-	-
Joint venture	-	-	-	-	-
Investment properties, net	-	-	-	-	-
Assets held for sale and disposal of group, net..	-	-	-	-	-
Property and equipment, net	783	201	-	-	984
Intangible assets, net	2949	46	-	-	2,995

As at 31 December 2014	EUR	USD	Other	Precious Metals	Total
Deferred tax assets	-	-	-	-	-
Total assets	2,748,608	12,124,308	221,589	2,534,372	17,628,877
Due to other financial institutions and banks	228,200	4,163,035	-	-	4,391,235
Sukuk issued	-	1,953,221	-	-	1,953,221
Subordinated loans	-	464,592	-	-	464,592
Money market balances	-	-	-	-	-
Current and profit / loss sharing investors' accounts	2,337,490	5,618,869	120,129	1,910,986	9,987,474
Other liabilities & provisions	17,040	74,458	808	402	92,708
Employee benefit obligations	-	-	-	-	-
Income taxes payable	-	-	-	-	-
Derivative financial instruments	-	11,675	122	-	11,797
Equity	-	-	-	-	-
Total liabilities and equity	2,582,730	12,285,850	121,059	1,911,388	16,901,027
Net balance sheet position	165,878	(161,542)	100,530	622,984	727,850
Net off-balance sheet position	(150,334)	257,303	(101,235)	(627,349)	(621,615)

As at 31 December 2013	EUR	USD	Other	Precious Metals	Total
Cash and balances with the Central bank	148,860	298,946	12,393	-	460,199
Deposits with other banks and financial institutions	363,031	1,427,077	57,146	738,800	2,586,054
Reserve deposits at the Central Bank	190,873	1,989,572	-	807,646	2,988,091
Financial assets – available-for-sale	-	219,260	-	-	219,260
Financial assets – held for trading	-	14,693	94,046	-	108,739
Due from financing activities, net	1,595,168	4,834,181	2,372	136,358	6,568,079
Minimum finance lease payments receivable, net	93,906	128,205	-	-	222,111
Precious metals	-	-	-	466,834	466,834
Other assets	27,878	35,387	135	92	63,493
Construction projects, net	-	-	-	-	-
Joint venture	-	-	-	-	-
Investment properties, net	-	-	-	-	-
Assets held for sale and disposal of group, net ..	-	-	-	-	-
Property and equipment, net	254	121	-	-	375
Intangible assets, net	5	35	-	-	40
Deferred tax assets	-	-	-	-	-
Total assets	2,419,975	8,947,477	166,092	2,149,730	13,683,275
Due to other financial institutions and banks	266,295	3,768,413	-	-	4,034,708
Sukuk issued	1,667	752,612	-	-	754,279
Subordinated loans	-	433,080	-	-	433,080
Money market balances	-	-	-	-	-
Current and profit / loss sharing investors' accounts	1,806,603	3,597,699	43,310	2,265,514	7,713,126
Other liabilities & provisions	15,056	32,464	709	429	48,659
Employee benefit obligations	-	-	-	-	-
Income taxes payable	-	-	-	-	-
Derivative financial instruments	-	14,864	44,084	-	58,948
Equity	-	-	-	-	-
Total liabilities and equity	2,089,621	8,599,132	88,103	2,265,943	13,042,800
Net balance sheet position	330,354	348,345	77,989	(116,213)	640,475
Net off-balance sheet position	(306,654)	(336,898)	(23,775)	108,818	(558,509)

Profit Rate Risk

Profit rate risk arises from the possibility that changes in conventional interest rates will affect the future profitability or the fair value of financial instruments. Kuveyt Türk is exposed to profit rate risk as a result of mismatches or gaps in the amount of assets and liabilities and off-balance sheet instruments that mature or re-price during a given period. The impact of possible changes in the profit rates is measured and the profit rate gaps are reviewed to initiate corrective action in Kuveyt Türk's funding profile to ensure that the overall profit rate risk remains within acceptable tolerances. By taking such action Kuveyt Türk seeks to match profit-related assets and liabilities and, accordingly, minimise the effect of profit rate

risk on its net profit (see "Risk Factors – Risk factors relating to Kuveyt Türk's Business" for further details).

Funding and Liquidity Risk

Kuveyt Türk's funding and liquidity management policy seeks to ensure that, even in adverse conditions, Kuveyt Türk maintains sufficient funds to meet its operational needs (including maturing liabilities), and to ensure compliance with BRSA regulations. Funding and liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments and the risk of being unable to liquidate a position in a timely manner and at a reasonable price. The risk arises in the general funding of Kuveyt Türk's financing activities and in the management of its positions.

To meet its funding needs, Kuveyt Türk has principally relied on current accounts and participation accounts. Historically, when growth in cash credits has been greater than Kuveyt Türk's growth in participation accounts, it has bridged most of this gap through use of some current accounts and shareholders' equity and by increasing capital or retaining profits. Kuveyt Türk also utilised the U.S.\$200 million syndicated interest-free commodity Murabaha facility obtained in 2006 to balance its liquidity needs. In 2011, Kuveyt Türk also issued, through KT Sukuk, U.S.\$350 million lease certificates due 2016 as part of managing its funding requirements. In 2013 Kuveyt Türk issued, through KT Kira, TRY150 million Lease Certificates due 18 November 2014 and Kuveyt Türk also raised U.S.\$275 million and EUR83 million syndicated murabaha financing from international markets on 27 December 2013. In addition, in 2014 Kuveyt Türk issued, through KT Kira, U.S.\$500 million Certificates due 2019. In April 2015, Kuveyt Türk issued MYR 300 million Certificates due 2020 through its MYR 2 billion programme.

In order to manage funding and liquidity risk, the RMG monitors funding and liquidity risk, market conditions, composition of participation funds with respect to different currencies, maturity structures, costs and future expected cash flow commitments, in particular those related to large deposits. Liquidity gap analysis reports are generated by the budgeting and reporting department on a weekly basis and monitored by the ALCO. In addition, the department also develops forecasts of Kuveyt Türk's likely liquidity requirements in the event of emergencies and, based on these forecasts, develops contingency plans. The RMG monitors the limits set by the Board on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level of funding that should be in place to cover withdrawals at unexpected levels of demand. Treasury manages funding and liquidity risk to avoid under-concentration of funding requirements at any point in time or from any particular source, and provides regular updates on Kuveyt Türk's liquidity position to the ALCO. The budgeting and reporting department also monitors Kuveyt Türk's funding and liquidity risk and prepares weekly reports to the ALCO. The RMG reports on a monthly basis to the Audit Committee.

The following table sets out certain information as to Kuveyt Türk's liquidity as at the dates indicated:

	As at 31 December	
	2014	2013
	(%)	
Cash loans/total assets.....	61.3	63.8
Cash loans/deposits.....	93.1	95.6
Cash loans/ total equity attributable to equity holders of the parent.....	639.2	675.2
Liquid assets ⁽¹⁾ /total assets.....	12.88	13.96
Liquid assets/deposits ⁽²⁾	16.33	16.92

⁽¹⁾ Liquid assets comprise cash and cash equivalents and balances with other financial institutions (not including Kuveyt Türk's reserves with the Central Bank).

⁽²⁾ Also includes due to other financial institutions and banks.

The following table summarises Kuveyt Türk's estimated maturity analysis for certain assets and liabilities as at 31 December 2014 and contains certain information regarding Kuveyt Türk's funding and liquidity risk.

31 December 2014	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Unallocated	Total
Cash and balances with the Central Bank .	1,127,568	-	-	-	-	1,127,568
Balances with other banks and financial institutions.....	3,187,412	24,563	6,957	-	-	3,218,932

31 December 2014	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Unallocated	Total
Reserve deposits at the Central Bank	4,155,609	-	-	-	-	4,155,609
Financial assets – held for trading	42,495	5,419	-	181	-	48,095
<i>Derivative financial instruments</i>	37,696	5,419	-	-	-	43,115
<i>Share Certificates</i>	-	-	-	181	-	181
<i>Gold Fund</i>	4,799	-	-	-	-	4,799
Financial assets – available-for-sale	1,007,693	303,917	795,489	42,035	53,993	2,203,127
Due from financing activities, net	5,250,536	7,338,870	7,108,899	918,891	71,977	20,689,173
Precious Metals	1,301,466	-	-	-	-	1,301,466
Other assets	-	-	-	-	406,269	406,269
Construction projects, net	-	-	-	-	50,020	50,020
Joint venture	-	-	-	-	6,306	6,306
Investment properties, net	-	-	26,136	-	-	26,136
Property and equipment, net	-	-	-	-	377,753	377,753
Intangible assets, net	-	-	-	-	70,331	70,331
Deferred tax assets	-	-	-	-	43,953	43,953
Assets and a disposal group held for sale ..	26,008	-	-	-	-	26,008
Total assets	16,098,787	7,672,769	7,937,481	961,107	1,080,602	33,750,746
Due to other financial institutions and banks	1,383,915	1,852,414	1,163,018	-	-	4,399,347
Sukuk securities issued	152,520	87,849	1,953,221	-	-	2,193,590
Subordinated Loans	-	-	-	464,592	-	464,592
Money market balances	708,743	-	-	-	-	708,743
Current and profit / loss sharing investors' accounts	20,966,585	1,092,441	85,047	-	71,770	22,215,843
Derivative financial instruments	16,381	2,364	7,140	-	-	25,885
Employee benefit obligations	-	48,599	-	-	44,257	92,856
Income taxes payable	-	32,315	-	-	-	32,315
Other liabilities and provisions	-	-	-	-	380,872	380,872
Liabilities	23,228,144	3,115,982	3,208,426	464,592	496,899	30,514,043
Net	(7,129,357)	4,556,787	4,729,055	496,515	583,703	3,236,703

31 December 2013	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Unallocated	Total
Cash and balances with the Central Bank	858,686	-	-	-	-	858,686
Balances with other banks and financial institutions	2,699,988	15,584	-	-	-	2,715,572
Reserve deposits at the Central Bank	2,988,091	-	-	-	-	2,988,091
Financial assets – held for trading	97,423	18,332	-	181	-	115,936
<i>Derivative financial instruments</i>	90,407	18,332	-	-	-	108,739
<i>Share Certificates</i>	-	-	-	181	-	181
<i>Gold Fund</i>	7,016	-	-	-	-	7,016
Financial assets – available-for-sale	-	2,024	1,269,934	-	51,558	1,323,516
Due from financing activities, net *	11,432,402	2,112,418	2,390,447	352,645	41,997	16,329,909
Precious metals	466,834	-	-	-	-	466,834
Other assets	-	-	-	-	294,651	294,651
Construction projects, net	-	-	-	-	46,244	46,244
Joint Venture	-	-	-	-	5,064	5,064
Investment properties, net	-	-	20,815	-	-	20,815
Property and equipment, net	-	-	-	-	321,179	321,179
Intangible assets, net	-	-	-	-	55,775	55,775
Deferred tax assets	-	-	-	-	32,307	32,307
Assets and a disposal group held for sale	27,946	-	-	-	-	27,946
Total assets	18,571,370	2,148,358	3,681,196	352,826	848,775	25,602,525
Due to other financial institutions and banks	1,614,228	1,355,797	1,070,501	-	-	4,040,526
Sukuk securities issued	-	151,562	754,279	-	-	905,841
Subordinated Loans	-	-	-	433,080	-	433,080
Money market balances	221,428	-	-	-	-	221,428
Current and profit / loss sharing investors' accounts	15,559,943	1,249,479	221,280	-	48,334	17,079,036
Derivative financial instruments	45,312	7,802	5,834	-	-	58,948
Employee benefit obligations	-	36,700	-	-	30,243	66,943
Income taxes payable	-	20,096	-	-	-	20,096

31 December 2013	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Unallocated	Total
Other liabilities and provisions	-	-	1,879	-	356,242	358,121
Liabilities	17,440,911	2,821,436	2,053,773	433,661	434,819	23,184,019
Net	1,130,459	(673,078)	1,627,423	(80,254)	413,956	2,418,506

As a participation bank, Kuveyt Türk is less sensitive to certain funding and liquidity risks than conventional banks may be. The performance of, and return on, Kuveyt Türk's customers' participation accounts are directly tied to the performance of, and return on, Kuveyt Türk's credit portfolio, thus limiting negative liquidity effects during periods of market fluctuations. Moreover, because of the monthly principal repayment schedule for commercial credits (Kuveyt Türk does not offer the equivalent of interest only or "balloon" credits) it has more predictable month-to-month cash inflows. Senior Management believe that this more predictable access to funds gives it additional flexibility in managing funding and liquidity risk exposure. Kuveyt Türk continually assesses its funding and liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of its overall strategy.

The matching and controlled mismatching of the maturities and profit sharing rates or mark-up rates of assets and liabilities is fundamental to the management of Kuveyt Türk's business. It is unusual for these to be completely matched as transacted business is often of uncertain term and of different types. Furthermore, due to the short term maturity nature of deposits in Turkey, maturity mismatches are a common problem for Turkish banks. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace them, at an acceptable cost, are important factors in assessing Kuveyt Türk's liquidity and its exposure to changes in interest/profit or mark-up rates and exchange rates. Liquidity requirements to support calls under letters of guarantee, letters of credit and other non-cash credits are considerably less than the amount of the commitment.

Because Kuveyt Türk is a participation bank, certain alternative sources of funding typically used by conventional banks (such as interest-bearing facilities and securities portfolios) are not available to it and its ability to develop new sources may be limited or slowed by the approval process to which it subjects its financing and banking products (see "*Risk Factors – Risk factors relating to Kuveyt Türk's Business*" for further details).

Anti-Money Laundering and Combating the Finance of Terrorism (AML/CFT) and Client Identification

As the Financial Intelligence Unit of Turkey, the Financial Crimes Investigation Board laws and regulations with respect to AML/CFT are applicable to Kuveyt Türk. Kuveyt Türk is committed to ensuring adherence to AML/CFT regulations at all times. Kuveyt Türk has strict client identification policies and product teams are precluded from establishing new business relationships until all relevant parties to the relationship have been identified and the nature of the business they expect to conduct has been established. Furthermore, Kuveyt Türk is committed to preventing the provision of its financial services for the purposes of money laundering or terrorist financing activity. In line with Kuveyt Türk's AML/CFT Policy, all employees regardless of their role in Kuveyt Türk, are trained in Kuveyt Türk's AML/CFT and anti-terrorism financing policies on an annual basis.

Kuveyt Türk has appointed a Money Laundering Responsibility Officer (a "**MLRO**") who is responsible for supervising Kuveyt Türk's AML/CFT activities and for maintaining appropriate and effective systems, controls and records to ensure compliance with local AML/CFT regulations and the provisions of Kuveyt Türk's AML/CFT manual. The MLRO is also responsible for reviewing and reporting any suspicious transactions/activities concerning a client or an account to the respective regulator.

In order not to be unknowingly used as an intermediary in money laundering or terrorist financing, Kuveyt Türk implemented comprehensive AML and know-your-customer policies and procedures to comply with Turkish and international anti-money laundering rules and regulations. These policies and procedures apply to all local and international operations and transactions and include customer identification verification, retention of customer-related documentation and reporting of suspicious transactions to the authorities. Additionally, Kuveyt Türk requires that all its correspondent banks meet the requirements set forth in its AML policies.

The MLRO's responsibilities include formulating, issuing and implementing Kuveyt Türk's AML/CFT strategies and policies on an ongoing basis, overseeing the provision of appropriate AML/CFT training to all relevant staff, supervising and coordinating the activities of Kuveyt Türk's business, including the principal activities and reporting to the Turkish Financial Intelligence Unit of the Financial Crimes Investigation Board, regarding any suspicious activities.

MANAGEMENT

Management Board of Directors

The Board is comprised of nine directors ("**Directors**"), (see below). Members of the Board are appointed by Kuveyt Türk's shareholders, five of which are appointed by KFH; one of them being the chairman. Kuveyt Türk's chief executive officer also sits as a member of the Board as required by the Banking Law. Each Director is appointed for a term of three years and the Board meets at least six times annually. The business address of each member of the Board is Büyükdere Caddesi, No: 129, 34394 Esentepe, Istanbul, Turkey. No member of the Board has any actual or potential conflict of interest between his duties to Kuveyt Türk and his private interests and/or other duties.

Under Turkish law, directors are required to own at least one share in order to serve on the board of directors. Accordingly, the chairman and members of the Board own 0.139 per cent. of Kuveyt Türk's share capital.

The members of the Board are:

Name	Year of birth	Position	Year first elected to position
Hamad Abdulmohsen AlMarzouq	1962	Chairman	2014
Abdullah Tivnikli.....	1959	Vice Chairman	2001
Dr. Adnan Ertem.....	1965	Director	2002
Fawaz KH E Al Saleh	1963	Director	2006
Nadir Alpaslan.....	1966	Director	2011
Khaled Nasser Abdulaziz Al Fouzan	1954	Director	2006
Ahmad S Al Kharji	1972	Director	2014
Mohammed Al Midani.....	1965	Director	2015
Ufuk Uyan	1958	Director, Chief Executive Officer	1999

Hamad Abdulmohsen Al Marzouq—Chairman

Mr. Al Marzouq graduated from Claremont Graduate School in 1985 and received an MBA degree from University of Southern California. Working at senior management level at Kuwait Investment Corporation until 1990, at Kuwait Central Bank between 1990-1998 and at Ahli United Bank Bahrain until 2014. Mr. Al Marzouq was appointed as Charman of Board of Directors of Kuveyt Türk in 2014. Mr. Al Marzouq is a member of Kuveyt Türk's Corporate Governance Committee, Executive Committee and Credit Committee.

Abdullah Tivnikli—Vice Chairman

Mr. Tivnikli graduated from the Mechanical Engineering Department of Istanbul Technical University in 1981. Thereafter, he received his master's degree from the School of Business Administration of Istanbul Technical University in 1983.

Mr. Tivnikli has been Kuveyt Türk's vice chairman since 2001. He also serves as a member of Kuveyt Türk's Executive Committee, Credit Committee and Remuneration Committee. Mr. Tivnikli served in management positions in several private sector companies before assuming the office of manager of the project and financing department at Albaraka Türk Katılım Bankası A.S., another participation bank established in Turkey, in 1988. He is also the chairman of the boards of Körfez, Karadeniz Elektrik Yatırım Sanayi ve Ticaret A.S., Atlas Enerji Elektrik Üretim Sanayi A.S., İltek İletişim Teknolojileri A.S., Eksim Enerji A.S., and Sinangil Gıda Sanayi Ticaret ve Pazarlama A.S., the vice chairman of the board of directors of Tam Enerji Yatırım Sanayi ve Ticaret A.S., and a member of the board of directors of PHS Film Prodüksiyon A.S.

Dr. Adnan Ertem—Director

Dr. Ertem received a bachelor's degree from the School of Political Science, Public Administration Department of Istanbul University in 1987. In 1990, he received his master's degree from the Institute of Social Sciences of Political Science Department of Istanbul University. He was awarded a doctor of philosophy degree in Social Sciences from the same university in 1998.

Dr. Ertem has been a member of Kuveyt Türk's board of directors since 2002. He also serves as a member of Kuveyt Türk's Corporate Governance Committee and Audit and Risk Committee. He was appointed as the Istanbul Regional Director of Foundations in 2002 after serving in various positions within the same organisation. He currently serves as deputy secretary at the Prime Ministry of Turkey.

Fawaz KH E Al Saleh—Director

Mr. Al Saleh received his bachelor's degree from the Business Administration and Economics Department of Macalester College in the United States in 1987.

Mr. Al Saleh has been a member of Kuveyt Türk's board of directors since 2006. He currently also heads the Turkish office of Kuwait Finance House. He was an auditor and supervisor at Ernst & Young between 1987 and 1992. Mr. Al Saleh joined Kuveyt Türk in 1996, as a manager in the Fund Management department and, between 1999 and 2001, as the general manager of the Fund Management department. Thereafter, he served as the deputy general manager of Kuveyt Türk between 2001 and 2006. He is currently the chairman of the board of directors of Auto Land and the vice chairman of the board of directors of Körfez and Baytik Capital Holding.

Nadir Alpaslan—Director

Mr. Alpaslan received a bachelor's degree from Faculty of Political Sciences in Istanbul University in 1987. Mr. Alpaslan has been a member of Kuveyt Türk's board of directors since April 2011. His career started at the Ministry of Tourism as ministerial adviser in 1999 and subsequently at the Ministry of Education as human resources director and thereafter he joined the Ministry of Culture and Tourism until 2007. Since 2007 to May 2011 he served at the general secretariat of the President.

Khaled Nasser Abdulaziz Al Fouzan—Director

Mr. Al Fouzan received a bachelor's degree from the Business Administration Department of Kuwait University in 1978.

Mr. Al Fouzan has been a member of Kuveyt Türk's board of directors since August 2006. He also serves as a member of Kuveyt Türk's Audit and Risk Committee. In 2004, he was appointed as the assistant general manager of Finance & Management Department of the Kuwait Social Security Institution and as the manager of the Banking Department in 1984. Prior to this, he was appointed as the Director of Participations at the Kuwait Social Security Institution in 1978. Mr. Al Fouzan started his professional career at Kuwait Commercial Bank in the same year.

Ahmad S Al Kharji—Director

Mr. Al Kharji received a bachelor's degree in Finance and Banking from Kuwait University, Kuwait in 1994. In 1998, he received his master's degree in Business Administration from the University of San Diego, California, USA.

Mr. Al Kharji has been recently appointed as a member of Kuveyt Türk's board of directors in 2014. He previously served as Head of Investment Banking Department at Kuveyt Türk from June 2006 until November 2008. Mr. Al Kharji currently heads the International Banking Sector at Kuwait Finance House K.S.C. which oversees and monitors the banking subsidiaries, namely Kuveyt Türk, Kuwait Finance House Bahrain B.S.C. and Kuwait Finance House (Malaysia) Berhad, as well as managing the activity of the Financial Institutions and Structured Finance functions.

Mohammed Al Midani—Director

Mr. Al Midani received his bachelor's degree from Beirut University Business Administration in 1988 and his graduate degree from Canada Concordia University Accounting Department. Starting his career at Solinor S.A.R.L. in 1988, Mr. Al Midani worked at Moore Stephens Hyde Hughton Canada between 1997-1998 and Ernst & Young Saudi Arabia between 1998-2000 as Senior Auditor. He continued his career at Shareek Co.(Dallah Group) between 2000-2001 as Finance Manager. Between 2001-2010, he was a Lead Internal Auditor at Islamic Development Bank. Since 2010 he has been working as Manager of Equity Investments Department at Islamic Development Bank. In May 2015, Mr. Al Midani became a member of Kuveyt Türk's board of directors, the Audit Committee, the Internal Systems Committee and the Corporate Governance Committee.

Ufuk Uyan—Director and Chief Executive Officer

Mr. Uyan received his bachelor's degree in Economics from Bosphorus University in 1981 and obtained a master's degree from the same university in 1983.

Mr. Uyan has been a member of Kuveyt Türk's board of directors since 1999. He also serves as a member of Kuveyt Türk's Executive Committee. He worked as a research assistant at Bosphorus University between 1981 and 1982, and in 1982 he joined Türkiye Sinai Kalkınma Bankası A.S., as a research analyst in the department of private investigations. In 1985, he became an assistant project manager at Albaraka Türk Katılım Bankası A.S. He was appointed as the manager of projects and investments at Kuveyt Türk in 1989. In 1993, he was promoted to deputy general manager and in 1999 he was appointed as Kuveyt Türk's Chief Executive Officer.

Senior Management

Kuveyt Türk's Senior Management is responsible for the day-to-day management of Kuveyt Türk in accordance with the instructions, policies and operating guidelines set by the Board.

The business address of each member of Kuveyt Türk's Senior Management is Büyükdere Caddesi, No: 129, 34394 Esentepe, Istanbul, Turkey. No officer or senior manager of Kuveyt Türk has any actual or potential conflict of interest between his duties to Kuveyt Türk and his private interests and/or other duties.

The names and title of each member of Kuveyt Türk's Senior Management are set out in the table below:

Name	Year of birth	Position	Year first elected to position
Ufuk Uyan	1958	Chief Executive Officer	1999
Ahmet Karaca	1970	Chief Financial Officer (Financial Affairs)	2006
Ahmet Süleyman Karakaya	1953	Executive Vice President (Corporate and Commercial Banking)	2003
Bilal Sayın	1966	Executive Vice President (Credits)	2003
Hüseyin Cevdet Yılmaz	1966	President (Risk, Control and Compliance Group)	2002
İrfan Yılmaz.....	1970	Executive Vice President (Banking Services)	2005
Nurettin Kolaç	1966	Executive Vice President (Legal Affairs and Risk Follow Up)	2010
Mehmet Oral.....	1967	Executive Vice President (Retail Banking)	2012
Dr. Rusen Ahmet Albayrak.....	1966	Executive Vice President (International Banking and Treasury)	2005
Aslan Demir.....	1971	Executive Vice President (Strategy)	2012
Abdurrahman Delipoyraz.....	1968	Executive Vice President (SME Banking)	2015

Ufuk Uyan—Director and Chief Executive Officer

See "*Management—Management Board of Directors—Ufuk Uyan*".

Ahmet Karaca—Chief Financial Officer (Financial Affairs)

Mr. Karaca received a bachelor's degree from the Department of Public Administration of Ankara University in 1990. He completed his master's degree in Economics at the State University of New York in 2006.

Mr Karaca has been Executive Vice President in charge of Kuveyt Türk's Financial Affairs since 2006. Between 2002 and 2003, he worked as the vice chairman of the board of directors of Sworn Bank Auditors. In 1992, he was an on-site bank examiner at the Treasury and was appointed as a sworn bank auditor in 1995.

Ahmet Süleyman Karakaya—Executive Vice President (Corporate and Commercial Banking)

Mr. Karakaya received a bachelor's degree in Business and Finance from Istanbul University in 1979.

Mr. Karakaya has been Executive Vice President in charge of Kuveyt Türk's Commercial Banking Group since 2003. Before joining Kuveyt Türk, he worked at the Risk Management, Credits and District Management departments of Türkiye Garanti Bankası A.S. between 1981 and 2003. Mr. Karakaya also served as an inspector at Türkiye Garanti Bankası A.S. between 1981 and 1985.

Bilal Sayın—Executive Vice President (Credits)

Mr. Sayın received a bachelor's degree in Public Administration from Orta Dogu Teknik Üniversitesi in 1990.

Mr Sayın has been Executive Vice President in charge of Kuveyt Türk's Credits since 2003. In 1999, he was appointed as manager of Kuveyt Türk's Commercial Fund Allotment department. Mr. Sayın joined Kuveyt Türk in 1995 as specialist of the Projects and Investment department and he began his banking career in 1990 at Albaraka Türk Katılım Bankası A.S.

Hüseyin Cevdet Yılmaz—President (Risk, Control and Compliance Group)

Mr. Yılmaz received a bachelor's degree from the Business School of Bosphorus University in 1989.

Mr Yılmaz has been the President in charge of Kuveyt Türk's Risk Control and Compliance Group since 2002. In 2002 he joined Kuveyt Türk as president of the Inspection Board. He began his banking career in 1991 at Esbank A.S. as an assistant inspector in the Inspection department.

İrfan Yılmaz—Executive Vice President (Banking Services)

Mr. Yılmaz received a bachelor's degree in Business Engineering from Istanbul Technical University in 1989.

Mr. Yılmaz has been Executive Vice President in charge of Kuveyt Türk's Banking Services since 2005. Prior to this, he served as a manager in the Retail Banking department in 2000. In 1996, he joined Kuveyt Türk's Inspection Board and became its chairman in 1998. He began his banking career in 1990 at Kuveyt Türk spending six years in the Financial Control department as officer.

Nurettin Kolaç—Executive Vice President (Legal Affairs and Risk Follow Up)

Mr. Kolaç received a bachelor's degree in Law from Marmara University in 1988.

Mr. Kolaç worked for Türkiye Halk Bank A.Ş. and its subsidiaries as an attorney at law between 1989 and 2004. He started his career at the BRSA in 2007 and became the Head of Legal Affairs in 2007. Mr. Kolaç joined Kuveyt Türk on April 2010 and has been appointed as Executive Vice President responsible for legal affairs and collection.

Mehmet Oral—Executive Vice President (Retail Banking)

Mr. Oral is a graduate of Uludag University, Department of Business Administration, and started his career at Kuveyt Türk as a Central Branch Officer in 1992. After working for eight years at the Central Branch, he was appointed as Director of the IMES Branch in 2000. Mr. Oral went on to serve as Director of the Bursa Branch from 2001 to 2004 and Director of Merter Branch from 2004 to 2005. After Kuveyt Türk's transition to region offices, he became Regional Director of the Istanbul European Side Region Office in 2005. After serving in this position for four years, Mr. Oral became the Director of HR, Training and Quality Group in 2009. Since October 2012, he has been serving as Executive Vice President - Retail Banking.

Dr. Rusen Ahmet Albayrak—Executive Vice President (International Banking and Treasury)

Dr. Albayrak received a bachelor's degree in Industrial Engineering from Istanbul Technical University in 1988 and completed his doctor of philosophy degree at Istanbul Technical University in Business Management in 2007. He received his master's degree in Organisational Leadership and Management from University of North Carolina in 1993.

Dr. Albayrak has been Executive Vice President in charge of Kuveyt Türk's Corporate and International Banking Department since 2012. Dr. Albayrak acted as Executive Vice President in charge of Kuveyt Türk's Banking Services Group since 2005. He was appointed as Kuveyt Türk's assistant general manager in charge of Branches in 2003 and was in charge of setting up the Retail Banking Sales department at Kuveyt Türk in 2002. Mr. Albayrak joined Kuveyt Türk as an assistant manager in the Financial Analysis and Marketing Department in 1994. Prior to this, he worked as a project leader of Performance Management Consultancy Limited between 1996 and 1997. He began his banking career at Albaraka Türk Katılım Bankası A.Ş. in 1988.

Aslan Demir—Executive Vice President (Strategy)

Mr. Demir is a graduate of Marmara University, Department of International Relations, and is currently a student in the MBA program at the University of Sheffield. Having started his banking career as officer in the Treasury Department of Kuveyt Türk in 1995, Mr. Demir worked for six years in the department before serving in the Project Management and Quality Department from 2001 to 2004. In 2005, he was appointed Director of Project Management and Quality and in 2007, Mr. Demir continued his career as Head of Information Technologies. Since October 2012, Mr. Demir has been serving as Executive Vice President - Strategy.

Abdurrahman Delipoyraz—Executive Vice President (SME Banking)

Mr. Delipoyraz is a 1992 graduate of Istanbul Technical University, Department of Industrial Engineering. He started his professional career at Kuveyt Türk, in the Financial Analysis and Intelligence Department. Later, he went on to work in the Corporate and Commercial Banking Sales Department, before serving as Branch Manager at the Beşyüzevler and Bakırköy branches. In December 2004, he was appointed Regional Director and served as Istanbul Europe-1 and Istanbul Anatolia Regional Directors. Since January 2015, Mr. Delipoyraz has been serving as Executive Vice President – SME Banking.

Board and Management Committees

Kuveyt Türk has established several management committees responsible for various aspects of Kuveyt Türk's operations. The committees are the Internal Audit Committee, the Internal Systems Committee, the Credit Committee (see "*Risk Management*" for further details), the Executive Committee and the Basel II Steering Committee.

Executive Committee

The Executive Committee is responsible for exercising the powers of the Board (save for those which the Board expressly reserves for itself) in the management of the business and affairs of Kuveyt Türk as directed by the Board.

Basel II Steering Committee

The Basel II Steering Committee closely monitors Kuveyt Türk's compliance with Basel II developments. The committee also communicates and meets with the BRSA in connection with BRSA's monitoring of the implementation of Basel II by the Turkish banking industry in general.

Corporate Governance

There are no mandatory corporate governance rules in Turkey. However, in 2003, the CMB issued a set of recommended principles for public companies (the "**Corporate Governance Principles**"). The Corporate Governance Principles can be categorised into four groups: (i) principles relating to investor relations; (ii) principles relating to public disclosure and transparency; (iii) principles relating to shareholders; and (iv) principles relating to management. Although implementation of the Corporate Governance Principles is not currently mandatory, the CMB requires public companies to disclose the extent to which they have been implemented and, if they have not been fully implemented, to explain the reasons therefore. The CMB may decide to make such principles mandatory for public companies in the future. Annual reports filed by public companies must disclose contingency plans for dealing with any conflicts that may arise in the future and the implementation of the Corporate Governance Principles. In order to support implementation of the new Corporate Governance Principles, the CMB issued a rating communiqué which enables rating agencies to rate companies on the basis of their compliance with the principles.

Kuveyt Türk introduced its Code of Ethics guidelines in 2003 and established its Corporate Governance Committee in July 2007 which ensures that Kuveyt Türk operates within the Corporate Governance Principles.

Employees

As at 31 December 2014, Kuveyt Türk employed 5,082 full-time employees. As at 31 December 2014, the average age of Kuveyt Türk's employees was approximately 30 years of age and approximately 95 per cent. of Kuveyt Türk's professional staff were university graduates. The following table sets forth the average number of employees of Kuveyt Türk and its subsidiaries for the periods indicated.

	For the years ended 31 December	
	2014	2013
Kuveyt Türk.....	5,082	4,642
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	9	7
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği A.Ş.	5	4
KT Sukuk Varlık Kiralama A.Ş.	0	0
KT Kira Sertifikaları Varlık Kiralama A.Ş.	1	0
Kuveyt Turkish Participation Bank Dubai Ltd.....	11	9
Total.....	5,108	4,662

Training

Kuveyt Türk believes that its interests are aligned with the interests of its employees in terms of training and career development. Accordingly Kuveyt Türk has developed a carefully devised training and career development strategy for its personnel, which also takes into account its growth plans and continuous need for new qualified employees. Kuveyt Türk offers its employees a comprehensive training framework that covers core banking training, career development training and executive development programs. In addition to the centralised training, at local branch levels Kuveyt Türk offers selected employees training opportunities abroad. Kuveyt Türk was the first Turkish participation bank to develop an on-line training programme for employees. Kuveyt Türk currently provides approximately 60 per cent. of all training in-house and each employee attends on average 7 days of training each year.

Compensation

Kuveyt Türk's strategy is to offer its employees a comprehensive and competitive compensation package. Kuveyt Türk provides private health insurance for its employees at no cost and a private group pension plan for employees. If the employee pays 2 per cent. (minimum TRY58) of monthly gross salary into the pension plan, Kuveyt Türk matches that payment. Kuveyt Türk offers its employees a selection of other benefits based on their seniority including car allowances, cell phone allowances, lunch benefits, clothing allowances, education allowances, language allowances, transportation and other social contributions such as health, marriage, birth and death contributions. In addition to their base salaries, Kuveyt Türk also pays employees annual performance bonuses based on the individual employee's performance as well as Kuveyt Türk's overall financial performance. The total bonus pool is 6 per cent. of Kuveyt Türk's annual net profit in the event at least 80 per cent. of the targeted annual net profit is reached or a bonus pool of 8 per cent. of Kuveyt Türk's annual net profit in the event at least 90 per cent. of the targeted annual net profit is reached. On average, these performance bonuses have been approximately two and a half times the employee's monthly salary.

Advisory Board

The Advisory Board comprises Islamic scholars of good repute and with extensive experience in law, economics and banking systems. The Advisory Board is appointed by the Board. Its responsibilities include directing, reviewing and supervising the activities of Kuveyt Türk in order to ensure that they are in compliance with Islamic rules and principles including, but not limited to, supervising the development and creation of innovative interest-free products, issuing fatwas on any matter proposed to it by business units of Kuveyt Türk, ensuring that transactions are carried out in compliance with interest-free banking principles and analysing contracts and agreements concerning Kuveyt Türk's transactions.

The following table sets out the names of the current members of the Advisory Board:

Name	Position
Associate Professor Anwar Shuaib Abdulsalam	Chairman
Dr. İsmail Halitoğlu	Executive Member
Associate Professor Yusuf Bayindir.....	Member
Dr. Abdullah Durmus.....	Member

There are no potential conflicts of interest between the private interests or other duties of the Advisory board members listed above and their duties to Kuveyt Türk.

SELECTED FINANCIAL OVERVIEW

The following tables set forth, for the periods indicated, selected consolidated financial information of Kuveyt Türk derived from its IFRS Accounts incorporated by reference in this Prospectus. Prospective investors should read the following information in conjunction with the "Financial Review" section and the IFRS Accounts.

Income Statement Data

The table below sets out selected consolidated income statement data for Kuveyt Türk for the periods indicated.

	For the year ending 31 December	
	2014	2013
	(TRY in thousands)	
Income from financing activities:		
Profit on originated loans from profit / loss sharing accounts	873,316	629,650
Profit on originated loans from current accounts and equity	971,439	668,840
Profit on deposits with other banks and financial institutions	9,952	11,307
Profit on finance leases	43,157	22,266
Total income from financing activities	1,897,864	1,332,063
Profit shares distributed to participation accounts	(570,009)	(393,232)
Profit shares distributed to other banks and financial institutions	(245,574)	(155,656)
Net financing income	1,082,281	783,175
Provision for impairment of amounts due from financing activities and lease receivables	(182,272)	(185,601)
Net financing income after provision for impairment in due from financing activities and lease receivables	900,009	597,574
Foreign exchange gain, net	119,892	133,051
Net financing income after net foreign exchange gain / (loss)	1,019,901	730,625
Fees and commission income	367,754	318,401
Net trading income	27,764	39,200
Other income	46,273	62,404
Total other operating income	441,791	420,005
Fees and commission expense	(99,820)	(77,924)
Staff costs	(438,790)	(339,846)
Depreciation and amortization expense	(52,781)	(39,950)
Withholdings and other taxes	(28,509)	(26,670)
Rent expense	(73,109)	(59,739)
Other expenses	(207,105)	(172,660)
Share of (loss) of a joint venture	(3,758)	(436)
Total other operating expense	(903,952)	(717,225)
Income before taxation	557,740	433,405
Current tax charge	(114,821)	(73,153)
Deferred tax (charge)/credit	15,117	923
Net income for the year	458,036	361,175
Attributable to:		

	For the year ending 31 December	
	2014	2013
	<i>(TRY in thousands)</i>	
Owners of the equity.....	458,104	361,175
Non-controlling interests.....	(68)	-
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the foreign subsidiary	7,969	11,325
Available-for-sale investments reserve	19,044	(11,183)
Net change in fair value	23,805	(13,979)
Deferred tax relating to component of other comprehensive income	(4,761)	2,796
Items that will not be reclassified to profit or loss		
Employee termination benefits reserve	(5,161)	(12,276)
Net change in fair value	(6,451)	(15,345)
Deferred tax relating to component of other comprehensive income	1,290	3,069
Other comprehensive income for the year	21,852	(12,134)
Total comprehensive income for the year	479,888	349,041
Attributable to:		
Owners of the equity.....	479,956	349,041
Non-controlling interests.....	(68)	-
Basic and diluted earnings per share for net income attributable to the ordinary equity holders of the Group during the year (in full TRY per share)	0.229	0.256

Balance Sheet Data

The table below sets out selected consolidated balance sheet statement data for Kuveyt Türk for the periods indicated.

	As at 31 December	
	2014	2013
	<i>(TRY in thousands)</i>	
Assets		
Cash and balances with the Central Bank	1,127,568	858,686
Balances with other banks and financial institutions	3,218,932	2,715,572
Reserve deposits at the Central Bank	4,155,609	2,988,091
Financial assets – held for trading.....	48,095	115,936
<i>Derivative financial instruments</i>	43,115	108,739
<i>Share Certificates</i>	181	181
<i>Gold Fund</i>	4,799	7,016
Financial assets – available-for-sale.....	2,203,127	1,323,516
Due from financing activities, net	19,978,321	15,929,143
Minimum finance lease payments receivable, net	710,852	400,766
Precious metals	1,301,466	466,834
Construction projects, net	50,020	46,244
Joint ventures	6,306	5,064
Investment properties, net	26,136	20,815
Property and equipment, net	377,753	321,179
Intangible assets, net	70,331	55,775
Deferred tax assets.....	43,953	32,307
Other assets.....	406,269	294,651
	33,724,738	25,574,579
Assets and a disposal group held for sale	26,008	27,946
Total assets	33,750,746	25,602,525
Liabilities and equity		
Due to other financial institutions and banks	4,399,347	4,040,526
Sukuk securities issued	2,193,590	905,841
Subordinated loans.....	464,592	433,080
Money market balances	708,743	221,428
Current and profit / loss sharing investors' accounts	22,215,843	17,079,036

	As at 31 December	
	2014	2013
	<i>(TRY in thousands)</i>	
Derivative financial instruments	25,885	58,948
Employee benefit obligations.....	92,856	66,943
Income taxes payable.....	32,315	20,096
Other liabilities and provisions	380,872	358,121
Total liabilities.....	30,514,043	23,184,019
Share capital	2,287,005	1,700,000
Share premium.....	23,250	23,250
Available for sale investments reserve, net of tax	21,069	2,025
Employee termination benefits reserve, net of tax	(17,437)	(12,276)
Legal reserves and retained earnings.....	921,312	713,655
Currency translation differences	22,410	14,441
Other reserve.....	(22,123)	(22,589)
Non-controlling interest	1,217	-
Total equity attributable to equity holders of the parent.....	3,236,703	2,418,506
Total liabilities and equity	33,750,746	25,602,525

FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information set out in "Presentation of Financial and Certain Other Information", "Selected Financial Overview" and the IFRS Accounts.

As used herein, all references to 2013 and 2014 are references to the years ended 31 December 2013 and 31 December 2014, respectively.

This discussion of Kuveyt Türk's financial condition and results of operations is based on the IFRS Accounts and, unless otherwise specified, the financial information presented in this discussion has been extracted or derived without material adjustment from the IFRS Accounts, see "Presentation of Financial and Certain Other Information".

This discussion contains forward-looking statements that involve risks and uncertainties. Kuveyt Türk's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors".

Overview

Kuveyt Türk's core business segments are Retail Banking, Small Business Banking, Commercial Banking, Corporate and Treasury International Banking. Kuveyt Türk operates primarily in Turkey but also has an international presence in Bahrain, Dubai and Germany. However, BRSA regulations prescribe a common segment reporting requirement with respect to financial statements by all banks in Turkey. Accordingly, Kuveyt Türk reports its financial statements on the basis of BRSA segments which are Retail Banking, Corporate and Commercial banking and International and Investment banking and Treasury.

Kuveyt Türk also provides insurance and pension products through its subsidiaries (see "*Description of Kuveyt Türk — Group Structure, Subsidiaries, International Branches and Strategic Relationships — Subsidiaries*" for further details). Kuveyt Türk's principal source of funding is derived from both the domestic and international wholesale funding markets and customer deposits (see "*Risk Management — Funding*" for further details).

Despite challenging global economic conditions, Turkey has continued to demonstrate growth with GDP increasing by 2.9 per cent. in 2014, 4 per cent. in 2013 and 2.1 per cent. in 2012 (*source: TurkStat*). This economic growth has stimulated demand for banking services and led to increased competition in the banking sector from both private sector and public sector banks in Turkey as well as greater participation of foreign banks.

Kuveyt Türk's management is focused on expanding its domestic branch network and alternative distribution channels. Kuveyt Türk also intends to continue to grow its financing business, primarily loans and lease finances to the SME sector. For further details of Kuveyt Türk's strategy see "*Description of Kuveyt Türk Katılım Bankası A.Ş.— Strategy*".

Significant Factors Affecting Results of Operations

Numerous factors affect Kuveyt Türk's results of operations, some of which are outside its control. The significant factors that have affected Kuveyt Türk during the periods under review are discussed below.

Turkey's Economic Condition

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

In 2010, Turkey's economy experienced real GDP growth of 9.2 per cent., a significant recovery from the contraction of 4.8 per cent. experienced in 2009. The inflation rate in 2010 was 6.4 per cent. and the CBT policy rate at the end of the year was 6.5 per cent., the same level as at the start of that year. In 2011, real GDP growth was 8.8 per cent. and inflation was 10.45 per cent. The CBT's policy rate reduced slightly during 2011 and stood at 5.75 per cent. at the end of the year. During 2011, the CBT implemented

monetary policy and regulatory changes aimed at controlling the widening current account deficit (which increased to 10 per cent. of GDP in 2011 compared to 6.5 per cent. of GDP in 2010) and discouraging short-term capital inflows. The policy measures included increased reserve requirements, increased general provisioning requirements, higher risk-weighting for general purpose loans (other than mortgage and auto loans) and an unofficial limit of credit growth in 2011 of 25 per cent. Notwithstanding these measures, overall loan growth rates were still strong at 32.7 per cent. for 2011 according to BRSA data. According to the BRSA, asset quality also improved in 2011 with the banking sector's NPL ratio down to 2.6 per cent. as at 31 December 2011 from 3.6 per cent. as at 31 December 2010.

Global uncertainties continued during 2012, driven by the European sovereign debt crisis, U.S. monetary policies and high inflation risk in emerging markets. In Turkey, growth slowed with real GDP increasing by 2.1 per cent. for 2012. Inflation also fell in 2012 reflecting reduced domestic demand and a more stable exchange rate and was 6.16 per cent. in 2012. According to BRSA data, moderate credit growth in the Turkish banking sector continued in 2012 with loans increasing by 16.4 per cent. during 2012 and the NPL ratio for the banking sector was 2.9 per cent.

With improved global economic conditions, real GDP growth recovered to 4 per cent. in 2013. Inflation increased in 2013 to 7.4 per cent. According to BRSA data, a strong credit growth in the Turkish banking sector was observed in 2013 with loans increasing by 31.8 per cent. during 2013 and the NPL ratio for the banking sector was 2.7 per cent.

In 2014, the real GDP growth was 2.9 per cent. with inflation increasing to 8.17 per cent. According to BRSA data, loans in the Turkish banking sector increased by 18.45 per cent. during 2014 and the NPL for the banking sector was 2.75 per cent.

The following table sets forth key Turkish economic indicators for the periods presented.

	For the year ending 31 December	
	2014	2013
Nominal GDP at current prices (TRY millions).....	1,749,782	1,561,510
Real GDP growth.....	2.9%	4%
GDP per capita (in U.S. dollars)	10,404	10,782
Unemployment	10.4%	10%
Turkish Central Bank policy rate (year-end).....	8.25%	4.5%
Inflation	8.17%	7.4%
Exports (in billion U.S. dollars)	157.6	151.8
Imports (in billion U.S. dollars)	242.2	251.7
Trade deficit (in billion U.S. dollars)	84.56	99.84
Current account deficit (in billion U.S. dollars).....	45.99	65
Budget deficit (in billion Turkish Lira)	22.7	19.4

⁽¹⁾ (Sources of macro-economic data: CBT, Turkish Statistical Institute General Directorate of Public Accounts, Turkish Treasury, Turkish State Planning Organisation (DPT), IMF and other public sources).

Kuveyt Türk's net cash loans increased from TRY16,329.91 million as at 31 December 2013 to TRY20,689.17 million as at 31 December 2014 representing an increase of 26.69 per cent.. Whilst the Turkish economy recovered rapidly from the global economic crisis, more recently the economy has witnessed some challenging macro-economic conditions. The unemployment rate has been increasing since 2012 and more recently the budget deficit grew by 22.7 per cent. in 2014 as compared to 2013.

Declining Interest Rate Environment in Turkey

Kuveyt Türk's income from its loans and leasing receivables is a significant component of its total income. A significant factor affecting Kuveyt Türk's net financing income margin and loans and leasing receivables is the fluctuation in interest rates in Turkey. In general, increases in interest rates in Turkey allow Kuveyt Türk to increase its revenue from loans due to the higher margins that Kuveyt Türk receives and the corresponding higher return on its excess capital. However, such an increase may adversely affect Kuveyt Türk's results of operations as a result of reduced overall demand for loans and greater risk of default by Kuveyt Türk's customers. In addition, increased interest rates affect Kuveyt Türk's funding costs and can adversely affect Kuveyt Türk's net income if Kuveyt Türk is unable to pass on any increased funding costs to its customers. On the other hand, a decrease in interest rates can reduce Kuveyt Türk's revenue from loans as a result of lower rates on Kuveyt Türk's loans. This reduction of revenue

may, however, be offset by an increase in the volume of Kuveyt Türk's loans and leasing receivables resulting from increased demand for loans and by a decrease in Kuveyt Türk's funding costs.

The table below sets out Kuveyt Türk's expense from profit sharing accounts, profit share from loans and finance lease income and net income margin (calculated as its net profit share from loans and finance lease income divided by the average of net cash loans (which is the total of net cash loans at the beginning and at the end of the period divided by two)).

	For the year ending 31 December	
	2014	2013
	(TRY in thousands)	
Income from financing activities:		
Expense from profit sharing accounts.....	(815,583)	(548,888)
Profit share from loans and finance lease income	1,897,864	1,332,063
Net profit share from loans and finance lease income.....	1,082,281	783,175
Average net cash loans.....	18,509,541	14,048,075
Net profit margin (per cent.) ^(*)	5.85%	5.57%

^(*) Net profit margin is calculated as: net profit share from loans and finance lease income divided by the average of net cash loans, which is the total of net cash loans at the beginning and the end of the period divided by two.

The CBT reference overnight interest rate was 6.5 per cent. as at 31 December 2009. In May 2010, the CBT policy rate changed to the one week lending reference rate, which was 6.5 per cent. as of 31 December 2010 and 6.25 per cent. as of 30 June 2011. On 4 August 2011, the CBT reduced its policy rate by 50 basis points to 5.75 per cent. in response to concerns regarding European sovereign debt levels and anticipated lower levels of global growth while at the same time increasing the overnight borrowing rate significantly from 1.5 per cent. to 5 per cent. to narrow the interest rate gap from the overnight lending rate of 9 per cent. The overnight lending rate was later increased to 12.5 per cent. on 20 October 2011 in order to widen the interest rate corridor to protect mid-term inflation expectations in light of a decline in the Turkish lira exchange rate. During 2012, the CBT kept the policy rate stable at 5.75 per cent. In February 2012, the CBT reduced the overnight lending rate to 11.5 per cent., and, on 18 September 2012, the CBT reduced the overnight lending rate to 10 per cent. On 18 October 2012, the CBT reduced the overnight lending interest rate to 9.5 per cent. On 21 November 2012, the CBT reduced the overnight lending rate again to 9.0 per cent. whilst maintaining a stable overnight borrowing rate at 5 per cent. During 2013, the CBT consistently reduced the overnight rate of borrowing and lending with the overnight rate of lending being reduced to 7.75 per cent. and the overnight borrowing rate being retained at the reduced rate of 3.50 per cent. on 21 August 2013. In order to stop a slide in the Turkish lira, on 29 January 2014, the CBT increased the overnight rate of borrowing to 8.00 per cent. and increased the overnight rate of lending to 12.00 per cent. On 22 May 2014, the CBT decreased the one week repo rate from 10.00 per cent. to 9.50 per cent. and kept the overnight rate of lending to 12.00 per cent. As at December 2014, the CBT overnight rate of borrowing was 7.50 per cent. and the overnight lending rate was 11.25 per cent.

The recent higher interest rate environment in Turkey has helped support Kuveyt Türk's asset growth as it has been able to grow. The higher interest rate environment contributed to an increase in customer deposits by 30 per cent. in 2014 compared to 2013. This was achieved due to Kuveyt Türk's flexibility in being able to offer attractive profit share rates to its depositors which resulted in a substantial increase in Kuveyt Türk's deposits for the period ended 31 December 2014 compared to the same period in 2013.

Exchange Rates

A portion of Kuveyt Türk's assets and liabilities are denominated in foreign currencies. As at 31 December 2014, 52 per cent. of Kuveyt Türk's total assets and 50 per cent. of Kuveyt Türk's total liabilities were denominated in foreign currencies. Kuveyt Türk follows a square foreign exchange position policy (which is designed to ensure that foreign exchange assets are matched by foreign exchange liabilities denominated in the same currency after taking into account the effect of derivative instruments) to minimise its currency risk. Nevertheless, the overall effect of exchange rate movements on Kuveyt Türk's results of operations depends on the rate of depreciation or appreciation of the Turkish lira against its principal trading and financing currencies, as well as the successful implementation of Kuveyt Türk's exchange rate risk mitigation policy.

Significant Accounting Policies, Judgments and Estimates

For a discussion of the accounting policies applied by Kuveyt Türk generally in preparing its IFRS Accounts, see note 2 to the audited consolidated annual financial statements for the year ended 31 December 2014.

In preparing the IFRS Accounts, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of Kuveyt Türk's assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the financial statements as well as the reported amounts of its revenues and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements.

In the financial statements for the year ended 31 December 2014 Kuveyt Türk has changed the structure of its internal core business in a manner that has an impact on the composition of its reportable segments. Kuveyt Türk has decided not to restate the financial statements for the year ended 31 December 2013 based on the explanation as in IFRS 8 paragraphs 29 and 30. Kuveyt Türk presented the new segment information for the financial year ended 31 December 2014 only and on the old segment information for the financial years ended 31 December 2014 and 2013 for comparison purposes.

Results of operations for the years ended 31 December 2014 and 2013

Net financing income

Net financing income increased by 38.19 per cent. to TRY1,082.28 in 2014 from TRY783.18 million in 2013. This resulted from a general increase in income from financing activities, particularly from profit on originated loans from profit/loss sharing accounts and profit on originated loans from current accounts and equity.

Kuveyt Türk's profit share distributed to participation accounts and to other banks and financial institutions (expenses on financing activities) increased between 2014 and 2013 due to a higher participation ratio being paid to customers on their deposits. Total income from financing activities increased by 42.48 per cent. during the same period due to Kuveyt Türk retaining a greater proportion of the profit ratio on customer deposits.

Income from financing activities

The following table sets out the principal components of Kuveyt Türk's income for the years ended 31 December 2014 and 2013.

	For the year ending 31 December	
	2014	2013
	<i>(TRY in thousands)</i>	
Income from financing activities:		
Profit on originated loans from profit / loss sharing accounts	873,316	629,650
Profit on originated loans from current accounts and equity	971,439	668,840
Profit on deposits with other banks and financial institutions	9,952	11,307
Profit on finance leases	43,157	22,266
Total income from financing activities	1,897,864	1,332,063

Kuveyt Türk's income from financing activities consists of returns earned by Kuveyt Türk on (a) originated loans from profit and loss sharing accounts (which relate to income earned from loans funded by Kuveyt Türk from funds deposited by its customers in its profit and loss sharing account); (b) originated loans from current accounts and equity (which relate to income earned from loans funded by Kuveyt Türk from funds deposited either in its current account or through equity contributions by its shareholders); (c) deposits at other banks and financial institutions; and (d) minimum finance lease payments receivable, net (which relate to income earned by Kuveyt Türk from financing lease

transactions entered into with its customers).

2014 and 2013 compared

Kuveyt Türk's primary sources of income from financing activities are returns on loans originated from profit and loss sharing accounts and returns on loans originated from current accounts and equity. Income from loans originated from profit and loss sharing accounts increased by 38.7 per cent. in 2014 from TRY629.65 million in 2013 to TRY873.32 million in 2014. This increase was a direct result of the increase in Kuveyt Türk's volume of loans funded from current accounts and equity from which income increased by 45.24 per cent. in 2014 from TRY668.84 million in 2013 to TRY971.44 million in 2014. The increase in loans originated from current accounts and equity in 2014 was due to an increase in share capital which was partly funded by retained earnings amounting to TRY230 million and a cash capital contribution by Kuveyt Türk's shareholders of TRY357 million on 4 April and 28 May 2014 which enabled Kuveyt Türk to utilise its own funds to finance customer financings. On 31 March 2015 Kuveyt Türk further increased its share capital by TRY240 million from retained earnings. In addition, the increase in income on originated loans from profit and loss sharing accounts is also attributable to Kuveyt Türk's ability to retain greater share of the returns payable on the profit/loss sharing accounts as well as an increase in deposits.

Profit on deposits with other banks and financial institutions decreased by 11.98 per cent., from TRY11,307 million in 2013 to TRY9,952 million in 2014. This decrease was due to a decrease in the total amount of deposits at banks and financial institutions due to a low interest rate environment in Turkey.

Whilst the balance of minimum finance lease payments receivable (net) increased from TRY400.77 million in 2013 to TRY710.85 million in 2014, income from minimum finance lease payments receivable, net increased by 93.8 per cent. in 2014, from TRY22.27 million in 2013 to TRY43.16 million in 2014. The increase was primarily due to an increase in interest rates in Turkey.

The overall increase in Kuveyt Türk's total income from financing activities in 2014 was primarily due to an increase in cash loans of 26.69 per cent. from TRY16,329.91 million in 2013 to TRY 20,689.17 million in 2014.

Financing expenses

Kuveyt Türk's financing expenses comprise amounts paid by it in respect of (a) deposits by customers in participation accounts; and (b) borrowings and deposits from other banks and financial institutions.

The following table sets out the components of Kuveyt Türk's financing expenses for the years ended 31 December 2014 and 2013.

	For the year ending 31 December	
	2014	2013
	<i>(TRY in thousands)</i>	
Profit shares distributed to participation accounts.....	(570,009)	(393,232)
Profit shares distributed to other banks and financial institutions	(245,574)	(155,656)

2014 and 2013 compared

Profit shares distributed to participation accounts increased by 44.96 per cent. to TRY570.01 million in 2014 from TRY393.23 million in 2013 as a result of rising interest rates. Profit shares distributed to other banks and financial institutions increased by 57.76 per cent. to TRY245.57 million in 2014 from TRY155.66 million in 2013. This increase was as a result of an increase in total liabilities due to other financial institutions and banks.

The increase in profit shares distributed to participation accounts in 2014 was mainly due to an overall decrease in average returns paid by Kuveyt Türk on profit sharing accounts. The increase was also attributable to the lower income derived from the profit sharing pools for those accounts as a result of lower interest rates which meant that Kuveyt Türk's profit distribution on these accounts also increases. The increase in 2014 for profit shares distributed to other banks and financial institutions was mainly due to an increase in total liabilities due to financial institutions and banks.

Provision for Loan Losses

Kuveyt Türk's provisions for impairments due from financing activities and lease receivables decreased by 1.83 per cent. to TRY182.27 million in 2014 from TRY185.60 million in 2013 primarily due to a decrease in the amounts relating to loan payments due from customers that had to be written off.

Net fees and commission income

Kuveyt Türk generates fees and commission income from both its cash and non-cash businesses. The following table sets out Kuveyt Türk's net fees and commission income for the years ended 31 December 2014 and 2013.

	For the year ending 31 December	
	2014	2013
	<i>(TRY in thousands)</i>	
Fees and Commission Income	367,754	318,401
Fees and Commission Expense	(99,820)	(77,924)
Net Fees and Commission Income	267,934	240,477

Fees and commission income

The table below sets out the breakdown of fees and commission income for the years ended 31 December 2014 and 2013.

	For the year ending 31 December	
	2014	2013
	<i>(TRY in thousands)</i>	
Commissions on loans	136,341	131,112
Commission income from commitments	79,323	75,615
POS commission income	30,582	23,098
Credit card fees and commissions	24,213	12,763
Money transfer commissions	20,748	16,126
Income from agency activities	16,281	14,339
Commissions from checks and notes	12,123	8,344
Import letter of credit commissions	5,515	5,424
Communication expense charges	584	1,075
Other	42,044	31,005
Total	367,754	318,401

Kuveyt Türk's principal contributors to its fees and commission income are derived from: (a) commissions earned on loans (both cash and non-cash); (b) commission income from commitments including but not limited to letters of credit; (c) communication expense charges; (d) non- Kuveyt Türk credit cards used each time on Kuveyt Türk's credit card point-of-sale (**POS**) terminals; and (e) the use of Kuveyt Türk's credit cards in the form of commission received.

2014 and 2013 compared

Total fees and commission income increased by 15.50 per cent. in 2014 to TRY367.75 million from TRY318.40 million in 2013. Fees and commission income is primarily derived from commissions received on loans and from commitments, which includes letter of guarantee issuance commission and letter of credit confirmations. Fees and commissions received on loans increased by 3.97 per cent. from TRY131.13 million in 2013 to TRY136.34 million in 2014. This was principally as a result of an increase in the loan volumes due to increased demand. Communication expense charges (which are comprised of customer teller and transfer fees) decreased by 45.67 per cent. to TRY.58 million in 2014 from TRY1.08 million in 2013. Communication expense charges decreased due to an increase in the volume of funds cleared by customer accounts which in turn resulted in an increase in fees charged to customers. POS commission income increased by 32.40 per cent. to TRY30.58 million in 2014 from TRY23.10 million in 2013. In the case of POS commission income, the increase was as a result of decreased costs from the

reimbursement of merchants for charges on credit or debit cards as well as an increase in volume usage of credit cards in Turkey.

Credit card fees and commissions increased by 89.71 per cent. to TRY24.21 million in 2014 from TRY12.76 million in 2013. The increase in credit card fees and commissions was attributable to the general increase in the volume of credit cards issued by Kuveyt Türk in 2014.

Import letter of credit commissions increased by 1.68 per cent. to TRY5.52 million for the year ending 31 December 2014 from TRY5.42 million for the year ending 31 December 2013. This was primarily due to the increasingly competitive nature of the non-cash loan sector within Turkey which has resulted in a decrease in the rate of commission charged.

Fees and commission expenses

Kuveyt Türk's principal fees and commission expenses relate to the payment of fees and expenses relating to credit card machines and brokerage fees on borrowing by Kuveyt Türk customers.

The following table sets out the breakdown of fees and commission expenses for the years ended 31 December 2014 and 2013.

	For the year ending 31 December	
	2014	2013
	<i>(TRY in thousands)</i>	
Credit card machine charges and fees paid for credit cards.....	41,412	31,552
Brokerage fees on borrowings	20,840	16,174
Correspondent bank fees.....	8,677	10,254
Fees for fund borrowed from banks and OFI	13,692	6,947
Money transfer commissions	6,062	5,005
Other	9,137	7,992
Total.....	99,820	77,924

2014 and 2013 compared

Total fees and commission expenses increased by 28.11 per cent. in 2014 from TRY77.92 million in 2013 to TRY99.82 million in 2014. The increase was primarily due to the increase in the volume of usage of Kuveyt Türk's credit cards. Brokerage fees on borrowings also increased by 28.88 per cent. in 2014 from TRY16.17 million in 2013 to TRY20.84 million in 2014.

Other operating income (net)

Kuveyt Türk's principal contributors to its other operating income (net) are derived from: (a) income/(loss) from construction projects (net); (b) net trading income; and (c) other income.

The table below sets out the breakdown of other operating income for the years ended 31 December 2014 and 2013.

	For the year ending 31 December	
	2014	2013
	<i>(TRY in thousands)</i>	
Net trading income.....	27,764	39,200
Other income	46,273	62,404
Total.....	74,037	101,604

2014 and 2013 compared

Net trading income decreased by 29.18 per cent. in 2014 from TRY39.20 million in 2013 to TRY27.76 million in 2014. This decrease of income is the result of a decrease in the volume of derivative transactions, composed mostly of forward and swap transactions.

Other income decreased by 25.85 per cent. in 2014 from TRY62.40 million in 2013 to TRY46.27 million in 2014. Other income includes subsequent recovery of credit amounts previously written off and gain on sale of assets.

Other operating expense

The table below sets out the breakdown of other operating expenses for the years ended 31 December 2014 and 2013.

	For the year ending 31 December	
	2014	2013
	<i>(TRY in thousands)</i>	
Fees and commission expense	(99,820)	(77,924)
Staff costs	(438,790)	(339,846)
Depreciation and amortisation expense	(52,781)	(39,950)
Withholdings and other taxes	(28,509)	(26,670)
Rent expense	(73,109)	(59,739)
Other expenses	(207,185)	(172,660)
Share of (loss) of a joint venture	(3,758)	(436)
Total other operating expense	(903,952)	(717,225)

2014 and 2013 compared

Other operating expenses increased by 26.03 per cent. in 2014 to TRY903.95 million from TRY717.23 million in 2013. The main contributor to the increase was salary and employee benefits primarily driven by an increase in the total number of employees from 4,662 in 2013 to 5,102 in 2014. The increase in the number of employees reflects the increase in the number of branches opened by Kuveyt Türk in 2014.

Additionally, the increase in Kuveyt Türk's branch network also contributed to an increase in rent expenses from TRY59.74 million in 2013 to TRY73.11 million in 2014, reflecting an increase of 22.38 per cent.

Net foreign exchange gain, net

Kuveyt Türk, as a policy, seeks to maintain a square position in respect of its foreign exchange position to minimise its currency fluctuation risk. This is achieved by ensuring that its foreign currency participation accounts are generally matched directly with its foreign currency credits. Nevertheless, Kuveyt Türk is exposed to foreign exchange rate fluctuations which have an impact on Kuveyt Türk's income and expenses. See "—*Exchange Rates*" for further details.

2014 and 2013 compared

In 2014, Kuveyt Türk experienced foreign exchange gains from TRY119.89 million compared to a gain in 2013 of TRY133.05 million, a decrease of 9.89 per cent. Such gains resulted from foreign exchange rate fluctuations.

Taxation

Kuveyt Türk and its subsidiaries are subject to taxation in accordance with the tax rules and legislation effective in the countries in which Kuveyt Türk operates.

In Turkey, Kuveyt Türk is subject to Turkish corporate taxes. Corporate tax is applied on taxable corporate income which is determined from the statutory accounting profit by adding non-deductible expenses and by deducting dividends received from resident companies, other exempt income and investment incentives.

The statutory tax rate in Turkey for the years 2014 and 2013 was 20 per cent. Advance tax returns are filed on a quarterly basis in Turkey and the applicable corporate tax in 2014 and 2013 was 20 per cent.

Dividends paid to non-resident corporations, with no place of business in Turkey are subject to withholding tax at the rate of 15 per cent.

2014 and 2013 compared

Kuveyt Türk's tax expenses increased from TRY73.15 million in 2013 to TRY114.82 million in 2014 reflecting an increase of 56.96 per cent. This increase in corporate tax payable by Kuveyt Türk was a result of an increase in Kuveyt Türk's taxable profit of TRY124.33 million from TRY433.41 million in 2013 to TRY557.74 million in 2014.

Net income for the year

Reflecting the various factors discussed above, Kuveyt Türk's net income for 2014 was TRY458.04 million, an increase of 26.82 per cent. as compared to net income of TRY361.18 million for 2013. This increase is principally attributed to an increase in total income from financing activities and an increase in total operating income.

Financial Condition

Total Assets

Kuveyt Türk's total assets grew in 2014 by 31.83 per cent. to TRY33,750.75 million as at 31 December 2014 from TRY25,602.53 million as at 31 December 2013.

Cash and balances with the CBT

As at 31 December 2014, cash and balances with the CBT was TRY1,127.57 million compared to TRY858.67 million as at 31 December 2013 reflecting an increase of 31.32 per cent. primarily as a result of an increase in funds placed as reserves with the CBT.

Due from financing activities, net

As at 31 December 2014, due from financing activities, net accounted for 59.19 per cent. of Kuveyt Türk's total assets. Due from financing activities, net increased by 25.42 per cent. in 2014, from TRY15,929.14 million as at 31 December 2013 to TRY19,978.32 million as at 31 December 2014. These increases were primarily as a result of increased financing by Kuveyt Türk in conjunction with its branch growth, and the improving Turkish economy.

Minimum finance lease payments receivable, net

As at 31 December 2014, minimum finance lease payments receivables, net contributed 2.11 per cent. of Kuveyt Türk's total assets. Net minimum finance lease payments receivables increased by 77.37 per cent. from TRY400.77 million as at 31 December 2013 to TRY710.85 million as at 31 December 2014. The increase was as a result of the volume of Kuveyt Türk's finance lease transactions due to the improving Turkish economy as well as an increase in the number of branches.

Financial assets

Kuveyt Türk classifies its financial assets in the following categories: (i) held for trading; and (ii) available-for-sale.

Financial assets held for trading

Financial assets held for trading decreased by 58.51 per cent. from TRY115.94 million as at 31 December 2013 to TRY48.10 million as at 31 December 2014.

Financial assets held for trading are recognised through: (i) derivative financial instruments; (ii) share certificates; and (iii) gold fund.

Derivative financial instruments

Kuveyt Türk's investments in derivative financial instruments forward contracts in relation to asset sales and purchases predominantly relate to swap agreements entered into to manage Kuveyt Türk's currency fluctuation risk as well as profit share amounts to be paid or to be received. Kuveyt Türk aims to maintain a net even position.

Notional amount of derivative financial instruments decreased by 4.04 per cent. in 2014 to TRY9,137.16 million as at 31 December 2014 from TRY9,521.56 million as at 31 December 2013.

The table below shows the fair value of derivative financial instruments. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

	As at 31 December					
	2014			2013		
	Fair value asset	Fair value liabilities	Notional amount in TRY equivalent	Fair value asset	Fair value liabilities	Notional amount in TRY equivalent
(TRY in thousands)						
Inflows	43,115	-	4,576,673	108,739	-	4,784,234
Outflows	-	25,885	4,560,487	-	58,948	4,737,323
Total	43,115	25,885	9,137,160	108,739	58,948	9,521,557

Share certificates

As at 31 December 2014, share certificates remained constant at TRY181 thousand compared to as at 31 December 2013.

Gold Fund

As at 31 December 2014, Kuveyt Türk's investment in the B Type Gold Fund listed on the İstanbul stock exchange was TRY4.80 million compared to TRY7.02 million as at 31 December 2013. This decrease in value was as a result of a global reduction in gold prices during 2014.

Financial Assets available-for-sale

Financial assets available-for-sale, which consist of unlisted shares and financial sukuk, increased by 66.46 per cent. in 2014 to TRY2,203.13 million from TRY1,323.52 million in 2013. This increase was primarily as a result of an increase in investments by Kuveyt Türk in financial sukuk. As at 31 December 2014, Kuveyt Türk's investments in financial sukuk increased by 66.9 per cent. from TRY1,314.82 million at 31 December 2013 to TRY2,194.44 million as at 31 December 2014.

As at 31 December 2014 and 2013, Kuveyt Türk's holdings of unlisted shares comprised TRY8.69 million. The breakdown of Kuveyt Türk's holdings of unlisted shares is as follows:

	Nature of business	As at 31 December			
		2014		2013	
		%	Amount	%	Amount
Kredi Garanti Fonu A.Ş. (" KGf ")	Financial institution	1.75	4,211	1.75	4,211
Neova Sigorta A.Ş.	Insurance company	6.99	3,752	6.99	3,752
Islamic International Rating Agency (" IRA ")	Financial institution	8.36	714	8.36	714
Borsa İstanbul A.Ş.	Exchange entity	0.0035	15	0.0035	15
Total			8,692		8,692

Funding and Liquidity

Kuveyt Türk's principal sources of funding are described under "*Risk Management — Funding*". The table below summarises Kuveyt Türk's cash flows for each of 2014 and 2013.

	For the year ending 31 December	
	2014	2013
	(TRY in thousands)	
Net cash used in operating activities	(2,191,335)	(624,177)
Net cash used in investing activities.....	(953,523)	(884,436)
Net cash provided in financing activities	(2,370,965)	2,476,459
Net decrease in cash and cash equivalents	(773,893)	967,846
Net foreign exchange difference on cash and cash equivalents.....	17,067	69,953
Cash and cash equivalents at 1 January.....	2,844,735	1,806,936
Cash and cash equivalents at period end	2,087,909	2,844,735

The principal factor impacting Kuveyt Türk's operating cash flows was changes from financing activities. In 2014, the increase in Kuveyt Türk's loan portfolio was the principal reason for its negative operating cash flows.

The principal factor impacting Kuveyt Türk's investing cash flows was purchases of investment securities (predominantly comprising of sukuk), which exceeded its sales of investment securities.

Kuveyt Türk's cash flow from financing activities reflects the receipt of funds borrowed and financing sukuk issued. Kuveyt Türk received TRY150 million on 19 November 2013 in proceeds from financing sukuk issued and syndicate loans of U.S.\$275 million and Euro 83 million on 27 December 2013. In addition in 2014, Kuveyt Türk issued, through KT Kira, U.S.\$500 million Certificates due 2019. In April 2015, Kuveyt Türk established a MYR2 billion Certificates programme and issued MYR300 million Certificates due 2020.

Sukuk issued by Kuveyt Türk as of 31 December 2014 and 2013 is as follows:

	For the year ending 31 December	
	2014	2013
	(TRY in thousands)	
Sukuk certificates issued USD	1,953,221	754,279
Sukuk certificates issued TRY	240,369	151,562
Total	2,193,590	905,841

Off-balance sheet commitments

Kuveyt Türk's off-balance sheet commitments principally comprise letters of guarantee, letters of credit and commitments to extend credit.

The following table analyses Kuveyt Türk's significant contingencies and commitments as at 31 December 2014 and 2013.

	For the year ending 31 December	
	2014	2013
	(TRY in thousands)	
Letters of guarantee issued by Kuveyt Turk.....	6,893,972	7,127,080
Letters of credit.....	922,530	1,217,277
Commitments.....	2,582,471	2,411,581
Acceptance credits	59,790	57,587
Other guarantees	372,420	270,403
Total	10,831,183	11,083,928

Related Party Transaction

Kuveyt Türk entered into various banking transactions with related parties in its normal course of business including balances with financial institutions due from financing activities, due to other financial institutions and banks and profit/loss sharing investors' and current accounts. Details of related party transactions are set out in note 24 of the IFRS Accounts for the year ended 31 December 2014.

Recent Developments

On 11 November 2015 Kuveyt Türk released its Interim BRSA Accounts. The Interim BRSA Accounts disclosed an increase in net profit to TRY351.6 million for the period ended 30 September 2015 compared to TRY288.2 million for the corresponding period in 2014.

The Interim BRSA Accounts disclosed an increase in assets to TRY43,049.2 million as at 30 September 2015 compared to TRY32,657.9 million for the corresponding period in 2014.

OVERVIEW OF THE TURKISH BANKING SECTOR AND REGULATIONS

Summary

The Turkish financial sector has gone through major structural changes as a result of the financial liberalisation programme that started in the early 1980s. The abolition of directed credit policies, the liberalisation of deposit and credit interest rates and liberal exchange rate policies as well as the adoption of international best standard banking regulations have accelerated the structural transformation of the Turkish banking sector. Since the 1980s, the Turkish banking sector has experienced a significant expansion and development in the number of banks, employment in the sector, diversification of services and technological infrastructure. The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001 this resulted in the collapse of several institutions, including a participation bank. The banking sector also experienced a sharp reduction in shareholders' equity in 2001, with the capital of the 22 private sector banks declining to U.S.\$4,916 million at the end of 2001 from U.S.\$8,056 million for 28 banks at the end of 2000, according to the Banks Association of Turkey.

The Turkish money markets and foreign exchange markets have stabilised since 2001, in large part due to regulatory reform and other governmental actions (including a three-part audit undertaken in 2001 and the first half of 2002, after which all private commercial banks were either found to be in compliance with the 8.0 per cent. minimum capital requirement, transferred to the Savings Deposits Insurance Fund ("**SDIF**"), or asked to increase their capital level). The transparency of the system was improved along with the establishment of an independent supervisory and regulatory framework and new disclosure requirements. Unfair competition from state banks was reduced while the efficiency of the system increased in general as a result of consolidation. According to the SDIF's official data, since 1994, a total of 25 private banks have been transferred to the SDIF due to, among other things, weakened financial stability and liquidity and efforts are continuing on the resolution of the SDIF banks while restructuring and privatisation of the state banks is progressing.

In August 2004, in an attempt to reduce the regulatory costs inherent in the Turkish banking system, the government reduced the rate of the Resource Utilisation Support Fund ("**RUSF**") applicable on short-term foreign currency commercial loans lent by banks domiciled in Turkey to zero. However, the 3.0 per cent. RUSF charge for some types of loans provided by banks outside of Turkey with an average repayment term of less than one year remains valid. Pursuant to recent changes in the RUSF charges in accordance with the Council of Ministers decision numbered 2012/4116 (published 1 January 2013), loans provided by banks outside of Turkey with an average repayment term of one year (including one year) to two years are subject to a 1.0 per cent. RUSF charge, those with an average repayment term of two years (including two years) to three years are subject to a 0.5 per cent. RUSF charge and those with an average repayment term of above 3 years (including 3 years) are subject to a 0 per cent. RUSF charge. In 2010, the government also increased the RUSF charge on interest of foreign currency-denominated retail loans from 10 per cent. to 15 per cent. in order to curb domestic demand fuelled by credit, which was in turn perceived to be adversely affecting Turkey's current account balance. The RUSF charge applied to consumer credits to be utilised by real persons (for non-commercial utilisation) is 15 per cent. in accordance with the Council of Ministers' decision numbered 2010/974 (published 28 October 2010).

In addition, there have been significant changes to Turkish banking legislation over the last few years.

The Banks Act No. 4389 (as amended by Laws No. 4491, 4672, 4684, 4743, 4842, 5020, 5189 and 5228) was replaced by the Banking Law No. 5411 on 1 November 2005 (the "**Banking Law**"). The Banking Law (as amended by Laws No. 5472, 5667, 5754, 5766, 6111, 6300, 6327, 6352, 6362, 6456, 6462, 6487, 6493 and 6495 and Decree No. 662) governs the activities conducted by among others commercial banks as well as participation banks. For further details please see "*Types of Banks in Turkey*" below.

Regulatory Environment

Regulatory responsibility in the Turkish banking sector is split between the BRSA, the CBT and the SDIF. The BRSA regulates and monitors the application of the Banking Law and other relevant regulations to ensure a disciplined and efficient banking sector within Turkey. The CBT is the entity responsible for the Government's fiscal and monetary policies. The SDIF's role is to insure the savings deposits and participation funds held with banks. In the event of financial instability within a bank, the

SDIF may take measures to restructure such a bank to strengthen its fiscal structure.

The Role of the BRSA

The BRSA is an independent body authorised under Articles 82 to 110 of the Banking Law and has the status of a public legal entity with administrative and financial autonomy. It is the sole regulatory and supervisory authority for the Turkish banking sector. The BRSA's role is to protect the rights and benefits of depositors and to establish a competitive, disciplined and efficient banking and financial sector within Turkey. Accordingly, the BRSA is authorised to undertake all necessary steps, within the limits of the autonomy granted to it by the Banking Law, to ensure it effectively monitors and regulates the Turkish banking sector.

The BRSA has responsibility for all banks operating in Turkey, including foreign and participation banks. The BRSA sets various mandatory ratios such as capital adequacy and liquidity ratios. In addition, all banks operating in Turkey must provide the BRSA, on a regular and timely basis, with information adequate to permit off-site analysis by the BRSA of such bank's financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and annual basis, depending upon the nature of the information to be reported.

The BRSA conducts both on-site and off-site audits and supervises implementation of the provisions of the Banking Law and other legislation, examines all banking operations and analyses the relationship and balance between assets, receivables, equity capital, liabilities, profit and loss accounts and all other factors affecting a bank's financial structure. The BRSA's on-site supervision is conducted through a team of sworn bank auditors and other experts who are employed by the BRSA. In addition, the chairman of the BRSA has the authority to commission independent audit teams to examine specific matters within any bank that the chairman deems appropriate.

In addition to the above-mentioned requirements, pursuant to the regulation regarding the Internal Systems of Banks (as issued by the BRSA and published in the Official Gazette dated 11 July 2014 and numbered 29057), banks in Turkey are required to establish, manage and develop (for themselves, and all of their branches, regional directorates and units and all of their consolidated affiliates) internal audit and risk management systems in line with the scope and structure of their organisations, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. Furthermore, pursuant to Article 20 of the regulation, internal control personnel cannot have any other duties.

The Participation Banks Association of Turkey

The Participation Banks Association of Turkey ("**PBAT**"), established in accordance with the Banking Law, acts as an organisation with limited supervision and coordination in respect of participation banks. All participation banks in Turkey are obliged to become members of this association. As the representative body of the participation banking sector, the association aims to examine, protect and promote its members' professional interests.

Pursuant to Article 79 of the Banking Law, deposit banks and investment banks are obliged to become members of the Banks Association of Turkey and participation banks are obliged to become members of the PBAT within one month following obtaining their operation permit. Both of the Banks Association of Turkey and the PBAT are professional organisations which have the same status. As the representative bodies of the banking sector, the associations aim to examine, protect and promote its members' professional interests.

However, despite its regulatory and disciplinary functions, it does not possess any of the powers to regulate banking as the BRSA does.

The Role of the CBT

The CBT was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, provision of price stability and its continuity, regulation of the money supply, management of official gold and foreign exchange reserves, monitoring of the financial system and advising the government on financial matters. The CBT exercises its powers independently of the

government and is responsible for its affairs within the bounds of the Government's defined policies.

Currently, the CBT is the sole regulator of the volume and circulation of the national currency. It has responsibility for developing and implementing the Government's monetary policy, as well as managing and controlling official gold and foreign exchange reserves. The CBT also acts as the Government's treasurer, financial agent and economic adviser. The CBT uses various monetary tools to implement its functions, including open market operations, setting reserve and liquidity ratios, determining discount rates and controlling short term interest rates. The CBT monitors a centralised risk valuation system in an effort to better supervise the banking system in collaboration with the Undersecretariat of Treasury for Turkey (the "**Treasury**").

The Role of the SDIF

The SDIF is a public legal entity, set up to insure savings deposits and participation funds held with banks. The SDIF is responsible for, and authorised to take measures in relation to, restructuring, transfer of title to third parties and strengthening the fiscal structures of banks **provided that** the management and control of the bank have been transferred to the SDIF in accordance with Article 71 of the Banking Law.

Pursuant to Article 63 of the Banking Law, the savings deposits and participation funds belonging to real persons in credit institutions are insured by the SDIF. The coverage and amount of the savings deposits and participation funds belonging to real persons which will be subject to insurance is set by the SDIF upon the approval of the CBT, the BRSA and the Treasury. According to the Banking Law, the risk-based insurance premium rate cannot exceed 20/1000 of the deposits and participation funds subject to insurance on an annual basis. The tariff, collection time, method and other conditions of the risk-based insurance premium is set by the SDIF after consultation with the BRSA. Pursuant to the Regulation on Saving Deposits and Participation Funds subject to Insurance and Premiums to be collected by the SDIF, the insurance premium rate to be paid by Kuveyt Türk as of the date of this Prospectus is 5.2/1000 per cent. of the deposits and participation funds subject to insurance. The SDIF may borrow with the authorisation of the Treasury and/or if necessary, the Treasury can issue government securities, the proceeds of which shall be allocated to the SDIF. The principles and procedures regarding government securities including their interest rates and terms and conditions of repayments to the Treasury are determined collectively by the Treasury and the SDIF.

In extraordinary circumstances, where the resources of the SDIF do not match its needs, the CBT may advance funds to the SDIF upon the request by the SDIF. The maturity, amounts, repayment conditions, interest rates and other conditions of the advance will be determined by the CBT upon consultation with the SDIF.

If the assets of the SDIF do not meet the demands on it and the resources of the SDIF are insufficient, then banks may be required to make advances of up to the total insurance premiums paid by them in the previous year to be set-off against their future premium obligations.

Deposits held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers, auditors and by the parents, spouses and children of the above, and deposits, participation funds and other accounts within the scope of criminally-related assets set forth in Article 282 of the Turkish Criminal Code and other deposits, participation funds and accounts as determined by the BRSA are not covered by the SDIF's insurance.

Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Act (1932), exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration. Also in such event, holders of savings deposits will have a first-degree privileged claim in respect of the part of their deposit that is not covered by the SDIF.

As of the date of this Prospectus, Adabank A.Ş. and Birleşik Fon Bankası A.Ş. ("**BFB**") and Bank Asya are the only banks which are under the supervision and administration of the SDIF. BFB has been incorporated by the SDIF by merging the assets of Etibank A.Ş., İktisat Bankası T.A.Ş., Interbank A.Ş., Esbank A.Ş., EGSBank A.Ş., Kentbank A.Ş. and Toprakbank A.Ş. into Bayındırbank A.Ş. and by

converting the latter into BFB. In February 2015 Bank Asya came under the supervision of the SDIF as a result of a determination by the BRSA that Bank Asya had failed to submit information and documents concerning 132 of 185 of its privileged shareholders.

Types of Banks in Turkey

Banks in Turkey are classified as: public sector commercial banks; private sector commercial banks; foreign commercial banks; development and investment banks; participation banks and banks under the control of the SDIF.

The following table sets out certain statistical information for the Turkish banking sector as at 31 March 2015 (the latest date for which such figures are available) under BRSA accounting principles.

	Public Sector Banks	Private Sector Banks	Foreign Banks	Development and Investment Bank*	Participation Banks	Total
<i>(TRY in millions, where applicable)</i>						
Total assets	667,357.30	1,054,172.53	406,705.83	90,007.45	109,602.76	2,327,845.87
Total loans	415,337.96	658,965.47	248,899.89	61,135.56	66,490.75	1,450,829.63
Total deposits	340,528.71	551,792.09	223,471.26	0	67,045.99	1,182,838.05
Total shareholders' equity	79,706.78	116,331.64	39,488.47	21,534.83	9,832.23	266,893.95
Net income	2,432.66	3,400.11	868.40	432.15	239.90	7,373.22
Number of domestic branches.....	3,519	5,620	3,019	40	1,006	13,204
Number of domestic employees.....	60,714	99,357	56,809	5,483	16,434	238,797
Number of banks	7	16	26	13	4	66

Source: BRSA.

Note: Banks controlled by the SDIF are not included in these figures

The public and private sector commercial banks form the majority of the Turkish banking sector in terms of assets and operations. The three public sector banks, which all have large branch networks, were originally established with social rather than profit objectives, principally to provide services to certain sectors of the working population. Private sector commercial banks are comprised of full-service banks and corporate/trade finance-orientated banks. The four largest private commercial banks are Türkiye İş Bankası A.Ş., Türkiye Garanti Bankası A.Ş. ("**Garanti Bankası**"), Akbank T.A.Ş. ("**Akbank**") and Yapı ve Kredi Bankası A.Ş. These banks provide a large proportion of retail banking services and related financial products to the Turkish population in addition to providing large Turkish corporations and Turkish subsidiaries of large foreign companies with corporate and foreign trade related banking services.

In recent years, the liberalisation of the Turkish economy has resulted in an increase in the number of foreign-banks operating in Turkey, either as locally incorporated banks, branches or joint ventures with domestic banks. The following are examples of notable merger and acquisition activities by foreign banks in recent years. In February 2005, BNP Paribas acquired 50 per cent. of the shares of TEB Mali Yatırımlar A.Ş. which owns 84.3 per cent. of the shares of TEB A.Ş. In October 2006, Denizbank was acquired from the Zorlu Group by Dexia for U.S.\$2.4 billion. Latterly in September 2012, Sberbank acquired 99.85 per cent. of Denizbank from Dexia for U.S.\$3.6 billion (subject to post-closing adjustments). In January 2007, Citigroup acquired a 20 per cent. stake in Akbank and later in the same year ING acquired Oyakbank for U.S.\$2.7 billion. More recently, in March 2011, General Electric Co. and Doğu Holding A.Ş. sold their 18.6 per cent. and 6.3 per cent. stakes, respectively, in Garanti Bankası to Banco Bilbao Vizcaya Argentaria S.A. ("**BBVA**") for U.S.\$3.8 billion and U.S.\$2 billion, respectively. As of July 2015, BBVA purchased 14.8 per cent. of Garanti Bankası, A. Ş. eventually rendering BBVA the majority shareholder by holding a total of 39.9 per cent. of the shares. In December 2012, Burgan Bank SAK purchased 99.3 per cent. of Eurobank Tekfen A.Ş. for US \$355 million. The Commercial Bank of Qatar (Q.S.C.) acquired 70.84 per cent. of Alternatif Bank A.Ş. in July 2013 by paying two times book value at 30 June 2013.

In October 2011, the BRSA approved the application of Bank Audi s.a.l-Audi Saradar Group to establish a new deposit bank in Turkey, Odea Bank A.Ş., which was later granted an operation permit in September 2012. Since 1997, this was the BRSA's first authorisation to establish a deposit bank in Turkey. Later in 2012, the BRSA also approved The Bank of Tokyo-Mitsubishi UFJ's application to establish a deposit bank and The Bank of Tokyo-Mitsubishi UFJ was granted an operation permit in September 2013. In August 2013, Rabobank International Holding B.V. was granted an authorisation to establish a deposit bank in Turkey. In April 2014 Industrial and Commercial Bank of China Ltd. announced that it had signed an agreement to acquire 75.5 per cent. of Tekstilbank from GSD Holding A.Ş. On 22 May 2015,

the contemplated transfer of shares was completed rendering Industrial and Commercial Bank of China Ltd. The majority shareholder by holding a total of 92.812 per cent. of the shares.

Development banks are funded by international banks and institutions such as the World Bank. Their objective is to provide medium and long-term financing to Turkish companies that cannot raise such funding easily through the market. These banks do not accept customer deposits.

In October 2014, one of Turkey's largest state-owned banks, T.C. Ziraat Bankası, was given permission by the BRSA to establish a participation bank with U.S.\$300 million capital. Ziraat Bank received approval on 12 May 2015 and launched its participation bank in May 2015. Additionally, Türkiye Halk Bankası received approval in January 2015 to establish a participation bank. Also on 27 February 2015, Vakıflar Bankası T.A.O. received regulatory approval to establish a participation bank and received the approval in March 2015.

The Banking Law permits commercial banks to engage in all areas of financial activities including deposit taking, corporate and consumer financing, foreign exchange transactions, certain capital markets activities, securities trading and investment banking (except collecting participation funds and financial leasing activities). The Banking Law permits participation banks to engage in all areas of financial activities (other than accepting deposits).

Public Sector Commercial Banks

There are three public sector commercial banks within Turkey, all or a majority of which are owned or controlled by state entities. They generally have large branch networks and were originally established for development purposes, such as for agriculture, housing or foundations, rather than for profit motives.

Through their broad branch networks and ownership structures, these banks have traditionally been able to collect a substantial amount of deposits and thereby access cost-efficient funding sources.

The following table sets out the three state-owned commercial banks in Turkey, ranked for size of assets (non-consolidated basis) under Turkish GAAP accounting principles as at the dates presented.

Bank	Total Assets as at 30 June 2015	Number of branches as at 30 June 2015
	<i>(TRY in millions)</i>	
T.C. Ziraat Bankası	282,509	1,760
Vakıflar Bankası T.A.O.	174,470	903
Türkiye Halk Bankası	178,677	912

Source: *The Banks Association of Turkey; BRSA.*

According to the BRSA, total loans provided by these banks as at 30 June 2015 were TRY404,381 million. Through their broad branch networks and ownership structures, these banks have traditionally been able to collect deposits and thereby access cost-efficient funding sources.

Private Sector Commercial Banks

Private sector commercial banks comprise full-service banks and corporate/trade finance-oriented banks. Private sector commercial banks can be divided into large and small branch network commercial banks. Most private sector banks belong to large industrial groups, which may provide additional support to the banks.

The following table ranks the larger branch network private sector commercial banks by asset size (non-consolidated basis) under BRSA accounting principles as at the dates presented.

Bank	Ownership	Total Assets as at 30 June 2015	Number of branches as at 30 June 2015
<i>(TRY in millions)</i>			
Türkiye İş Bankası A.Ş.	Bank Pension Fund and Republican People's Party	268,271	1,367
Türkiye Garanti Bankası A.Ş.	Doğuş Group and BBVA	235,049	1,006
Akbank T. A.Ş.	Sabancı Group	221,063	950
Yapi ve Kredi Bankası A.Ş.	Koç Financial Services and TEB Holding A. Ş	208,895	1,013
Türk Ekonomi Bankası A.Ş.	BNP Yatırımlar Holding A. Ş. and BNP Paribas	61,449	550
Şekerbank	Employee Pension Funds, Samruk Kazyna and BTA Securities JSC	22,272	312

Source: *The Banks Association of Turkey; BRSA.*

The following table ranks the small branch network private sector commercial banks by asset size (non-consolidated basis) as at the dates presented.

Bank	Ownership	Total Assets as at 30 June 2015	Number of branches as at 30 June 2015
<i>(TRY in millions)</i>			
Alternatif Bank A.Ş.	Commercial Bank of Qatar and Anadolu Endüstri Group	12,505	64
Anadolubank A.Ş.	Habas Group	10,739	108
Fibabanka A.Ş.	Fiba Holding A.Ş. and Özyol	9,119	68
Tekstil Bankası A.Ş.	ICBC	4,246	44
Turkish Bank A.Ş.	Mehmet Tanju Özyol	1,471	18
Adabank	Transferred to SDIF	52	1

Source: *The Banks Association of Turkey; BRSA.*

Despite significant growth in the number of small commercial banks, larger commercial banks (both private and public) continue to dominate the banking sector. As at the date of this Prospectus, out of 11 privately owned commercial banks, apart from the four largest banks, there are seven medium sized privately owned commercial banks. Two private sector commercial banks are smaller banks, which have, in aggregate, relatively negligible banking market share (i.e. having less than U.S.\$1 billion in total assets).

Foreign Commercial Banks

The strengthening of regulations and the transparency of the Turkish economy over the past decade has resulted in an increase in the number of foreign commercial banks operating in Turkey. As at the date of this Prospectus there are 17 foreign banks in total, 12 of which are locally incorporated banks and five of which are Turkish branches of foreign banks.

The table below indicates certain information regarding foreign commercial banks in Turkey, together with their asset size (non-consolidated basis), under Turkish GAAP accounting principles as at the dates presented.

Locally Incorporated Banks	Ownership	Total Assets as at 30 June 2015	Number of branches as at 30 June 2015
<i>(TRY in millions)</i>			
Finansbank A.Ş.	National Bank of Greece S.A.	82,454	654
Denizbank A.Ş.	Sberbank of Russia	79,522	724
ING Bank A.Ş.	ING Bank N.V.	45,592	314
HSBC Bank A.Ş.	HSBC Bank plc	32,984	291
Odea Bank A.Ş.	Bank Audi Sal and Audi Saradar Private	28,999	53

Locally Incorporated Banks	Ownership	Total Assets as at 30 June 2015	Number of branches as at 30 June 2015
(TRY in millions)			
Burgan Bank A.Ş.	Bank Sal	9,621	59
Citibank A.Ş.	Burgan Bank S.A.K.	9,299	8
Türkland Bank A.Ş.	Citi Group	5,291	34
The Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. ...	Arab Bank Suisse, Arab Bank and BankMed	3,680	1
Arab Türk Bankası A.Ş.	The Bank of Tokyo-Mitsubishi UFJ Ltd.	3,512	7
Deutsche Bank A.Ş.	Libyan Arab Foreign Bank Tripoli Libya	2,158	1
Rabobank A. Ş.	Deutsche Bank AG	0,80	1
	Rabobank NV		
Branches of Foreign Bank Incorporation	Country of Incorporation	Total Assets as at 30 June 2015	Number of branches as at 30 June 2015
(TRY in millions)			
Intesa Sanpaolo S.p.A.	Italy	3,204	1
The Royal Bank of Scotland	Scotland	2,650	1
Société Générale	France	446	1
JP Morgan Chase Bank N.A.	United States	393	1
Bank Mellat	Iran	329	3
Habib Bank Limited.....	Pakistan	94	1

Source: The Banks Association of Turkey; BRSA.

Development and Investment Banks

Development banks are funded by the CBT, international banks and institutions such as the World Bank, the European Investment Bank and various export credit agencies. Their objective is to provide medium and long-term financing to large and medium sized companies on a project basis. Development banks do not accept deposits and are also active in foreign exchange and securities transactions. These banks are not subject to the Banking Law.

There are four state-owned, six privately-owned and three foreign development and investment banks in Turkey. The following table indicates these banks and their assets (non-consolidated basis) and number of branches as at the dates presented.

Bank	Total Assets as at 30 June 2015	Number of branches as at 30 June 2015
(TRY in millions)		
State-owned Development Banks		
Türk Eximbank	40,373	2
İller Bankası A.Ş.	16,937	19
İstanbul Takas ve Saklama Bankası A.Ş.	6,486	1
Türkiye Kalkınma Bankası A.Ş.	4,449	1
Privately-owned Development and Investment Banks		
Türkiye Sinayi Kalkınma Bankası A.Ş.	18,680	3
Aktif Yatırım Bankası A.Ş.	6,557	8
Nurol Yatırım Bankası A.Ş.	740	1
GSD Yatırım Bankası A.Ş.	153	1
Diler Yatırım Bankası A.Ş.	111	1
Foreign Development and Investment Banks		
BankPozitif Kredi ve Kalkınma Bankası	2,089	1
Merrill Lynch Yatırım Bankası	157	1
Standard Chartered Yatırım Bankası Turk A.Ş.	79	1

Source: The Banks Association of Turkey; BRSA.

Participation Banks

Participation banks structure their products and provide services on an interest-free basis. Participation banks are subject to the Banking Law and are permitted to engage in financial activities other than

accepting deposits. As at the date of this Prospectus, there are five participation banks operating in Turkey, and each of these participation banks is a member of PBAT.

The table below sets out the five participation banks in Turkey, ranked by size of assets (non-consolidated basis) under Turkish GAAP accounting principles as at the dates presented.

Bank	Total Assets as at 30 June 2015	Number of branches as at 30 June 2015
	<i>(TRY in thousands)</i>	
Kuveyt Türk.....	39,660,725	343
Türkiye Finans.....	37,271,720	285
Al Baraka Türk.....	27,045,666	209
Bank Asya (transferred to SDIF)	11,967,386	200
Ziraat Katılım	778,238	14

Source: *The Banks Association of Turkey; BRSA.*

Key Regulatory Characteristics of the Turkish Banking System

Collection of Funds and Financing Activities of Participation Banks

Participation banks may collect funds in two ways:

- (i) *special current accounts* (an account that consists of funds that can be partially or fully withdrawn by a depositor. No payment of interest or income is made to the account holder); and
- (ii) *participation accounts* (an account that consists of funds that yield a participation in the loss or profit arising from their use by the relevant financial institutions. Such accounts do not require payments of pre-determined return).

Participation banks may designate special fund pools exclusively for the financing of predetermined projects and other investments. Such funds are utilised in separate pools as per their maturities and are segregated from other pools of accounts. The BRSA must be informed within 15 days of the formation of special fund pools and must be updated as to the status of such pools at three-month intervals. Such special fund pools must remain open for a minimum of one month and must be liquidated at the end of the financing period.

Shareholding

The direct or indirect acquisition by a person of shares that represent 10 per cent. or more of the share capital of any bank, or the direct or indirect acquisition or disposal of such shares by a person if the total number of shares held by such shareholder increases above or falls below 10 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital in that bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the above thresholds, an issuance assignment and transfer of: (i) preference shares to which attach the right to nominate a member to the board of directors or audit committee; or (ii) issuance of new shares with such preferences is also subject to the authorisation of the BRSA. In the absence of such authorisation, a holder of such thresholds of shares cannot be registered in the share register, which effectively deprives such shareholder of the ability to participate in shareholder meetings or to exercise voting or other shareholders' rights with respect to the shares, but not of the right to collect dividends declared on such shares. Registrations made in the share ledger in the absence of such authorisation are invalid.

The board of directors of a bank is responsible for ensuring that shareholders attending general assemblies have obtained the applicable authorisations from the BRSA. If the BRSA determines that a shareholder has exercised voting or other shareholder's rights (other than the right to collect dividends) without due authorisation as described in the preceding paragraph, then it is authorised to direct the board of directors of a bank to cancel any applicable general assembly resolutions (including by way of taking any necessary precautions concerning such banks within its authority under the Banking Law if such procedure has not been stated yet). If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as

described in the preceding paragraph without BRSA authorisation. Unless and until a shareholder obtains the necessary share transfer approvals from the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

Turkish law sets out certain limits on the asset profile of banks and other financial institutions which are designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties). In particular:

- Cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank and undertakings having the same quality, bonds and similar capital market instruments purchased by it, loans (whether deposits or otherwise), receivables arising from the future sales of assets, overdue cash receivables, accrued but not collected interest, amounts of non-cash credits converted into cash, receivables arising from reverse repo transactions and risks undertaken due to the futures and options contracts and other similar contracts, partnership interests and shareholding interests are considered as a credit irrespective of the account through which they are traced. Credits directly or indirectly extended to, a real person or legal entity in excess of 10 per cent. of the bank's equity capital are to be considered major credits and the total of such major credits, cannot exceed eight times its equity capital.
- The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group, directly or indirectly, to 25 per cent. of its equity capital. In calculating such limit, a credit extended to an unincorporated partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnership(s) in which any one of such persons is a director or general manager, as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which anyone of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10 per cent. or more of the bank's voting rights or the right to nominate board members, its board members, its general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability, constitute a risk group, for which the lending limits are reduced to 20 per cent. of a bank's equity capital, subject to the BRSA's discretion to increase such lending limits up to 25 per cent. Real and legal persons having surety, guarantee or similar relationships where the insolvency of one is likely to lead to the insolvency of the other are included in the applicable risk groups. Lending limits shall be applied as 20 per cent. for the risk group consisting of a bank together with its qualified shareholders (as defined in the Banking Law), members of board of directors and general managers as well as the partnerships controlled by the same individually or jointly, directly or indirectly.
- Loans made available to a bank's or other registered shareholders holding more than one per cent. of the share capital of the bank irrespective of whether these are controlling shareholders or qualified shareholders and their risk groups may not exceed 50 per cent. of the bank's equity capital.

Banks are obliged to regularly report to the BRSA any loans extended to persons who are in their risk groups. The banks are obliged to liquidate loans that are made in violation of applicable regulations by no later than six months after being so requested.

The BRSA determines the permissible ratio of non-cash loans, futures and options, other similar transactions, avals, guarantees and sureties accepted, transactions entered into with the credit institutions and financial institutions, transactions entered into with, or bills of exchange, bonds and other similar capital markets instruments issued or guaranteed by, and transactions entered into in return for other guarantees with, governments, central banks and banks of the countries accredited by the BRSA for the purpose of calculation of loan limits.

Pursuant to Article 55 of the Banking Law, the following transactions are exempt from the above-mentioned lending limits:

- transactions collateralised with cash, cash-like assets and accounts and precious metals;
- transactions carried out with the Treasury, the CBT, the Privatisation Administration and the Mass Housing Administration, as well as the transactions carried out against bills, bonds and similar securities issued or guaranteed by these institutions;
- transactions carried out with the CBT and in legally organised money markets;
- in case of new credit allocations to the same person or risk group, increases prompted by the changes in currency rates in credits denominated or indexed to foreign currencies (other than credit card and cheque extensions), and interests, profit shares and other such issues accrued on overdue credits **provided that** subsequently allocated credits in a foreign currency are taken into consideration at the exchange rate applied on the date of utilisation thereof;
- bonus shares (scrip issues) received as a result of capital increases, and any increase in the value of shares not requiring any fund outflow; interbank operations within the framework of the principles set out by the BRSA;
- shares acquired within the framework of underwriting services for public offering activities **provided that** such shares are disposed of in the time and manner determined by the BRSA;
- transactions considered as "deductibles" when calculating the shareholders' equity; and
- other transactions to be determined by the board of the BRSA (the "**BRSB**").

Loan Loss Reserves

Pursuant to Article 53 of the Banking Law, banks must formulate, implement and regularly review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and other receivables and to reserve an adequate level of provisions against impairment in the value of other assets, for qualification and classification of assets, receipt of guarantees and securities and measurement of their value and reliability. In addition, such policies must address issues such as monitoring the loans, follow-up procedures and the repayment of overdue loans. Banks must also establish and operate systems to perform these functions. All special provisions set aside for loans and other receivables in accordance with this article are considered as expenditures deductible from the corporate tax base in the year they are set aside.

Procedures relating to loan loss reserves for non-performing loans are set out in Article 53 of the Banking Law and in regulations issued by the BRSA. Pursuant to the Regulation on the Principles and Procedures Related to the Determination of Qualifications of the Loans and other Receivables by Banks and the Provisions to be Set Aside (the "**Regulation**") (as amended), banks are required to classify their loans and receivables into one of the following groups:

1. *Standard Loans and Other Receivables*: this group involves loans and other receivables:
 - (a) that have been disbursed to natural persons and legal entities with financial creditworthiness;
 - (b) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor;
 - (c) the reimbursement of which has been made within specified periods, for which no reimbursement problems are expected in the future and which can be fully collected; or
 - (d) for which no weakening of the creditworthiness of the debtor concerned has been found.

The terms of a bank's loans and receivables which have been classified into this group may be modified provided they continue to meet the classification requirements for this group. However, in the event that such modification relates to the extension of the initial payment plan under the

loan or receivable, a general loan provision, not being less than five times the sum of one per cent. of the cash loan portfolio plus 0.2 per cent. of the non-cash loan portfolio (for example, letters of guarantee, acceptance credits, letters of credit undertakings and endorsements) (these rates may be applied by banks for loans relating to transit trade, export sales and deliveries and services and activities resulting in gains of foreign currency as 0 per cent., for cash loan portfolio extended to small and medium sized enterprises as 0.5 per cent. and for non-cash loan portfolio of small and medium sized enterprises as 0.1 per cent.) is required to be set aside and such modifications are required to be disclosed in the financial reports which are disclosed to the public. This ratio is required to be at least 2.5 times the Consumer Loans Provisions (as defined below in the second paragraph of the section titled "*General Provisions*") for amended consumer loan agreements (other than auto and housing loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short term and the interest payments thereof are made in a timely manner and **provided that** the principal amount of such loan or receivable must be repaid within a year, at the latest, if the term of the loan or receivable is renewed without causing any additional cost to a bank.

2. *Closely Monitored Loans and Other Receivables*: This group involves loans and other receivables:

- (a) that have been disbursed to natural persons and legal entities with financial creditworthiness and for the principal and interest payments of which there is no problem at present, but which need to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, probable materialisation of the latter or significant financial risk carried by the person utilising the loan;
- (b) whose principal and interest payments according to the conditions of the loan agreement are not likely to be repaid according to the terms of the loan agreement and where the persistence of such problems might result in partial or full non- reimbursement risk;
- (c) which are very likely to be repaid but where the collection of principal and interest have not been made for justifiable reasons and are delayed for more than 30 days but do not fall within the scope of loans or other receivables with limited recovery as grouped in the group 3 below; or
- (d) although the credit standing of the debtor has not weakened, there is a high likelihood of it weakening due to the debtor's irregular cash flow which is difficult to control.

If a loan customer has multiple loans and any of these loans is classified in Group 2 and others are classified in Group 1, then all of such customer's loans are required to be classified in Group 2. The terms of a bank's loans and receivables which fall within the classification requirements of this group may be modified provided they continue to meet the classification requirements for this group. However, in the event that such modification relates to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than 2.5 times the sum of 2 per cent. of the cash loan portfolio plus 0.4 per cent. of the non-cash loan portfolio for closely-monitored loans will be set aside and such modifications are required to be disclosed in the financial reports which are disclosed to the public. This ratio is required to be at least 1.25 times the Consumer Loans Provisions (as defined below) for amended consumer loan agreements (other than auto and housing loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short term and the interest payments thereof are made in a timely manner and **provided that** the principal amount of such loan or receivable must be repaid within a year, at the latest, if the term of the loan or receivable is renewed without causing any additional cost to a bank.

3. *Loans and Other Receivables with Limited Collection Ability*: This group involves loans and other receivables:

- (a) with limited collectability due to the resources of, or the securities furnished by, the debtor being found insufficient to meet the debt on the due date, and where if the problems observed are not eliminated, they are likely to give rise to loss;

- (b) the credibility of whose debtor has weakened and where the loan is deemed to have weakened;
 - (c) collection of whose principal and interest or both has been delayed for more than 90 days but not more than 180 days from the due date; or
 - (d) in connection with which the bank is of the opinion the principal or interest of the loan or both will be delayed for more than 90 days from the due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity.
4. *Loans and Other Receivables with Remote Collection Ability:* This group involves loans and other receivables:
- (a) that seem unlikely to be repaid or liquidated under existing conditions;
 - (b) in connection with which there is a strong likelihood that the bank will not be able to collect the full loan amount that has become due or payable under the terms stated in the loan agreement;
 - (c) where the debtor's creditworthiness is deemed to have significantly weakened but which are not considered as an actual loss, yet due to such factors as a merger, the possibility of finding new financing or a capital increase; or
 - (d) there is a delay of more than 180 days but not more than one year from the date on which credit amount has become due or payable in the collection of the principal or interest or both.
5. *Loans and Other Receivables Considered as Losses:* This group involves loans and other receivables:
- (a) that are deemed to be uncollectable;
 - (b) collection of whose principal or interest or both has been delayed by one year or more from the date on which they have become due or payable; or
 - (c) for which, although carrying the characteristics stated in groups 3 or 4 above, the bank is of the opinion that they have become weakened and that the debtor has lost his creditworthiness due to the strong possibility that it will not be possible to fully collect the amounts that have become due and payable within a period of over one year.

General Provisions

Turkish law also requires Turkish banks to provide a general reserve calculated at one per cent. of the cash loan portfolio plus 0.2 per cent. of the non-cash loan portfolio (letters of guarantee, acceptance credits, letters of credit undertakings and endorsements) for standard loans; and a general reserve calculated at 2 per cent. of the cash loan portfolio plus 0.4 per cent. of the non- cash loan portfolio for closely-monitored loans. In addition, 25 per cent. of the above-mentioned rates will be applied for each cheque that remains uncollected for a period of five years after issuance.

Pursuant to Article 7/2 of the Regulation, banks which have a consumer loan ratio which exceeds 25 per cent. of its total loans and banks which have a non-performing consumer loan ratio (non- performing consumer loans being consumer loans which are classified as frozen receivables, excluding housing loans) greater than eight per cent. of their total consumer loans (excluding housing loans) (as calculated pursuant to the unconsolidated financial data prepared as of the general reserve calculation period) are required to set aside a four per cent. general provision for outstanding but not yet due consumer loans (excluding housing loans) under group 1 above and an 8 per cent. general provision for outstanding but not yet due consumer loans (excluding housing loans) under group 2 above (the "**Consumer Loans Provisions**").

Pursuant to Article 7/3 of the Regulation, if the sum of the letters of guarantee, acceptance credits, letters of credit undertakings, endorsements, purchase guarantees in security issuances, factoring guarantees or other guarantees and sureties and unsecured pre-financing loans of a bank is higher than ten times its

equity calculated pursuant to the Regulation on Equity of Banks, a 0.3 per cent. general provision ratio is required to be applied by such bank for all of its standard non-cash loans. Notwithstanding the above ratio, and by taking into consideration the standard capital adequacy ratio, the BRSA may apply the same ratio or a higher ratio as the general reserve requirement ratio.

Special Provisions

The banks should also set aside general provisions for the amounts monitored under the accounts of "Receivables from Derivative Financial Instruments" on the basis of the sums to be computed by multiplying them by the rates of conversion into credit indicated in Article 12 of the Regulation on Loan Transactions of Banks by applying the general provision rate applicable for cash loans. Apart from the general provisions, special provisions must be set aside for the loans and receivables classified as belonging to groups 3, 4 and 5 described above in the minimum amounts of 20 per cent., 50 per cent. and 100 per cent, respectively, starting from the date on which they will be classified as falling under these groups. An amount equal to 25 per cent. of the specific provisions set forth in the preceding sentence is required to be set aside for each check slip of customers who have loans under Groups 3, 4 and 5, which checks were delivered by Kuveyt Türk at least five years previously; however, if a bank sets aside specific provisions at a rate of 100 per cent. for non-performing loans, then it does not need to set aside specific provisions for check slips that were delivered by such bank at least two years previously; **provided that** a registered letter has been sent to the relevant customer requiring it to return the check slips to the bank in no later than 15 days. Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, the BRSA is entitled to increase these provision rates taking into account the sector and country risk status of the customer.

Pursuant to these regulations, all loans and receivables in groups 3, 4 and 5 above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the receivables have been refinanced, are defined as "**frozen receivables**." If several loans have been extended to a loan customer by the same bank and if any of these loans is considered as a frozen receivable, then all outstanding risks of such loan customer are classified in the same group as the frozen receivable even if such loans would not otherwise fall under the same group as such frozen receivable. If the loan which became a frozen receivable is repaid in full, then the other loans of the loan customer may be re-classified into the applicable group as if there were no related frozen receivable.

Pursuant to Article 14/4 of the Regulation, the term "**interest**" refers to "share of profit" in respect of the funds extended by the participation banks.

Pursuant to Articles 14/1, 2 and 3 of the Regulation, the general and special provisions set aside for the funds and other receivables extended from participation accounts are required to be reflected in the expense accounts and participation accounts according to the rate of participation in loss to be determined in accordance with the relevant regulation. The participation banks are entitled to reflect the portion corresponding to the participation accounts, in their expense accounts **provided that** they obtain the approval of their shareholders' general assembly. Additionally, **provided that** the participation account agreements permit them, the participation banks are also entitled to set aside: (i) a portion of up to 5 per cent. of the profit amount to be distributed to participation accounts, (ii) collections from the written off loans arising from participation accounts; and (iii) cancellations of participation share of the general and special provisions, as provisions to be utilised to meet the general and special provisions and the SDIF premium.

Banks must also monitor the following types of security based upon their classification:

Category I Collateral: Cash, deposits, participation funds and gold deposit accounts that are secured by pledge or assignment agreements; repurchase agreement proceeds secured by promissory notes, debenture bonds and similar securities issued directly or guaranteed by the CBT, the Treasury, the Mass Housing Administration or the Privatisation Administration and B- type investment participation funds; member firm receivables arising out of credit cards and gold reserved within the Bank; transactions entered into with the Treasury, the CBT, the Mass Housing Administration or the Privatisation Administration and transactions secured by promissory notes, debenture bonds, lease certificates (issued within the scope of the Law on Public Financing and Debt Management dated 28 March 2002 and numbered 4749) and similar securities issued directly or guaranteed by such administrations; securities issued directly or guaranteed by the central governments or central banks of countries that are members of the Organisation for Economic Co-operation and Development ("**OECD**") and guarantees and sureties issued by such

authorities; guarantees and sureties issued by banks operating in OECD member countries and securities issued directly or guaranteed by the European Central Bank and guarantees and sureties issued by it; sureties and letters of guarantee, avals, acceptances and endorsements issued by banks operating in Turkey in compliance with their maximum lending limits; and bonds and debentures issued by banks operating in Turkey, lease certificates funds of which are utilised by banks operating in Turkey and mortgage backed and asset backed securities issued by such banks.

Category II Collateral: Precious metals other than gold; shares quoted on a stock exchange; A-type investment fund participation certificates; asset-backed securities and private sector bonds except ones issued by the customer; credit derivatives agreements providing protection against credit risk; the assignment or pledge of accrued allowance entitlements of real or legal persons from public agencies; liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at a value not higher than market value; mortgages on property registered with the land registry and mortgages on real property built on allocated real estate **provided that** their appraised value is sufficient; export documents based on marine bill of lading or transport bills, or insured within the scope of an exportation loan insurance policy, and bills of exchange stemming from actual trading relations, which are received from natural persons and legal entities.

Category III Collateral: Commercial enterprise pledges, other export documents, vehicle pledges, commercial vehicle live pledges and commercial vehicle number plate pledge, mortgages on aircraft or ships, suretyships of natural persons or legal entities whose creditworthiness is higher than the customer and other client promissory notes of natural persons and legal entities.

Category IV Collateral: Any other security not otherwise included in Categories I, II or III.

While calculating the special provision requirements for non-performing loans, the value of collateral received from the customer will be deducted from the frozen receivables in groups 3, 4 and 5 above in the following proportions in order to determine the amount that will be subject to special provisioning:

Discount Ratio	Discount Rate
Category I Collateral.....	100%
Category II Collateral	75%
Category III Collateral.....	50%
Category IV Collateral.....	25%

The value of the collateral should not exceed the non-performing loan. In case the value of the collateral exceeds the amount of the non-performing loan, the above-mentioned rates of consideration are applied only to the portion of the collateral that is equal to the amount of the non-performing loan. The amount to be found after applying these rates on this portion will be equal to the amount to be deducted.

According to Article 11 of the Regulation, in the event of a customer's failure to repay loans or any other receivables due to a temporary lack of liquidity that the customer is facing, a bank is allowed to refinance the customer with additional funding through extension of new loans, if required, and structure a new repayment plan in order to strengthen the customer's liquidity position and to collect its receivables. Despite such refinancing or new repayment plan, such loans and other receivables are required to be monitored in their current loan groups (whether 3, 4 or 5) for at least the following six-month period and within this six month period, special provisions for such receivables will be set aside at the relevant loan group provisioning level. After this six- month period of monitoring, if total collections reach at least 15 per cent. of the total receivables for restructured loans and the payments are made on their due dates, then the remaining receivables may be transferred to the "Refinanced/Restructured Loans and Receivables" account. The bank may refinance the customer for a second time if the customer fails to repay the refinanced loan; **provided that** 20 per cent. of the outstanding principal of the refinanced loans and of other receivables are collected on a yearly basis.

The Regulation has been subject to a series of amendments. Pursuant to the amendment dated 21 September 2012, the BRSA is entitled to increase the provision rates for general and special reserves, taking into consideration the sector and country risks of the customer, and banks are required to reserve adequate provisions for loans and other receivables until the end of the month on which the payments of such loans and receivables has been delayed.

Furthermore, according to the same amendment, the dates and ratios for compliance with general reserves requirement have been revised and banks are required to set aside general reserve amounts indicated under the general reserve provision of at least 40 per cent. by 31 December 2012, at least 60 per cent. by 31 December 2013, at least 80 per cent. by 31 December 2014, 100 per cent. by 31 December 2015.

The Regulation was further amended on 7 February 2014. According to Provisional Article 5 of the Regulation, which will be effective until December 31, 2014, loans and other receivables classified as Closely Monitored Loans and Other Receivables (group 2) granted to persons or legal entities residing in Libya or engaged in activities relating to Libya can be restructured twice. Furthermore, such loans and other receivables subject to a new redemption plan may be classified as Standard Loans and Other Receivables; **provided that** at least 10 per cent. of the total sum of receivables has been repaid. If such loans and other receivables become subject to a redemption plan for a second time as a result of new loans having been utilised, then such loans and receivables shall be classified as Loans and Other Receivables with Limited Collection Ability until 5 per cent. of the total sum of receivables has been repaid. As long as such percentage of payments foreseen in the redemption plan are made within the payment periods envisaged for Loans and Other Receivables with Limited Collection Ability, it is in the bank's discretion to set aside special provisions for such loans and receivables.

Pursuant to Provisional Article 5(b), if there are loans or any other receivables that are classified in groups 3, 4 and 5, then the receivables relating to Libya shall be classified in the same group with such loans and/or other receivables. Until 31 December 2014, and so long as the classification methods set out in the Regulation are complied with, if a customer fails to repay such loans or any other receivables, then a bank is allowed to refinance the customer with additional funding through extension of new loans, if required, and structure a new repayment plan in order to strengthen the customer's liquidity position and to collect its receivables up to three times.

According to Provisional Article 6 of the Regulation, which was effective until 31 December 2015, loans and receivables classified as Closely Monitored Loans and Other Receivables (group 2) that were granted to be used in the maritime sector can be restructured twice. Furthermore, such loans and other receivables subject to a new redemption plan may be classified as Standard Loans and Other Receivables (group 1) **provided that** at least 10 per cent. of the total debt has been repaid. Any such debt classified under group 1 that is reclassified as group 2 debt or that is restructured or is continued to be monitored under group 2 as the agreed conditions for reclassification were not adhered to and are restructured once again may be reclassified as group 1; **provided that** at least 15 per cent. of the total debt has been repaid. If such loans and receivables become subject to a redemption plan for a second time by granting new loans, then such loans and receivables shall be classified as group 3 until 5 per cent. of the total debt has been repaid. As long as such percentage of payments foreseen in the redemption plan are made within the payment periods envisaged for group 3, it is in the bank's discretion to set aside special provisions for such loans and receivables.

In addition, pursuant to Provisional Article 6(b) described above, if there are any loans and receivables that are classified in groups 3, 4 and 5, other than those relating to the maritime sector shall be reclassified in the same group as such debt. However, setting aside special provisions in the ratio foreseen by the related group for these loans is in the discretion of banks. So long as the classification methods as set out in the regulation are complied with, if a customer fails to repay such loans or receivables due to a temporary lack of liquidity, then the bank is allowed to refinance the customer with additional funding through extension of new loans, if required, and structure a new repayment plan in order to strengthen the customer's liquidity position and to collect its receivables up to three times.

According to Provisional Article 7 of the Regulation, which was effective until 31 December 2014, restructured debts classified as group 2 that were granted by banks to real persons or legal entities residing in Syria or engaged in activities relating to Syria who reside in Turkey or in any other foreign country may be classified under group 1 receivables; **provided that** at least 10 per cent. of the total debt has been repaid. Any such debt classified under group 1 that is reclassified as group 2 or that is restructured or is continued to be monitored under group 2 as the agreed conditions for reclassification were not adhered to and are restructured again may be reclassified as group 1; **provided that** at least 15 per cent. of the total debt has been repaid. If such loans and receivables become subject to a redemption plan for a second time by granting new loans, then such loans and receivables shall be classified as group 3 until 5 per cent. of the total debt has been repaid. As long as such percentage of payments foreseen in the redemption plan are made within the payment periods envisaged for group 3, it is in the bank's discretion to set aside special provisions for such loans and receivables.

Pursuant to Provisional Article 7(b), if real persons or legal entities residing in Syria or having business activities relating to Syria who reside in Turkey or in any other foreign country incur other debts that are classified under group 3, 4 or 5, then the debt relating to Syria will be reclassified in the same group as such debt; however, setting aside special provisions in the ratio foreseen by the related group for these loans is at the discretion of the banks. So long as the classification methods as set out in the regulation are complied with, if a customer fails to repay such debt due to a temporary lack of liquidity, then a bank is allowed to refinance the customer with additional funding through extension of new loans, if required, and structure a new repayment plan in order to strengthen the customer's liquidity position and to collect its receivables up to three times.

Pursuant to Provisional Article 8 of the Regulation, the banks will set aside 25 per cent. of the increased amounts of general provisions for consumer loans other than housing loans due to the amendments made to the Regulation as at 31 December 2013, 50 per cent. of such increased amounts as at 31 December 2014 and 100 per cent. of such amount as at 31 December 2015.

Any debt restructured pursuant to Provisional Articles 5(b), 6(b) or 7(b) may be transferred to the "Renewed/Restructured Loans Account" if:

- at least 5 per cent. per cent. of the total debt in the first restructuring has been repaid and the restructured loans and receivables have been monitored under their respective group(s) for a period of at least three months,
- at least 10 per cent. of the total/debt in the second restructuring has been repaid and the restructured loans and receivables have been monitored under their respective group(s) for a period of six months,
- at least 15 per cent. of the total debt in the third restructuring has been repaid and the restructured loans and receivables have been monitored under their respective group(s) for a period of one year, and
- the payments foreseen in the payment plan are not delayed.

Exchange Rate Exposure

According to the Calculation of the Standard Ratio of the Net Short Foreign Currency Position to the Capital Base on a Consolidated and an Unconsolidated Basis by the Banks and its Implementation (the "**Calculation Regulation**"), banks are obliged to calculate the standard ratio of their net short foreign currency position to their capital base daily in accordance with the criteria on the declaration forms to be sent to the BRSA by the banks. The weekly average of the absolute values of the standard ratios of a bank's net short foreign currency position to its capital base, calculated over the working days in that week, cannot exceed 20 per cent., based on both consolidated and non-consolidated financials.

Capital Adequacy

Article 45 of the Banking Law defines "**Capital Adequacy**" as having adequate equity against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, maintain and report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8.0 per cent.

The BRSA is authorized to increase the minimum capital adequacy ratio and the minimum consolidated capital adequacy ratio, to set different ratios for each bank and to revise the calculation and notification periods, but must consider each bank's internal systems as well as its asset and financial structures. Both the minimum total capital adequacy ratio and the minimum consolidated capital adequacy ratio for the Group as required by the BRSA is currently 8.0 per cent. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4.0 per cent. higher than the legal capital ratio of 8.0 per cent.

In order to implement the rules of the report entitled "*A Global Regulatory Framework for More Resilient Banks and Banking Systems*" published by the Basel Committee in December 2010 and revised in June 2011 (*i.e.*, Basel III) into Turkish law, the 2013 Equity Regulation and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks were published in the Official Gazette dated 5 September 2013 and numbered 28756 and entered into force on 1 January 2014. The 2013 Equity

Regulation defines capital of a bank as the sum of: (a) principal capital (*i.e.*, Tier I capital), which is composed of core capital and additional principal capital (*i.e.*, additional Tier I capital) and (b) supplementary capital (*i.e.*, Tier II capital) *minus* capital deductions. Pursuant to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks (as so amended): (i) both the minimum core capital adequacy ratio and the minimum consolidated core capital adequacy ratio are 4.5 per cent. and (ii) both the minimum Tier I capital adequacy ratio and the minimum consolidated Tier I capital ratio are 6.0 per cent.

In addition, the Regulation on the Capital Maintenance and Cyclical Capital Buffer and the Regulation on the Measurement and Evaluation of Leverage Levels of Banks were published in the Official Gazette dated 5 November 2013 and numbered 28812, which regulations entered into force on 1 January 2014 (with the exception of certain provisions of the latter regulation that entered into effect on 1 January 2015). The Regulation on the Capital Maintenance and Cyclical Capital Buffer provides additional core capital requirements both on a consolidated and bank-only basis. Pursuant to this regulation, the additional core capital requirements are to be calculated by the multiplication of the amount of risk-weighted assets by the sum of a capital maintenance buffer ratio and bank-specific countercyclical buffer ratio. The Regulation on the Measurement and Evaluation of the Leverage Level of Banks seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and bank-only basis against leverage risks.

Lastly, the Regulation on Liquidity Coverage Ratios, published in the Official Gazette dated 21 March 2014 and numbered 28948, seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period. Such regulation provides that the ratio of the high quality asset stock to the net cash outflows, both of which are calculated in line with the regulation, cannot be lower than 100 per cent. in respect of total consolidated and non-consolidated liquidity and 80 per cent. in respect of total consolidated and non-consolidated foreign exchange liquidity; *however*, pursuant to the BRSA Decision on Liquidity Ratios, for a period starting from 5 January 2015 and ending 31 December 2015, such ratios shall be applied as 60 per cent. and 40 per cent., respectively. Furthermore, pursuant to the BRSA Decision on Liquidity Ratios, such ratios shall be applied in increments of ten percentage points for each year from 1 January 2016 until 1 January 2019. Unconsolidated total and foreign currency liquidity coverage ratios cannot be non-compliant more than six times within a calendar year. This includes non-compliances that have already been remedied. With respect to consolidated total and foreign currency liquidity coverage, these cannot be non-compliant consecutively within a calendar year and such ratios cannot be non-compliant for more than two times within a calendar year, including the non-compliances that have already been remedied. The Regulation on Liquidity Coverage Ratios entered into effect immediately with the provisions thereof becoming applicable as of 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance, which entered into effect on 5 January 2015, pursuant to the BRSA Decision on Liquidity Ratios).

Under the 2013 Equity Regulation, debt instruments and their issuance premia can be included either in additional Tier I capital or in Tier II capital subject to certain conditions; *however*, such amount is required to be reduced by the amount of any cash credit extended to creditors holding 10 per cent. or more of such debt instruments of a bank (or to any person within such creditors' risk group).

In accordance with Basel III rules, each bank is required to prepare an internal capital adequacy assessment process report (the "**ICAAP Report**") representing its own assessment of its capital requirements. The first ICAAP Report covering the activities of Türkiye Finans in 2013 was submitted to the BRSA on 26 September 2014. Subsequent filings of the ICAAP Report are required to be made at the end of March in each year.

See also a discussion of the implementation of Basel III in "*-Basel Committee - Basel III*" below.

Tier II Rules under Turkish Law

Previous Tier II Rules. Secondary subordinated debts were, through 31 December 2013, regulated under the 2006 Equity Regulation. The following describes the rules previously applicable to Türkiye Finans's secondary subordinated debts that were issued before 1 January 2014, which rules continue to apply to such subordinated debts notwithstanding the 2013 Equity Regulation.

According to the 2006 Equity Regulation, the net worth of a bank (*i.e.*, the bank's own funds) consists of main capital and supplementary capital *minus* capital deductions. In the relevant definition, "secondary subordinated loans" (which as defined can also include bonds) are listed as one of the items that constitute a bank's supplementary capital (*i.e.*, "Tier II" capital); *however*, loans provided to the banks by their affiliates or debt instruments issued to their affiliates do not fall within the scope of such "secondary subordinated loans." Unless temporarily permitted by the BRSA in exceptional cases, the portion of primary subordinated debts that is not included in the calculation of "Tier I" capital *plus* the total secondary subordinated debts that, in aggregate, exceeds 50 per cent. of "Tier I" capital is not taken into consideration in the calculation of "Tier II" capital. During the final five years of a secondary subordinated debt, the amount thereof to be taken into account in the calculation of the "Tier II" capital would be reduced by 20 per cent. per year. In addition, any secondary subordinated debt with a remaining maturity of less than one year is not included in the calculation of "Tier II" capital. Any cash credits extended by the bank to the provider(s) of the "secondary subordinated loans" (if debt instruments, to the investor(s) holding 10 per cent. or more thereof) and any debt instruments issued by such provider(s) (or investor(s)) and purchased by the bank are also deducted from the amount to be used in the calculation of the Tier II capital. A secondary subordinated debt is taken into account in the calculation of "Tier II" capital on the date of the accounting of such secondary subordinated debt on the books of the relevant bank.

The 2006 Equity Regulation requires banks to obtain the prior permission of the BRSA for a debt to be classified as a "secondary subordinated loan." In order to obtain such permission, the bank must submit to the BRSA the original copy or a notarized copy of the applicable agreement(s), and if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original to be made after receipt of the BRSA's consent). The BRSA would, in considering any such request for its permission, determine if the credit in question meets the following criteria:

- the debt must have an initial maturity of at least five years and the agreement must contain express provisions that prepayment of the principal cannot be made before the expiry of the five-year period and the creditors waive their rights to make any set-offs against the bank with respect to such debt; *it being understood* that interest and other charges may be payable during such five year period;
- there may be no more than one repayment option before the maturity of the debt and, if there is a repayment option before maturity, the date of exercising the option must be clearly defined;
- the creditors must have agreed expressly in the agreement that in the event of dissolution and liquidation of the bank, such debt will be repaid before any payment to shareholders for their capital return and payments on primary subordinated debts but after all other debts;
- it must be stated in the agreement that the debt is not related to any derivative operation or contract violating the condition stated in clause (c) or tied to any guarantee or security, in one way or another, directly or indirectly, and the debts cannot be assigned to any affiliates of the bank;
- it must be utilized as one single drawdown if utilized in the form of a loan and it must be wholly collected in cash if in the form of a debt instrument; and
- payment before maturity is subject to approval of the BRSA.

If the interest rate applied to a secondary subordinated debt is not explicitly indicated in the loan agreement or the text of the debt instrument or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorize the inclusion of the loan or debt instrument in the calculation of "Tier II" capital.

In cases where the parties subsequently agree that a secondary subordinated debt be prepaid prior to its stated maturity (but in any event after the fifth anniversary of its utilization), they would be required to apply for the BRSA's permission. Upon any such application, the BRSA would, in its sole discretion, determine if any such prepayment would adversely affect the bank's credit lines and limits or its compliance with the applicable standard ratios and give or decline to give its consent accordingly.

In connection with secondary subordinated debts pursuant to which it has been agreed that a prepayment option shall be available and the remaining maturity is calculated by way of taking into account the originally agreed maturity date (*i.e.*, not on the basis of the prepayment option date), such prepayment option can only be exercised with the consent of the BRSA, which would apply the criteria stated above.

Subordinated debt instruments that do not meet the New Tier II Conditions described below as of 1 January 2014 are not required to meet such conditions or otherwise become subject to such conditions (*e.g.*, they are not subject to the new loss absorbency rules); *however*, the issuing bank will be permitted to take them into account for equity calculation only after reducing their nominal amount over the total amount of the Tier II instruments by 10 per cent. each year effective from 1 January 2015. Additionally, debt instruments that provide for an increase in interest rate after 1 January 2015 shall not be taken into account in equity calculations as of the date of increase.

New Tier II Rules. According to the 2013 Equity Regulation (including provisional articles relating to the transition period to the New Tier II Rules), which came into force on 1 January 2014, Tier II capital shall be calculated by subtracting capital deductions from general provisions that are set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts for receivables (as the case may be, depending upon the method used by the bank to calculate the credit risk amounts of the applicable receivables) and the debt instruments that have been approved by the BRSA upon the application of the board of directors of the applicable bank along with a written statement confirming compliance of the debt instruments with the conditions set forth below and their issuance premia (the "**New Tier II Conditions**"):

- the debt instrument shall have been issued by the bank and approved by the CMB and shall have been fully collected in cash;
- in the event of dissolution of the bank, the debt instrument shall have priority over debt instruments that are included in additional Tier I capital and shall be subordinated with respect to rights of deposit holders and all other creditors;
- the debt instrument shall not be related to any derivative operation or contract violating the condition stated in clause (b) nor shall it be tied to any guarantee or security, in one way or another, directly or indirectly;
- the debt instrument must have an initial maturity of at least five years and shall not include any provision that may incentivize prepayment, such as dividends and increase of interest rate;
- if the debt instrument includes a prepayment option, such option shall be exercisable no earlier than five years after issuance and only with the approval of the BRSA; approval of the BRSA is subject to the following conditions:
 - (a) the bank should not create any market expectation that the option will be exercised by the bank;
 - (b) the debt instrument shall be replaced by another debt instrument either of the same quality or higher quality, and such replacement shall not have a restrictive effect on the bank's ability to sustain its operations; or
 - (c) following the exercise of the option, the equity of the bank shall exceed the higher of: (A) the capital adequacy requirement that is to be calculated pursuant to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks along with the procedures and principles on capital buffers that are to be set by the BRSA, (B) the capital requirement derived as a result of an internal capital adequacy evaluation process of the bank and (C) the higher capital requirement set by the BRSA (if any);

however, if tax legislation or other regulations are materially amended, a prepayment option may be exercised; **provided that** the above conditions in this clause (c) are met and the BRSA approves;
- the debt instrument shall not provide investors with the right to demand early amortization except for during a bankruptcy or dissolution process relating to the issuer;

- the debt instrument's dividend or interest payments shall not be linked to the creditworthiness of the issuer;
- the debt instrument shall not be: (i) purchased by the issuer or by corporations controlled by the issuer or significantly under the influence of the issuer or (ii) assigned to such entities, and its purchase shall not be directly or indirectly financed by the issuer itself;
- if there is a possibility that the bank's operating license would be cancelled or the probability of transfer of management of the bank to the SDIF arises pursuant to Article 71 of the Banking Law, removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates would be possible if the BRSA so decides; and
- in the event that the debt instrument has not been issued by the bank itself or one of its consolidated entities, the amounts obtained from the issuance shall be immediately transferred without any restriction to the bank or its consolidated entity (as the case may be) in accordance with the rules listed above.

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of the New Tier II Conditions (except the issuance and approval by the CMB) are met also can be included in Tier II capital calculations.

In addition to the conditions that need to be met before including debt instruments and loans in the calculation of Tier II capital, the 2013 Equity Regulation also provides a limit for inclusion of general provisions to be set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts of receivables (as the case may be, depending upon the method used by Türkiye Finans to calculate the credit risk amount of such receivables) in Tier II capital such that: (a) the portion of general provisions that exceeds 1.25 per cent. of the risk-weighted sum of the receivables and/or (b) the portion of surplus of provisions and capital deductions that exceeds 6 parts per 1,000 of the receivables to which they relate is not taken into consideration in calculating the Tier II capital.

Furthermore, in addition to the New Tier II Conditions stated above, the BRSA may require new conditions for each debt instrument and the procedure and principles regarding the removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates are determined by the BRSA.

Applications to include debt instruments or loans into Tier II capital are required to be accompanied with the original copy or a notarized copy of the applicable agreement(s) or, if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original or a notarized copy to BRSA within five business days of the signing of the agreement). If the interest rate is not explicitly indicated in the loan agreement or the prospectus of the debt instrument (*borçlanma aracı izahnamesi*), or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorize the inclusion of the loan or debt instrument in the calculation of Tier II capital.

Debt instruments and loans that are approved by the BRSA are included in accounts of Tier II capital as of the date of transfer to the relevant accounts in the applicable bank's records. Loan agreements and debt instruments that have been included in Tier II capital calculations, and that have less than five years to maturity, shall be included in Tier II capital calculations after being reduced by 20 per cent. each year.

Basel Committee

Basel II. The most significant difference between the capital adequacy regulations in place before 1 July 2012 and the Basel II regulations is the calculation of risk-weighted assets related to credit risk. The current regulations seek to align more closely the minimum capital requirement of a bank with its customers' credit risk profile. The impact of the new regulations on capital adequacy levels of Turkish banks largely stems from exposure to the Turkish government, principally through the holding of Turkish government bonds. While the previous rules provided a 0 per cent. risk weight for exposures to the Turkish sovereign and the Turkish Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which currently results in a 50 per cent. risk weighting for Turkey; *however*, the Turkish rules implementing the Basel principles in Turkey (*i.e.*, the "**Turkish National Discretion**") revises this general rule by providing that

all Turkish Lira-denominated claims on sovereign entities in Turkey and all foreign currency-denominated claims on the Turkish Central Bank will have a 0 per cent. risk weight. As a result of these implementation rules, the impact of the new regulations has been fairly limited when compared to the previous regime. The BRSA announced that the migration from the previous regime to Basel II regulations had an effect of an approximately 0.20 per cent. decline in the capital adequacy levels of the Turkish banking system as of 31 July 2012. This figure is consistent with Türkiye Finans's own experience (with its capital adequacy actually increasing slightly due to its diversified portfolio of retail loans, which benefit from certain preferential capital treatments) and thus no additional capital needs are projected for Türkiye Finans in the short term due to this change in the regulatory capital adequacy framework.

Basel III. Turkish banks' capital adequacy requirements have been and might continue to be further affected by Basel III, as implemented by the Equity Regulations 2013, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, which are expected to be implemented in phases until 2019. In 2013, the BRSA announced its intention to adopt the Basel III requirements and, as published in the Official Gazette dated 5 September 2013 and numbered 28756, adopted the 2013 Equity Regulation and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, both of which entered into effect on 1 January 2014. The 2013 Equity Regulation introduced core Tier I capital and additional Tier I capital as components of Tier I capital, whereas the amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks: (a) introduced a minimum core capital adequacy standard ratio (4.5 per cent.) and a minimum Tier I capital adequacy standard ratio (6.0 per cent.) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0 per cent.) and (b) changed the risk weights of certain items that are categorized under "other assets." The 2013 Equity Regulation also introduced new Tier II rules and determined new criteria for debt instruments to be included in the Tier II capital.

In addition to these implementations: (a) the Regulation on the Capital Maintenance and Cyclical Capital Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, and (b) the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which regulation the BRSA seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach), were published in the Official Gazette dated 5 November 2013 and numbered 28812 and entered into effect on 1 January 2014 with the exception of certain provisions of the Regulation on the Measurement and Evaluation of Leverage Levels of Banks that entered into effect on 5 January 2015. Lastly, the BRSA issued the Regulation on Liquidity Coverage Ratios seeking to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, both on a consolidated and unconsolidated basis, which entered into effect immediately with the provisions thereof becoming applicable as of 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance, which entered into effect on 1 January 2015, pursuant to the BRSA Decision on Liquidity Ratios). If Türkiye Finans and/or the Group is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices, or at all, or for any other reason), then this could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Reserves and Liquidity Reserve Requirement

The Banking Law requires Turkish banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures to be set out by the BRSB. Within this framework, a comprehensive liquidity arrangement was put into force by the BRSA, following the consent of the CBT.

The reserve requirements regarding foreign currency liabilities vary by category, as set out below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts, precious metal deposit accounts, deposits/participation accounts up to 1-month, up to 3-month, up to 6-month and up to 1-year maturities.....	13%
Deposits/participation accounts and precious metal deposit accounts, with 1-year and longer maturity and	9%

Category of Foreign Currency Liabilities	Required Reserve Ratio
cumulative deposits/participation accounts	
Other Liabilities up to 1-year maturity (including 1-year)	20%
Other Liabilities up to 2-year maturity (including 2-year)	14%
Other Liabilities up to 3-year maturity (including 3-year)	8%
Other Liabilities up to 5-year maturity (including 5-year)	7%
Other Liabilities longer than 5-year maturity	6%

The reserve requirements regarding Turkish Lira liabilities vary by category, as set out below.

Turkish Lira Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts	11.5%
Deposits/participation accounts up to 1-month maturity (including 1-month)	11.5%
Deposits/participation accounts up to 3-month maturity (including 3-month)	11.5%
Deposits/participation accounts up to 6-month maturity (including 6-month)	8.5%
Deposits/participation accounts up to 1-year maturity	6.5%
Deposits/participation accounts up to 1-year and longer maturity and cumulative deposits/participation accounts	5%
Liabilities other than deposits/participation funds up to 1-year maturity (including 1-year)	11.5%
Liabilities other than deposits/participation funds up to 3-year maturity (including 3-year)	8%
Liabilities other than deposits/participation funds with longer than 3-year maturity	5%

The reserve requirements also apply to gold deposit accounts. Furthermore, banks are permitted to maintain:

(a) up to 60 per cent of the Turkish Lira reserve requirements in U.S. dollars (first 30 per cent. at 1.4 times, second 5 per cent. at 1.5 times, third 5 per cent. at 1.9 times, fourth 5 per cent. at 2.3 times, fifth 5 per cent. at 2.7 times, sixth 5 per cent. at 3.1 times, seventh 1 per cent. at 3.9 times, eighth 1 per cent. at 4.1 times, ninth 1 per cent. at 4.3 times, tenth 1 per cent. at 4.5 times and eleventh 1 per cent. at 4.7 times the reserve requirement) and up to 30 per cent. of the Turkish Lira reserve requirements in standard gold (first 15 per cent. at 1.4 times, second 5 per cent. at 1.5 times, third 5 per cent. at 2 times and fourth 5 per cent. at 2.5 times the reserve requirement); and (b) up to the total amount of the foreign currency reserve requirements applicable to precious metal deposit accounts in standard gold. In addition, banks are required to maintain their required reserves against their U.S. dollar-denominated liabilities in U.S. dollars only.

Starting in September 2010, reserve accounts kept in Turkish Lira became non-interest-bearing (reserve accounts in foreign currencies have not been interest-bearing since 2008). As of the date of this Prospectus, no interest is paid by the CBT on Turkish Lira liquidity reserve accounts. However pursuant to the announcement made by the Turkish Central Bank on 2 May 2015, reserve accounts in U.S. dollars became interest bearing as of 5 May 2015.

The regulations further state that until 31 December 2013, foreign exchange-indexed assets and liabilities shall, for the purposes of calculations of foreign currency liquidity ratios, be deemed to be foreign currency assets and liabilities. However, such foreign exchange-indexed assets and liabilities shall continue to be deemed TRY currency for the calculation of total liquidity adequacy ratios.

Pursuant to the Communiqué regarding Reserve Requirements numbered 2013/15, there is a new reserve requirement to be calculated based upon the financial leverage ratio of banks. The leverage ratio of a bank is determined as the ratio of the main capital of the bank to the sum of: (a) the total of its liabilities; (b) its non-cash loans and liabilities; (c) 10 per cent. of its revocable commitments; (d) the total amount to be calculated by the multiplication of each undertaking arising from derivative instruments with their own loan conversion ratio; and (e) total amount of irrevocable undertakings. The reserve requirement based on the financial leverage ratio of banks is required to be determined for three-month periods by calculating the arithmetic average of monthly leverage ratios. The additional reserve requirements to be set aside in the following quarter of the calculation period (calculated separately for each category of Turkish Lira and foreign currency liabilities) vary by leverage ratios, as set forth below:

Calculation Period for the Leverage Ratio	Leverage Ratio	Additional Reserve Requirement
From the 4 th quarter of 2013 through the 3 rd quarter of 2014	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.25%	1.5%
	From 3.25% (inclusive) to 3.5%	1.0%
From the 4 th quarter of 2014 through the 3 rd quarter of 2015 (inclusive).....	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.50%	1.5%
	From 3.5% (inclusive) to 4.0%	1.0%
Following the 4 th quarter of 2015 (inclusive)	Below 3.0%	2.0%
	From 3.0% (inclusive) to 4.0%	1.5%
	From 4.0% (inclusive) to 5.0%	1.0%

Banks have been required to notify the CBT of their leverage ratios starting from 31 December 2012, and the above-described additional reserve requirements were first implemented in 2014 starting with 2013 year-end financial.

Audit of Banks

Under the Banking Law, banks' boards of directors are required to establish audit committees for the execution of audit and monitoring functions. Audit committees must consist of a minimum of two members and be appointed from among the members of the board of directors who do not have executive duties. The duties and responsibilities of the audit committee include, among others: (i) the supervision of the efficiency and adequacy of the banks' internal control, risk management and internal audit systems; (ii) the functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation; (iii) the integrity of the information produced; (iv) conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors; (v) regularly monitoring the activities of independent audit firms selected by the board of directors; and (vi) in the case of holding companies covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidation and operate in a coordinated manner, on behalf of the board of directors.

The BRSA, as the principal regulatory authority in the Turkish banking sector, has the right to monitor compliance by banks with the requirements relating to audit committees. As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. Banks are required to select an independent audit firm in accordance with the Regulation on Independent Audit of Banks, published in the Official Gazette dated 2 April 2015 and numbered 29314. Independent auditors are held liable for damages and losses to third parties and are subject to stricter reporting obligations. Professional liability insurance is required for (a) independent auditors and (b) if requested by the service-acquiring bank or required by the BRSA, evaluators, rating agencies and certain other support services. Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with the Turkish Accounting Standards. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms.

The reports prepared by independent audit firms are also filed with the CMB if the bank's shares are quoted on Borsa Istanbul and published on the Public Disclosure Platform. The CMB has the right to inspect the accounts and transaction records of any publicly traded company. In addition, quarterly reports that are subject to limited review must also be filed with the CMB and published on the Public Disclosure Platform.

All banks (public and private) undergo an annual audit by certified bank auditors who have the authority to audit banks on behalf of the BRSA. Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities, foreign exchange transactions and tax liabilities. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. The CBT has the right to monitor compliance by banks with the CBT's regulations through off-site examinations.

Pursuant to the Regulation on the Internal Systems of Banks, banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit and risk management systems in line with the scope and structure of their activities, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. To achieve this, according to the regulation, the internal control committee personnel cannot also be appointed to work in another role. This prohibition is not applicable to the banks that are established by law with the purpose of development of the country or financing a specific sector or field, and which do not accept deposit funds or participation funds.

Anti-Money Laundering and Combating the Finance of Terrorism (AML/CFT) Policies

The AML/CFT policies applicable to banks are defined under the Law No. 5549 on Prevention of Laundering Proceeds of Crime, the Turkish Criminal Code No. 5237 and the Regulation on Program of Compliance with Obligations of Anti-Money Laundering and Combating the Finance of Terrorism and the Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism and related Financial Crime Investigation Board Communiqués (together the "**Anti-Money Laundering Laws**"). In addition, a new law on Combating the Finance of Terrorism number 6415 has been published in the Official Gazette on 16 February 2013.

Pursuant to the Anti-Money Laundering Laws, banks are required to identify their customers and the persons carrying out transactions on behalf of, or on account of, their customers. In the event there is any information or concern that a transaction concluded by a customer is a suspicious transaction or there are reasonable grounds to suspect that the asset which is the subject of the transaction, carried out or attempted to be carried out within or through a bank, is acquired through illegal means or used for illegal purposes, such a transaction must be reported by the relevant bank to the Turkish Financial Crimes Investigation Board. The notifying bank cannot disclose such notification to third parties, including the parties to the suspicious transaction, other than to the investigators assigned to inspect the transaction and the competent courts during legal proceedings.

When requested by the Financial Crimes Investigation Board or the investigators thereof, banks are required to provide information relating to their customers and their transactions. Furthermore, banks are required to maintain all the documents, books and records of identification documents regarding all transactions for eight years starting from the transaction date, the last record date and the last transaction date. The eight year period for identification documents relating bank accounts will commence on the closing date of the account. In addition to these, banks are required to provide them to the officials when requested.

Banks breaching any of the obligations set out in the Anti-Money Laundering Laws may, as at the date of this Prospectus, be subject to an administrative fine of approximately TRY19,370. Furthermore, real persons who breach their duty of confidentiality with respect to the notification that they made regarding the suspicious transactions to the Financial Crimes Investigation Board and who fail to provide all necessary, information, documents, records, passwords, etc. to the public authorities, the Financial Crimes Investigation Board and inspection officials, when requested and keep all relevant documents, records, books etc, in relation to their duties and transaction within the scope of Anti-Money Laundering Laws for eight years starting from the transaction date, the last record date and the last transaction date may be subject to imprisonment with terms ranging from one year to three years.

The Law on Prevention of Financing of Terrorism number 6415 and dated 7 February 2013 has been enacted by the Republic of Turkey and it has been published on the Official Gazette on 16 February 2013. This law sets out procedure and principles applicable to the freezing of assets in connection with decisions relating to the prevention of financing of terrorism within the framework of the International Convention for Suppression of the Financing of Terrorism (as adopted by the General Assembly of the United Nations on 9 December 1999). Financing of terrorism is defined as an offence committed by a legal or real person by providing or collecting funds, directly or indirectly, unlawfully and wilfully, with the intention that such funds would be used, in full or in part, in order to carry out an act which constitutes an offence within the scope of and as defined, as applicable, in the:

- Law on Fighting with Terrorism (Law No. 3713);

- Convention for the Suppression of Unlawful Seizure of Aircraft, done at The Hague on 16 December 1970;
- Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, done at Montreal on 23 September 1971;
- Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents, adopted by the General Assembly of the United Nations on 14 December 1973;
- International Convention against the Taking of Hostages, adopted by the General Assembly of the United Nations on 17 December 1979;
- Convention on the Physical Protection of Nuclear Material, adopted at Vienna on 3 March 1980;
- Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, done at Montreal on 24 February 1988;
- Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation, done at Rome on 10 March 1988;
- Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms located on the Continental Shelf, done at Rome on 10 March 1988; and
- International Convention for the Suppression of Terrorist Bombings, adopted by the General Assembly of the United Nations on 15 December 1997.

Freezing of assets is defined as deprivation or restriction of disposal capacity over the relevant assets in order to prevent disappearance, consummation, conversion, transfer, assignment of such assets. Assets, which are disposal of persons listed in United Nations Security Council resolutions 1267 (1999), 1988 (2011) and 1989 (2011), shall be frozen upon promulgation of Council of Ministers Decree in the Official Gazette. Apart from funds of these persons, findings of investigations on funds conducted by the Financial Crimes Investigation

Board ("MASAK") must be submitted to the Inspection Commission. Decisions of the Inspection Commission shall enter into force upon its publication in the Official Gazette.

Banks are obliged to comply with the decisions of the Inspection Commission once they are published in the Official Gazette. Accordingly, funds and assets of real or legal persons against whom the Inspection Commission imposed a freeze order must be blocked and any disposal of such assets by such persons must be prevented by the bank within which such assets or funds are maintained. A responsible officer of a bank who fails to do so or delay the implementation of a freezing order shall be subject to imprisonment of a minimum of six (6) months and a maximum of two (2) years and a fine corresponding to his or her imprisonment. Additionally, legal persons, such as banks, where such responsible officer, shall be subject to a fine at the minimum amount of TRY10,000 up to maximum amount of TRY100,000.

Cancellation of Banking Licence

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's board of directors to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event the BRSA in its sole discretion determines that:

- the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due;
- the bank is not complying with liquidity requirements;
- the bank's profitability is not sufficient to conduct its business in a secure manner due to disturbances in the relation and balance between the expenses and profit;
- the regulatory equity capital of such bank is not sufficient or is to likely to become insufficient;

- the quality of assets of such bank have been impaired in a manner potentially weakening its financial structure, the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA;
- such bank fails to establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems or any factor impedes the supervision of such systems, or any factor impedes the audit; or
- there has been a material increase in risks defined in the Banking Law and relevant legislation which weakens the bank's financial structure due to the imprudent acts of such bank's managers,

then the BRSA may require the board of directors of such bank to take one or some of the following measures depending on the situation for a period determined by the BRSA and in accordance with a plan approved by the BRSA:

- to increase its equity capital;
- not to distribute dividends for a period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund;
- to increase its loan provisions;
- to stop extension of loans to its shareholders;
- to dispose of its assets in order to strengthen its liquidity;
- to limit or stop its new investments;
- to restrict payment of fees and other types of payments;
- to cease its long term investments;
- to cure the breach and comply with the relevant banking legislation;
- to cease its risky transactions, by re-evaluating its credit policy;
- to take all actions to decrease any maturity foreign exchange and interest rate risks; and/or
- to exercise other necessary actions to be determined by the BRSA,

In the event the aforementioned actions are not taken (in whole or in part) by that bank or its financial structure cannot be strengthened despite its having taken such actions, or its financial structure has become so weak that it could not be strengthened, then the BRSA may require such bank:

- to strengthen its financial structure, to increase its liquidity and/or capital adequacy;
- to dispose of its fixed assets and long-term assets within a reasonable time determined by the BRSA;
- to decrease its operational and management costs;
- to suspend its payments under any name whatsoever, excluding the regular payments to be made to its members;
- to limit or prohibit extension of any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors;
- to convene an extraordinary general assembly in order to change the members of the board of directors or assign new member(s) to the board of directors, in the event any board member is responsible for non-compliance with relevant legislation, a failure to establish efficient and sufficient operation of internal audit, internal control and risk management systems or non-

operation of these systems efficiently or there is a factor that impedes supervision or such member(s) of the board of directors cause(s) to increase risks as stipulated above;

- to implement short-, medium- or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank or to take written undertakings from members of board of directors or qualified shareholders (as defined in the Banking Law) regarding such plans and projections; and/or
- to exercise other necessary actions to be determined by the BRSA.

In the event the aforementioned actions are not (in whole or in part) taken by that bank or are not sufficient to cause such bank to continue its business in a secure manner, then the BRSA may require such bank:

- to limit or cease its business or its whole organisation by its field of activity for a temporary period (to include its relations with its local or foreign branches and correspondents);
- to apply various restrictions, including restrictions on interest rate and maturity with respect to resource collection and utilisation;
- to remove from office (in whole or in part) its members of the board of directors, general manager and deputy general managers and department and branch managers from their offices and obtain approval from the BRSA as to the persons to be appointed to replace these individuals;
- to make available long-term loans, **provided that** these will not exceed the amount of deposit or participation funds subject to insurance, and be secured sufficiently by the shares or other assets of the controlling shareholders;
- to limit or cease its non-performing operations and to dispose of its non-performing assets;
- to merge with one or more other banks;
- to provide new shareholders in order to increase its equity capital;
- to cover its losses with its equity capital; and/or
- to exercise other necessary actions to be determined by the BRSA.

In the event: (a) the aforementioned actions are not (in whole or in part) taken by that bank within a period of time set forth by the BRSB or in any case within twelve months; (b) the financial structure of such bank cannot be strengthened despite its having taken such actions or the financial structure of such bank has become so weak that it could not be strengthened even if the actions were taken; (c) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation fund owners and the security and stability of the financial system; (d) such bank cannot cover its liabilities as they become due; (e) the total amount of the liabilities of such bank exceeds the total amount of its assets; or (f) the controlling shareholders or directors of such bank are found to have made use of that bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the licence of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the privileges of shareholders (excluding dividends) of such bank to the SDIF for the purpose of the whole or partial transfer or sale of such bank to third persons or merger thereof, **provided that** the loss is deducted from the share capital of current shareholders.

In the event that the licence of a bank to engage in banking operations and/or to accept deposits is revoked, then that bank's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including preliminary injunctions) against such bank would be discontinued as from the date on which the BRSA's decision to revoke such bank's licence is published in the Official Gazette. From the date of revocation of such bank's licence, the creditors of such bank may not assign their rights or take any action that could lead to assignment of their rights. The SDIF must take measures for the protection of the rights of depositors, participation fund owners and other creditors of such bank.

The SDIF is required to pay the insured deposits and insured participation funds of such bank either by itself or through another bank it may designate. In practice, the SDIF may designate another bank that is under its control. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking licence is revoked.

Annual Reporting

The Banking Law stipulates that banks are required to prepare an annual activity report that includes information about their status, management and organisation structures, human resources, activities, financial situations and assessment of the management and expectations, together with financial statements, summary of board of directors' report and independent audit report.

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (which are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual reports. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation. Turkish listed companies must also comply with the Communiqué on Principles of Financial Reporting in Capital Markets issued by the CMB.

Furthermore, Turkish companies (including banks) are required to comply with the Regulation regarding Determination of the Minimum Content of the Companies' Annual Reports published by the Ministry of Customs and Trade, as well as the Corporate Governance Communiqué, when preparing their annual reports. These reports are required to include the following information: management and organization structures, human resources, activities, financial situation, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorised to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

When the BRSA requests a bank's financial reports, the chairman of the board, members of audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records. In addition, foreign banks must have the members of the board of managers of their Turkish branches sign the annual reports.

All annual reports that banks present to their general assemblies must be approved by independent auditing firms.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

Further, banks are required to submit and publish activity reports that comply with the BRSA's established guidelines.

The Regulation on the Preparation and Publication of Annual Reports regulates the procedures and principles regarding the annual reports of banks to be published at the end of each fiscal year. According to the regulation, a bank's financial performance and the risks that it faces need to be assessed in the annual report. The annual report is subject to the approval of the board of directors and must be submitted to the review of shareholders at least 15 days before the annual general assembly of the bank together with the assent of the independent auditing firm regarding such report. Each bank must: (i) submit electronically a copy of its annual report to the BRSA within 7 days following its publication; (ii) keep a copy of it in its headquarters; (iii) keep an electronic copy of it at each branch to provide it as printed, if requested, until the annual report for next year will be published; and (iv) publish it on its website by the end of May.

Disclosure of Financial Statements

With the Communiqué on Financial Statements to be Disclosed to the Public published in the Official Gazette No. 28337 dated 28 June 2012, new principles of disclosure of annotated financial statements of banks were promulgated. The amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios are reflected in the requirements relating to information to be disclosed to the public and new standards of disclosure of operational, market, currency and credit risk were determined. In addition, new principles were determined with respect to the disclosure of position risks relating from (*inter alia*) securitisation transactions and investments in quoted stocks.

New Consumer Loan, Provisioning and Credit Card Regulations

On 8 October 2013 the BRSA introduced new regulations that aim to limit the expansion of individual loans (especially credit card installments). The rules: (a) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements, (b) set a limit of TRY1,000 for credit cards issued to consumers who apply for a credit card for the first time if their income cannot be determined by the bank, (c) require credit card issuers to monitor cardholders' income levels before each limit increase of the credit card, (d) increase the risk weight for installment payments of credit cards with a term: (i) between one and six months from 75 per cent. to 100 per cent., (ii) between six and twelve months from 150 per cent. to 200 per cent. and (iii) greater than 12 months from 200 per cent. to 250 per cent. and (e) increase the minimum monthly payment required to be made by cardholders. Before increasing the limit of a credit card, a bank should monitor the income level of the consumer. A bank should not increase the limit of the credit card if the aggregate card limit exceeds four times the consumer's monthly income. In addition, after 1 January 2014, minimum payment ratios for credit card limits up to TRY20,000 will be incrementally increased to ratios between 30 per cent. and 40 per cent. until 1 January 2015. These new regulations might result in slowing the growth and/or reducing the profitability of the Bank's credit card business.

The Law on the Protection of Consumers (Law No: 6502), published in the Official Gazette No. 28835 dated 28 November 2013 and to enter into force six months after its publication date, imposes new rules applicable to Turkish banks, such as requiring banks to offer to its customers at least one credit card type for which no annual subscription fee (or other similar fee) is payable. Furthermore, while a bank is generally permitted to charge its customers fees for accounts held with it, no such fees may be payable on certain specific accounts (such as fixed term loan accounts and mortgage accounts).

The Regulation Amending the Regulation on Provisions and Classification of Loans and Receivables, which was published in the Official Gazette dated 8 October 2013 and numbered 28789, reduced the general reserve requirements for cash and non-cash loans provided for export purposes and obtained by SMEs: (a) for cash export loans and non-cash export loans, from 1 per cent. and 0.2 per cent., respectively, to 0 per cent., (b) for cash SME loans and non-cash SME loans, from 1 per cent. and 0.2 per cent. to 0.5 per cent. and 0.1 per cent., respectively, (c) for cash export loans whose loan conditions will be amended in order to extend the first payment schedule, from 5 per cent. to 0 per cent., and (d) for cash SME loans whose loan conditions will be amended in order to extend the first payment schedule, from 5 per cent. to 2.5 per cent. In addition, this regulation altered the requirements for calculating consumer loan provisions by: (i) increasing the ratio of consumer loans to total loans beyond which additional consumer loan provisions are required from 20 per cent. to 25 per cent. and (ii) requiring the inclusion of auto loans and credit cards in the calculation of the ratio of non-performing consumer loans to total consumer loans ratio (if such ratio is beyond 8 per cent., which ratio was not altered by these amendments, additional consumer loans provisions are required). Credit cards are included in the definition of consumer loans by this regulation and the consumer loan provision rate for credit cards in Group I (Loans of a Standard Nature and Other Receivables) and Group II (Loans and Other Receivables under Close Monitoring) increased from 1 per cent. and 2 per cent. to 4 per cent. and 8 per cent., respectively.

The Regulation Amending the Regulation on Bank Cards and Credit Cards introduced some changes on the credit limits for credit cards and income verification so that: (a) the total credit card limit of a cardholder from all banks will not exceed four times his/her monthly income in the second and the following years (two times for the first year) and (b) banks will have to verify the monthly income of the cardholders in the limit increase procedures and will not be able to increase the limit if the total credit card limit of the cardholder from all banks exceeds four times his/her monthly income. The following additional changes regarding minimum payment amounts and credit card usage were included in the

amended regulation: (i) minimum payment amounts differentiated for first time cardholders in the sector, new cardholders, existing cardholders and existing cardholders' second card by customer limits, (ii) if the cardholder does not pay at least three times the minimum payment amount on his/her credit card statement in a year, then his/her credit card cannot be used for cash advance and also will not allow limit upgrade until the total statement amount is paid, and (iii) if the cardholder does not pay the minimum payment amount for three consecutive times, then his/her credit card cannot be used for cash advances or shopping, and such card will not be available for a limit upgrade, until the total amount in the statements is paid.

The BRSA, by the Regulation Amending the Regulation on Bank Cards and Credit Cards published in the Official Gazette dated 31 December 2013 and numbered 28868 (which entered into force on 1 February 2014), has adopted limitations on instalments of credit cards. Pursuant to such limitations, the instalments for purchase of goods and services and cash withdrawals are not permitted to exceed nine months. In addition, in respect of telecommunication and jewellery expenditures and food, nutriment and fuel oil purchases, credit cards may not provide for instalment payments.

On 31 December 2013, the BRSA adopted new rules on loan to value and instalments of certain types of loans. Pursuant to these rules, the minimum loan-to-value requirement for housing loans extended to consumers, for loans (except auto loans) secured by houses and for financial lease transactions is 75 per cent. In addition, for auto loans extended to consumers, for loans secured by autos and for financial lease transactions, the loan-to-value requirement is set at 70 per cent.; **provided that** in each case the sale price of the respective auto is not higher than TRY50,000. On the other hand, if the sale price of the respective auto is above this TRY50,000 threshold, then the minimum loan-to-value ratio for the portion of the loan below the threshold amount is 70 per cent. and the remainder is set at 50 per cent. As for limitations regarding instalments, the maturity of consumer loans (other than loans extended for housing finance and other real estate finance loans) are not permitted to exceed 36 months, while auto loans and loans secured by autos may not have a maturity longer than 48 months. Provisions regarding the minimum loan-to-value requirement for auto loans entered into force on 1 February 2014 and the other provisions of this amendment entered into force on 31 December 2013.

Financial Services Fees

Pursuant to Heading XI of Tariffs Chart numbered 8 of the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available both in electronic and physical format, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered office of the Trustee and the specified London office of the Principal Paying Agent. Capitalised terms not defined below have the meaning given to them in the Conditions.

Purchase Agreement

Pursuant to the Purchase Agreement dated on or about the Closing Date between Kuveyt Türk (in its capacity as seller, the "**Seller**") and KT Sukuk Company Limited (in its capacity as purchaser, the "**Purchaser**"), the Seller will, on or about the Closing Date, sell and transfer to the Purchaser the Seller's interests, rights, benefits and entitlements in, to and under certain assets, each as identified in Schedule 1 (*The Initial Asset Portfolio*) to the Purchase Agreement (the "**Constituent Assets**") comprised in the Initial Asset Portfolio.

The Purchaser shall make a payment of the Portfolio Purchase Price to the Seller in U.S. dollars in freely available funds for value on the Closing Date in consideration for the sale and transfer of the Initial Asset Portfolio by the Seller to the Purchaser.

To the extent that the sale and purchase of the Seller's interests, rights, benefits and entitlements in, to and under any Constituent Asset pursuant to the Purchase Agreement is not effective in any jurisdiction for any reason, the Seller agrees to: (a) make payment of an amount equal to the portion of the Portfolio Purchase Price that relates to such asset by way of restitution to the Purchaser immediately upon request; and/or (b) indemnify fully the Purchaser for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal a corresponding proportion of the Exercise Price to the amount payable in respect of the Portfolio Purchase Price pursuant to proviso (a) above.

The Purchase Agreement is governed by, and shall be construed in accordance with, the laws of Turkey.

Management Agreement

Pursuant to the Management Agreement dated on or about the Closing Date between the Trustee and Kuveyt Türk, the Trustee appoints Kuveyt Türk as Managing Agent to perform certain services on its behalf.

Pursuant to the terms of the Management Agreement, the Managing Agent undertakes to the Trustee that during the Asset Ownership Period:

- (a) it shall service the Asset Portfolio on behalf of the Trustee in accordance with the relevant provisions of the Management Agreement;
- (b) it will use its best efforts to ensure that, on at all times after the Closing Date, the Tangible Constituents Assets Value is at least equal to 33⅓ per cent. of the Sukuk Assets Value (the "**Tangibility Requirement**") and in the event that, at any time, the Tangible Constituent Assets Value falls below the Tangibility Requirement, the Managing Agent shall use all reasonable endeavours to immediately acquire (through the reinvestment of Portfolio Principal Revenues) sufficient Tangible Assets to increase the Tangible Constituent Assets Value to a level that is equal to or greater than the Tangibility Requirement, and shall further ensure that at all times there remain Tangible Assets comprised within the Asset Portfolio;
- (c) it will use its best efforts to manage the Asset Portfolio such that the Sukuk Assets Value is, at all times, at least equal to the aggregate face amount of the Certificates then outstanding;
- (d) it shall do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) that it reasonably considers necessary to ensure the assumption of, and compliance by each Asset Obligor with, its covenants, undertakings or other obligations under the Asset Contracts in accordance with applicable law and the terms of the Asset Contracts;

- (e) it shall perform all obligations and satisfy all liabilities in respect of any Constituent Assets comprised in the Asset Portfolio that were otherwise to be performed and satisfied by Kuveyt Türk prior to the transfer and assignment of such Constituent Assets to the Trustee and use all reasonable endeavours to pay on behalf of the Trustee any costs, expenses, losses and taxes which would otherwise be payable by the Trustee as a result of the Trustee's ownership of the Asset Portfolio;
- (f) it shall ensure the timely receipt of all Sukuk Asset Revenues, investigate non-payment of Sukuk Asset Revenues and generally make all reasonable efforts to collect or enforce the collection of all Sukuk Asset Revenues payable under the Asset Contracts or in respect of any Sharia Compliant Investments as and when the same shall become due;
- (g) it shall not agree to any reduction in any amount payable under any Asset Contract or any postponement or other rescheduling of the due date for such payment;
- (h) it shall obtain all necessary authorisations in connection with any of the Constituent Assets and its obligations under or in connection with this Agreement;
- (i) it shall ensure that each lessee under the Ijara Contracts relating to those Ijara Assets constituting the Asset Portfolio (in its relevant capacity other than as lessee) maintains industry standard insurances and on a *Sharia*-compliant basis where applicable, and fulfils all structural repair and major maintenance obligations, in respect of such Ijara Assets in accordance with the terms of the Ijara Contracts;
- (j) it shall use all reasonable endeavours to ensure that the Portfolio Income Revenues are at least equal to the Required Amount; and
- (k) it shall carry out any incidental matters relating to any of the above.

Pursuant to the Management Agreement, the Managing Agent shall also ensure that:

- (a) the Ijara Assets are insured at all times against Total Loss in an amount at least equal to the Value of that Ijara Asset (the "**Insurance Coverage Amount**") and that such insurance policies are maintained on a *Sharia*-compliant takaful basis and with reputable insurers in good financial standing; and
- (b) in the event of a Total Loss, the insurance policies relating to such Ijara Assets provide for an amount at least equal to the Insurance Coverage Amount of the relevant Ijara Asset to be paid to the Managing Agent to the Principal Collection Account in US Dollars by no later than close of business on the date falling thirty (30) calendar days after the occurrence of such Total Loss.

A failure by the Managing Agent to comply with (a) and (b) above shall not constitute a Dissolution Event and the sole remedy of the Trustee for any failure by the Managing Agent to comply with the provisions of (a) and (b) above shall be to claim against the Managing Agent for any Insurance Shortfall Amount.

In the event that the relevant insurance company fails to pay the Insurance Coverage Amount relating to an Ijara Asset to the Managing Agent, by crediting such amount to the Principal Collection Account, within thirty (30) calendar days of a Total Loss of that Ijara Asset and the Managing Agent is unable to unequivocally prove that it complied with all of its obligations or where the Managing Agent has failed to maintain or ensure the maintenance of any insurances over the Ijara Assets in breach of its obligations:

- (a) the Managing Agent acknowledges that it shall have failed to comply with its obligations; and
- (b) the Managing Agent irrevocably and unconditionally undertakes to pay in US Dollars on the thirty first (31st) calendar day after the occurrence of the Total Loss, in same day funds (free and clear of any withholding or deduction or any set off or any counterclaim), an amount equal to the difference between the insurance proceeds credited to the Principal Collection Account and the Insurance Coverage Amount, in each case, in respect of the relevant Ijara Asset, directly into the Principal Collection Account (the "**Insurance Shortfall Amount**").

If, following payment of amounts standing to the credit of the Reserve Collection Account, a Periodic Distribution Shortfall remains on any Periodic Distribution Determination Date, the Managing Agent may provide Sharia-compliant funding to the Trustee to the extent necessary to ensure that the Trustee receives on each Periodic Distribution Determination Date the Required Amount payable by it in accordance with the Conditions on the immediately following Periodic Distribution Date, by payment of the same into the Transaction Account and on terms that such funding is repayable (i) in accordance with the provisions of the Management Agreement or (ii) on the relevant Dissolution Date (a "**Liquidity Facility**").

Pursuant to the Management Agreement, the Managing Agent will maintain three separate ledger accounts ("**Principal Collection Account**", the "**Income Collection Account**" and the "**Reserve Collection Account**") in its books each of which shall be denominated in U.S. dollars and be non-interest bearing. All monies received by the Managing Agent will be credited on each Periodic Distribution Determination Date and prior to any reinvestment, to: (i) in the case of Principal Revenues, the Principal Collection Account; and (ii) in the case of Profit Revenues, the Income Collection Account.

For these purposes:

"**Portfolio Income Revenues**" means all rental, distributions and other amounts payable, and all sale proceeds or consideration, damages, insurance proceeds, compensation or other sums, in each case as received by the Managing Agent in whatever currency in respect of or otherwise in connection with the Tangible Assets, any Sharia Compliant Investment Income and all amounts received by the Managing Agent under a Murabaha Receivable Contract in the nature of profit, but in each case excluding any Portfolio Principal Revenues; and

"**Portfolio Principal Revenues**" means any amounts received in the nature of capital or principal payments in respect of the Ijara Assets or, in the case of any Tangible Investment Sukuk, in respect of any payment of the outstanding face amount or par value of such Tangible Investment Sukuk and, in the case of any Murabaha Receivable, all amounts received in respect of that Murabaha Receivable in the nature of principal.

Amounts standing to the credit of the Income Collection Account will be applied by the Managing Agent on each Periodic Distribution Determination Date in the following order of priority:

- (a) *first*, in payment into the Transaction Account of an amount equal to the Required Amount payable on the Periodic Distribution Date falling one (1) Business Day after such Periodic Distribution Determination Date;
- (b) *second*, in payment to the Managing Agent on behalf of the Trustee of any Managing Agent Liabilities Amounts for the Return Accumulation Period ending on the immediately following Periodic Distribution Date and (if applicable) any Managing Agent Liabilities Amounts for any previous Return Accumulation Period that remain unpaid;
- (c) *third*, in repayment to the Managing Agent of any amounts advanced by it to the Trustee by way of a Liquidity Facility; and
- (d) *fourth*, to the Reserve Account.

The Managing Agent will be entitled to deduct amounts standing to the credit of the Reserve Account at any time during the Asset Ownership Period and use such amounts for its own account, **provided that** such amounts shall be immediately repaid by it if so required to fund a Periodic Distribution Shortfall or upon a Dissolution Event. Following payment of all amounts due and payable under the Certificates in full on the Termination Date, the Managing Agent shall be entitled to retain any amounts that remain standing to the credit of the Reserve Account for its own account as an incentive payment for acting as Managing Agent (an "**Incentive Payment**").

The Managing Agent shall on each Periodic Distribution Determination Date (other than where the relevant Periodic Distribution Date is a Termination Date) use all reasonable endeavours to reinvest the amount standing to the credit of the Principal Collection Account in acquiring further Eligible Constituent Assets for and on behalf of the Trustee from Kuveyt Türk, such that the further Constituent Assets so acquired are added to the Asset Portfolio, subject to (i) the Value of such further Constituent Assets being not less than the amount of the Portfolio Principal Revenues being used for the purchase of those Constituent Assets, (ii) such further Constituent Assets being in respect of which the representations and

warranties in the Purchase Agreement can be given by Kuveyt Türk and (iii) the Tangible Constituent Assets Value is at least 33⅓ per cent. of the Sukuk Assets Value following the inclusion of such further Constituent Assets in the Asset Portfolio. The acquisition of further Eligible Constituent Assets shall be on the same basis as for the sale and purchase of the Initial Asset Portfolio pursuant to the Purchase Agreement, including with respect to the representations and warranties provided in the Purchase Agreement, but may take such form as may be approved from time to time by Kuveyt Türk's Sharia Advisory Board.

In the circumstances where Kuveyt Türk does not have sufficient further Eligible Constituent Assets available in order for the Managing Agent to reinvest all of the amount standing to the credit of the Principal Collection Account, it shall use all reasonable endeavours to invest, for and on behalf of the Trustee, any such remaining amount standing to the credit of the Principal Collection Account in a Sharia Compliant Investment(s) until such time as Kuveyt Türk has further Eligible Constituent Assets in which the Managing Agent can invest in accordance with the Management Agreement.

On the Business Day immediately preceding the Scheduled Termination Date, the Managing Agent shall pay into the Transaction Account an amount in U.S. dollars equal to the amount of any Principal Cash Amount then held by the Managing Agent (for the purposes of which the Managing Agent shall terminate and demand payment of any Sharia Compliant Investments no later than such immediately preceding Business Day, which termination and payment shall be in compliance in all material respects with Sharia principles as interpreted by Kuveyt Türk's Sharia Advisory Board).

Upon the occurrence of a Termination Event or the giving by the Trustee of notice pursuant to Condition 8.4 (*Capital Distributions – Early Dissolution for Tax Reasons*), an amount in U.S. dollars equal to the Sukuk Asset Revenues (for the purposes of which the Managing Agent shall terminate and demand immediate payment of any Sharia Compliant Investments if necessary, which termination and payment shall be in compliance in all material respects with Sharia principles as interpreted by Kuveyt Türk's Sharia Advisory Board) (including all amounts standing to the credit of the Reserve Collection Account) will be paid by the Managing Agent into the Transaction Account, immediately in the case of a Termination Event or on the Business Day immediately preceding any Tax Redemption Date (**provided that** where the relevant Termination Date is a Periodic Distribution Date, such payment will be made after taking into account the application of any amounts standing to the credit of the Income Collection Account and no greater amount shall be paid than is required for the redemption of the Certificates in full on the relevant Termination Date).

The payment obligations of the Managing Agent under the Transaction Documents to which it is a party and which relate to the Periodic Distribution Amounts, the Dissolution Distribution Amount and any other amounts payable to the Trustee for the purposes of making payments in respect of the Certificates will constitute direct, unsecured and subordinated obligations of the Managing Agent and shall, in the case of a Subordination Event and for so long as that Subordination Event subsists, rank:

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

By virtue of such subordination of such payment obligations of the Managing Agent under the Transaction Documents, no amount will, in the case of a Subordination Event and for so long as that Subordination Event subsists, be paid by the Managing Agent in respect of its obligations under the Transaction Documents which relate to payments to be made by the Trustee under the Certificates until all payment obligations in respect of Senior Obligations have been satisfied.

Purchase and Asset Portfolio Undertaking

Pursuant to the Purchase and Asset Portfolio Undertaking dated on or about the Closing Date granted by Kuveyt Türk in favour of the Trustee and the Delegate, Kuveyt Türk irrevocably grants to the Trustee the right to require Kuveyt Türk:

- (a) at any time on or prior to the Scheduled Dissolution Date, to purchase on the date specified in the Exercise Notice all of the Trustee's rights, ownership interests, benefits and entitlements in, to

and under the Asset Portfolio at the Dissolution Event Exercise Price, as specified in the Exercise Notice, **provided that:**

- (i) a Dissolution Event has occurred and is continuing; and
- (ii) the Delegate has given notice to the Trustee that a Dissolution Request has been made in accordance with Condition 13 (*Dissolution Events*);
- (b) on the Scheduled Dissolution Date, to purchase all of the Trustee's rights, ownership interests, benefits and entitlements in, to and under the Asset Portfolio at the Dissolution Event Exercise Price, as specified in the Exercise Notice;
- (c) on the Non-Viability Event Write-Down Date, to purchase all of the Trustee's rights, ownership interests, benefits and entitlement in, to and under the Write-Down Constituent Assets at the Non-Viability Event Exercise Price specified in the Exercise Notice; and
- (d) to purchase on the date specified in the Exercise Notice, part of the Trustee's rights, ownership interests, benefits and entitlements in, to and under the Asset Portfolio at the Non-Payment Event Exercise Price specified in the Exercise Notice.

In order to exercise these rights, the Trustee (or, pursuant to the provisions of the Purchase and Asset Portfolio Undertaking, the Delegate as applicable, in its name and on its behalf) is required to deliver an Exercise Notice to Kuveyt Türk under, and in accordance with, the terms of the Purchase and Asset Portfolio Undertaking.

Kuveyt Türk irrevocably undertakes that:

- (i) it will enter into the Sale Agreement so as to give effect to the purchase referred to in paragraph (ii) below;
- (ii) it will purchase all or part (as applicable) of the Trustee's rights, ownership interests, benefits and entitlements in, to and under the Asset Portfolio or the Write-Down Constituent Assets, as applicable at (subject to paragraph (iv) below) the relevant Exercise Price by (subject to paragraph (iii) below) paying the same into the Transaction Account on the Dissolution Event Redemption Date or on the Business Day immediately preceding the Scheduled Dissolution Event Redemption Date or Non-Viability Event Write-Down Date, as applicable, which payment shall be made together with the payment into the Transaction Account by the Managing Agent on such date of any Principal Cash Amount and for the purpose of redemption, in full or, in part, of the Certificates, as the case may be;
- (iii) to the extent that Kuveyt Türk has exercised its rights under the Use of Proceeds Undertaking Deed, Kuveyt Türk shall pay to the Trustee any remaining balance after application of the Dissolution Event Exercise Price to discharge Kuveyt Türk's Senior Obligations, by paying the same into the Transaction Account; and
- (iv) if the BRSA has notified Kuveyt Türk prior to the Non-Viability Event Write-Down Date that it shall convert all or part of the Certificates into equity, Kuveyt Türk shall purchase all or part (as applicable) of the Trustee's rights, ownership interests, benefits and entitlements in, to and under the Write-Down Constituent Assets by transferring the equity to the Trustee as required by the BRSA.

Kuveyt Türk undertakes in the Purchase and Asset Portfolio Undertaking that for the purposes of the replacement of any Impaired Constituent Asset pursuant to clause 5.2 of the Management Agreement, it will, if it has sufficient Eligible Constituent Assets (as defined in the Purchase Agreement) immediately available for such replacement and otherwise on such Eligible Constituent Assets becoming available, sell, transfer and assign such Eligible Constituent Assets to the Trustee by entering into an agreement with the Trustee, in the form of the Sale Agreement for the purposes of which the Value of the Replacement Constituent Assets shall be not less than the Value of the Impaired Constituent Assets.

The payment obligations of Kuveyt Türk under the Purchase and Asset Portfolio Undertaking and the other Transaction Documents to which it is a party and which relate to the Periodic Distribution Amounts, the Dissolution Distribution Amount and any other amounts payable to the Trustee for the purposes of

making payments in respect of the Certificates will constitute direct, unsecured and subordinated obligations of Kuveyt Türk shall, in the case of a Subordination Event and for so long as that Subordination Event subsists, rank:

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

By virtue of such subordination of such payment obligations of Kuveyt Türk under the Transaction Documents, no amount will, in the case of a Subordination Event and for so long as that Subordination Event subsists, be paid by Kuveyt Türk in respect of its obligations under the Transaction Documents which relate to payments to be made by the Trustee under the Certificates until all payment obligations in respect of Senior Obligations have been satisfied.

Sale and Transfer Undertaking

Pursuant to the Sale and Transfer Undertaking (the "**Sale and Transfer Undertaking**") dated on or about the Closing Date granted by the Trustee in favour of Kuveyt Türk, the Trustee irrevocably undertakes to Kuveyt Türk:

- (a) to sell on the Tax Redemption Date specified in the Exercise Notice all of the Trustee's rights, interests, benefits and entitlements in, to and under the Asset Portfolio at the Exercise Price, as specified in the Exercise Notice;
- (b) to sell on the Capital Disqualification Event specified in the Exercise Notice all of the Trustee's rights, interests, benefits and entitlements in, to and under the Asset Portfolio at the Exercise Price, as specified in the Exercise Notice;
- (c) to sell on the Trustee Call Date specified in the Exercise Notice all or part, as applicable, of the Trustee's rights, interests, benefits and entitlements in, to and under the Asset Portfolio at the Exercise Price, as specified in the Exercise Notice; and
- (d) to assign and transfer on any Substitution Date all of the Trustee's rights, interests, benefits and entitlements in, to and under the Substituted Constituent Assets, against the transfer and assignment by Kuveyt Türk to the Trustee, as payment in kind for the Substituted Constituent Assets, of the New Constituent Assets, which shall be Constituent Assets of a Value not less than the Value of the Substituted Constituent Assets, **provided that** (i) the Tangible Constituent Assets Value following such substitution is at least 33⅓ per cent. of the Sukuk Assets Value, (ii) no Exercise Notice has otherwise been delivered under the Sale and Transfer Undertaking in respect of the Substituted Constituent Assets and (iii) no Exercise Notice (as defined in the Purchase and Asset Portfolio Undertaking) has been delivered under the Purchase and Asset Portfolio Undertaking,

with each such sale, transfer and assignment to be on an "as is" basis but free from any Encumbrance (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Sale and Transfer Undertaking.

The rights of Kuveyt Türk in respect of the Sale and Transfer Undertaking may only be exercised:

- (a) by Kuveyt Türk delivering an Exercise Notice to the Trustee (with a copy to the Delegate) following the occurrence of a Tax Event, specifying the Tax Redemption Date, which must not be less than 45 days after the date on which the Exercise Notice is given, and accompanied by, (i) in the case of the payment of any relevant additional amounts by Kuveyt Türk, a certificate signed by two directors of Kuveyt Türk setting forth a statement of facts showing that each of the relevant events giving rise to the Tax Event has occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or Kuveyt Türk, as the case may be, has or will become obliged to pay the relevant additional amounts as a result of the change or amendment giving rise to the Tax Event;

- (b) by Kuveyt Türk delivering an Exercise Notice to the Trustee (with a copy to the Delegate) specifying the Capital Disqualification Redemption Date (which must be no less than 30 days and no more than 60 days after the date on which Exercise Notice is delivered to the Trustee) together with a confirmation in writing that prior approval by the BRSA of the redemption has been obtained and a certificate signed by two directors of Kuveyt Türk stating that a Capital Disqualification Event has occurred;
- (c) by Kuveyt Türk delivering an Exercise Notice to the Trustee (with a copy to the Delegate) specifying the Trustee Call Date (which must be no less than 30 days and no more than 60 days after the date on which the Exercise Notice is delivered to the Trustee); and
- (d) by Kuveyt Türk delivering a Substitution Notice to the Trustee (with a copy to the Delegate) specifying the Substitution Date (which may be the date of the Substitution Notice).

Use of Proceeds Undertaking Deed

Pursuant to the Use of Proceeds Undertaking Deed (the "**Use of Proceeds Undertaking Deed**") dated on or about the Closing Date granted by the Trustee in favour of Kuveyt Türk, **provided that**:

- (a) the Trustee has issued a Purchase Undertaking Exercise Notice under the Purchase and Asset Portfolio Undertaking and executed the relevant Sale Agreement; or
- (b) a Restitution Amount becomes payable by Kuveyt Türk pursuant to clause 4 (*Restitution*) of the Purchase and Asset Portfolio Undertaking,

Kuveyt Türk shall be entitled to deliver an Exercise Notice to the Trustee exercising its right to oblige the Trustee to comply with its undertaking set out below. An Exercise Notice delivered by Kuveyt Türk in accordance with the Use of Proceeds Undertaking Deed shall only be valid if:

- (i) in the case of paragraph (a) above, it is delivered to the Trustee on or prior to the relevant Dissolution Date specified in the relevant Purchase Undertaking Exercise Notice; and
- (ii) in the case of paragraph (b) above, it is delivered to the Trustee on the date of request of the Restitution Amount by the Trustee to Kuveyt Türk as specified in clause 4 (*Restitution*) of the Purchase and Asset Portfolio Undertaking.

Provided that Kuveyt Türk has delivered a valid Exercise Notice in accordance with the terms of the Use of Proceeds Undertaking Deed, the Trustee irrevocably undertakes that Kuveyt Türk shall be permitted to use the applicable Dissolution Event Exercise Price or, as the case may be, Restitution Amount payable to the Trustee in accordance with the Purchase and Asset Portfolio Undertaking to discharge Kuveyt Türk's Senior Obligations, **provided that** any remaining balance after application of the applicable Dissolution Event Exercise Price or, as the case may be, Restitution Amount shall be paid to the Trustee in accordance with the terms of the Purchase and Asset Portfolio Undertaking.

The Trustee expressly declares that following the receipt of a valid Exercise Notice in accordance with the terms of the Use of Proceeds Undertaking Deed:

- (a) Kuveyt Türk shall be entitled to pay the applicable Dissolution Event Exercise Price or, as the case may be, the Restitution Amount due to the Trustee under the terms of the Purchase and Asset Portfolio Undertaking into the account set out in the Exercise Notice (the "**Payment Account**");
- (b) Kuveyt Türk shall be entitled, and is hereby authorised by the Trustee, to use the proceeds credited to the Payment Account to discharge Kuveyt Türk's Senior Obligations; and
- (c) the proceeds credited to the Payment Account in accordance with paragraph (a) above shall cease to constitute Trust Assets.

Agency Agreement

Pursuant to the Agency Agreement to be dated on or about the Closing Date entered into between the Trustee, Kuveyt Türk, the Delegate, the Principal Paying Agent, the Registrar and the Transfer Agent:

- (i) the Registrar has agreed to be appointed as agent of the Trustee and in such capacity has agreed, amongst other things, to complete, authenticate and deliver the Global Certificates;
- (ii) the Principal Paying Agent has agreed to be appointed as agent of the Trustee and in such capacity has agreed, amongst other things, to pay all sums due under such Global Certificates, and to make all calculations and determinations in relation to amounts due under the Global Certificates; and
- (iii) the Transfer Agent has agreed to be appointed as agent of the Trustee and in such capacity has agreed, amongst other things, to effect requests to transfer all or part of the Definitive Certificates and issue Definitive Certificates in accordance with each request.

On the Closing Date, the Registrar will: (i) authenticate the Global Certificate in accordance with the Declaration of Trust; and (ii) deliver, on the Closing Date, the Global Certificate to the common depositary or to such clearing system or other depositary or custodian for a clearing system as shall have been agreed between the Trustee, Kuveyt Türk and the Principal Paying Agent or otherwise, at such time, on such date, to such person and in such place as may have been agreed between the Trustee, Kuveyt Türk and the Principal Paying Agent.

The Trustee will pay in freely transferable, cleared funds to the Transaction Account opened by the Trustee with the Principal Paying Agent, any payment which becomes due in respect of a Certificate in accordance with the Conditions.

The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and/or to appoint additional or other Agents by giving, *inter alia*, such Agent at least 60 days' prior written notice to that effect, **provided that:** (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity); and (b) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system.

The Agency Agreement is governed by, and shall be construed in accordance with, the laws of England.

The Declaration of Trust

Pursuant to a declaration of trust (the "**Declaration of Trust**") to be dated on or about the Closing Date entered into between the Trustee, Kuveyt Türk and the Delegate, the Trustee will declare that it will hold the following assets upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each holder in accordance with the Declaration of Trust and the Conditions:

- (a) the Issuance Proceeds, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) subject to the terms of the Use of Proceeds Undertaking Deed, all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Asset Portfolio, the amounts standing to the credit of the Principal Collection Account and Income Collection Account from time to time, and the obligations of the Managing Agent to make payments under the Management Agreement;
- (c) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than: (i) in relation to any representation given to the Trustee by Kuveyt Türk pursuant to any of the Transaction Documents; and (ii) the covenants given to the Trustee pursuant to clause 17 of the Declaration of Trust); and
- (d) all moneys standing to the credit of the Transaction Account,

in each case and all proceeds of the foregoing which are held by the Trustee (the "**Trust Assets**").

With effect from the execution of the Declaration of Trust, in respect of the Trust created by the Declaration of Trust, the Trustee, by way of security for the performance of all covenants, obligations and duties of the Trustee to the Certificateholders under the Declaration of Trust, irrevocably and unconditionally appoints the Delegate to be its attorney and in its name, on its behalf and as its act and deed to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by these presents, that the Delegate may consider to be necessary or desirable in order, upon the occurrence of a Dissolution Event (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), to exercise all of the rights of the Trustee under these presents and any of the other Transaction Documents (**provided that** no obligations, duties, Liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the delegation) and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with these presents (together the "**Delegation**" of the "**Relevant Powers**"), **provided that** in no circumstances will such Delegation result in the Delegate holding the Trust Assets on trust and **provided further that** such Delegation and the Relevant Powers shall not include any duty, power, trust, authority or discretion to hold any of the Trust Assets, to dissolve the Trust following the occurrence of a Dissolution Event or to determine the remuneration of the Delegate.

The Declaration of Trust is governed by, and shall be construed in accordance with, the laws of England.

TAXATION

The following is a general description of certain Cayman Islands, Turkish and European Union tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those countries or elsewhere. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments of profit, principal and/or other amounts under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Cayman Islands

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws payments on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates nor will gains derived from the disposal of Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

Subject as set out below, no capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of the Certificates. An instrument transferring title to any Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

Turkey

The following summary of the anticipated tax treatment in Turkey in relation to the payments on the Certificates is based on the taxation law and practice in force at the date of this Prospectus, and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Certificates and the receipt of any payments in respect of any Periodic Distribution Amounts, the Dissolution Distribution Amount or any other amounts payable in respect of such Certificates under the laws of the jurisdictions in which they may be liable to taxation.

Overview

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its worldwide income (unlimited tax liability), whereas a non-resident legal entity is only liable to Turkish taxes for trading income made through a permanent establishment or a permanent representative, or only for income otherwise sourced in Turkey (limited tax liability).

A natural person is a resident of Turkey if it has established domicile in Turkey, or stays in Turkey more than six months in a calendar year. A resident individual is liable for Turkish taxes on world- wide income, while a non-resident individual is only liable for Turkish taxes on trading income made through a permanent establishment or permanent representative, or only for income otherwise sourced in Turkey.

Taxation of Interest and Capital Gains

Turkish resident Certificateholders should treat Periodic Distribution Amounts paid in accordance with the terms and conditions of the Certificates as ordinary interest income and any gain realised on the

disposal or redemption of Certificates as a capital gain to be declared for Turkish tax purposes and accordingly subject to income/corporate tax in Turkey.

Periodic Distribution Amounts received and capital gains realised in respect of the Certificates held by non-Turkish resident Certificateholders are not subject to any Turkish income/corporate tax **provided that** (i) the Certificates are not held through a permanent establishment or a permanent representative in Turkey (ii) the Certificates are not acquired through Turkish on-shore bank accounts or the proceeds from the sale of the Certificates are not received through Turkish on-shore bank accounts and (iii) the purchase and sale of the Certificates are not carried out in Turkey (i.e. no Turkish intermediaries are involved in the transaction).

Withholding Tax

Payments of Periodic Distributions Amounts or the Dissolution Distribution Amount under the terms and conditions of the Certificates made by the Trustee to the Certificateholders are not subject to withholding taxes under Turkish law as the Trustee is not a resident in Turkey.

Article 30.1 (cc) of the Corporation Tax Law (Law No. 5520) (the Corporation Tax Law) requires a withholding tax, at a rate of 15 per cent., to be withheld from all payments of interest and fees on loans obtained by customers resident in Turkey from non-resident persons, except that the Council of Ministers' Decree No. 2009/14593 (the Decree) issued pursuant to Article 30 of the Corporation Tax Law reduces the Turkish withholding tax rate applicable on payments of interest on loans to one per cent. if such loans are (i) obtained by banks and qualify as tier 2 capital pursuant to Law No. 5411, or (ii) obtained by banks or entities through securitisations that take place outside Turkey and are structured on a cash flow or an asset portfolio.

It has further been confirmed in a tax ruling of the Ministry of Finance that, for the purposes of the Corporation Tax Law and the Decree, the Turkish withholding tax rate applicable to all payments made under such loans is considered to be one per cent.

If payments by Kuveyt Türk to the Trustee in respect of its obligations under the Transaction Documents are subject to any withholding tax, Kuveyt Türk will, in certain circumstances specified in the Transaction Documents, become obliged to pay such additional amounts as may be necessary so that the net payments received by the Trustee will not be less than the amount the Trustee would have received in the absence of such withholding.

Stamp tax

Article 30.5.3 of the General Communiqué (Serial No. 1) on Corporate Tax issued by the Ministry of Finance on 3 April 2007 provides that special purpose vehicles incorporated by Turkish banks for the purpose of securitisations qualify as financial institutions. Article 23 of Part IV of Table 2 of the Stamp Tax Law (Law No. 488) (the Stamp Tax Law) further provides that documents executed with banks, foreign credit institutions or international financial institutions in relation to the granting and/or repayment of and/or security for loans shall be exempt from stamp tax. In accordance with the foregoing, none of the Transaction Documents should be subject to stamp tax, if:

- (a) the transactions contemplated by the Transaction Documents qualify from the perspective of the tax authorities, in their entirety, as a loan transaction entered into with a bank, foreign credit institution or international financial institution; and
- (b) subject to (a) above, the Transaction Documents are deemed to be documents executed with a bank, foreign credit institution or international financial institution in relation to the granting and/or repayment and/or security for such loan transaction.

To the extent any of the Transaction Documents are subject to stamp tax, stamp tax will be levied as a percentage of what is considered to be the monetary value of each relevant Transaction Document at a rate of 0.948 per cent. of such monetary value. Pursuant to the Stamp Tax Law General Communiqué (Serial No. 59), TRY1,797,117.30 is the highest amount payable for the 2016 year as stamp duty on each taxable document.

Parties to a taxable document are jointly liable for the payment of stamp tax and each and every signed copy of the taxable document is separately subject to stamp tax. Under the Transaction Documents,

Kuveyt Türk will undertake to pay any stamp tax payable in respect of the Transaction Documents and to indemnify the relevant parties against any liabilities with respect to such stamp tax.

Stamp tax is not required to be paid under the laws of Turkey for the purpose any enforcement proceedings in respect of the Certificates or the Transaction Documents brought in the courts of Turkey. Certificateholders (who are not resident or incorporated or having a permanent establishment in Turkey) will not incur, or become liable for, stamp duty, registration, transfer or other similar taxes under the laws of Turkey by reason only of the acquisition, ownership or disposal of the Certificates.

Other Taxes

According to current Turkish tax laws and regulations, the sale, transfer or other disposition of Certificates is not subject to Turkish transfer taxes or value added tax **provided that** these transactions are performed outside Turkey.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Certificates (including secondary market transactions) in certain circumstances. The issuance and subscription of Certificates should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (i) by transacting with a person established in a participating Member State; or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Certificates are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Under a subscription agreement (the "**Subscription Agreement**") dated 11 February 2016 between the Trustee, Kuveyt Türk and the Joint Lead Managers, the Trustee has agreed to issue and sell U.S.\$350,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, Abu Dhabi Islamic Bank PJSC, Dubai Islamic Bank PJSC, Emirates NBD PJSC, HSBC Bank plc, KAMCO Investment Company K.S.C. (Public), Noor Bank PJSC and QInvest LLC have jointly and severally agreed to subscribe for the Certificates. Pursuant to the Subscription Agreement, the Joint Lead Managers will be paid certain commissions in respect of their services for managing the issue and sale of the Certificates. The Joint Lead Managers will also be reimbursed in respect of certain of their expenses, and each of the Trustee and Kuveyt Türk has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Certificates.

General

Each Joint Lead Manager has represented, warranted and undertaken, that it has complied, and will comply, to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Certificates or possesses, distributes or publishes this Prospectus or any related offering material, in all cases at its own expense. Other persons into whose hands this Prospectus comes are required by the Trustee, Kuveyt Türk and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Certificates or possess, distribute or publish this Prospectus or any related offering material, in all cases at their own expense.

The Subscription Agreement provides that the Joint Lead Managers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out below) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Joint Lead Managers described in this paragraph.

United States of America

The Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has represented and agreed that it has not and will not offer, sell or deliver Certificates: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Certificates, as certified to the Principal Paying Agent or the Trustee by such Joint Lead Manager (or, in the case of a sale of Certificates to or through more than one Joint Lead Manager, by each of such Joint Lead Managers as to the Certificates purchased by or through it, in which case the Principal Paying Agent, the Trustee or Kuveyt Türk shall notify each such Joint Lead Manager when all such Joint Lead Managers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Joint Lead Manager will have sent to each manager to which it sells Certificates during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Certificates, any offer or sale of Certificates within the United States by any manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each Joint Lead Manager has also agreed that, at or prior to confirmation of sale of Certificates, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Certificates from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the

account or benefit of, U.S. persons: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Joint Lead Manager, except, in either case, in accordance with Regulation S under the Securities Act ("**Regulation S**"). Terms used above have the meanings given to them by Regulation S."

Each Joint Lead Manager has represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Certificate and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or Kuveyt Türk; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

The Republic of Turkey

Each Joint Lead Manager has represented, warranted and agreed that the Certificates (or beneficial interests therein) shall not be sold in Turkey in any circumstances which would constitute a sale or a public offering within the meaning of the Capital Markets Law without the approval of the Capital Markets Board of Turkey ("**CMB**"). No transaction that may be deemed as a sale of the Certificates (or beneficial interests therein) in Turkey by way of private placement or a public offering may be engaged in without the approval of the CMB. Additionally, no prospectus and other offering material related to the offering may be utilised in connection with any general offering to the public within Turkey for the purpose of the offer or sale of the Certificates without the prior approval of the CMB. However, pursuant to Article 15(d) (ii) of the Government Decree 32 on the Protection of the Value of the Turkish Currency, as amended ("**Decree 32**"), there is no restriction on the purchase or sale of the Certificates (or beneficial interests therein) in markets by residents of Turkey; **provided that** they purchase or sell such Certificates (or beneficial interests) in the financial markets outside of Turkey and such sale and purchase is made through banks and/or licensed brokerage institutions authorised pursuant to the CMB regulations and the consideration of the purchase of such Certificates has been or will be transferred through banks operating in Turkey.

Cayman Islands

Each Joint Lead Manager has represented and agreed that no invitation, whether directly or indirectly, has been or will be made to the public in the Cayman Islands to subscribe for the Certificates.

Dubai International Financial Centre

Each Joint Lead Manager has represented, warranted and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "**Exempt Offer**" in accordance with the Markets Rules (MKT Module) of the Dubai Financial Services Authority (the "**DFSA**"); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (i) to "**professional investors**" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CO**") or which do not constitute an offer to the public within the meaning of the CO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to any Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" within the meaning of the SFO and any rules made under the SFO.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**"). Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Certificates in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws and regulations of Japan.

Kingdom of Bahrain

Each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are "**accredited investors**".

For this purpose, an accredited investor means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 10 of the "**Offers of Securities Regulations**" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Certificates to a Saudi Investor will be made in compliance with the KSA Regulations.

Investors are informed that Article 17 of the KSA Regulations place restrictions on secondary market activity with respect to the Certificates, including as follows:

- (a) a Saudi Investor (referred to as a "**transferor**") who has acquired Certificates pursuant to a private placement may not offer or sell Certificates to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorised person where one of the following requirements is met:
 - (i) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;
 - (ii) the Certificates are offered or sold to a sophisticated investor; or
 - (iii) the Certificates are being offered or sold in such other circumstances as the CMA may prescribe for these purposes;
- (b) if the requirement of paragraph (a)(i) above cannot be fulfilled because the price of the Certificates being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Certificates to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;
- (c) if the requirement in paragraph (b) above cannot be fulfilled, the transferor may offer or sell Certificates if he/she sells his entire holding of Certificates to one transferee; and
- (d) the provisions of paragraphs (a), (b) and (c) above shall apply to all subsequent transferees of the Certificates.

Malaysia

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia ("**CMSA**"); and
- (b) accordingly, the Certificates have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b), and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Qatar Financial Centre

Each Joint Lead Manager has represented, warranted and agreed that this Prospectus: (i) has not been, and will not be, registered with or approved by the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in the Qatar Financial Centre; (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the Qatar Financial Centre and may not be reproduced or used for any other purpose.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold and that it will not offer or sell any Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of the Certificates, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act Chapter 289, of Singapore (the "**Securities and Futures Act**"); (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act; or (iii) pursuant to, and in accordance with the conditions of, any other applicable provisions of the Securities and Futures Act.

Where Certificates are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the Securities and Futures Act or Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

State of Qatar (excluding the Qatar Financial Centre)

Each of the Joint Lead Managers has represented, warranted and agreed that it has not offered, delivered or sold, and will not offer, deliver or sell at any time, directly or indirectly, any Certificates in the State of Qatar, except: (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar. This Prospectus has not been reviewed or approved by the Qatar Central Bank or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

State of Kuwait

Each Joint Lead Manager has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree the following:

No Certificates have been licensed for offering in the State of Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of Certificates in the State of Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 31 of 1990, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities. No private or public offering of the Certificates is being made in the State of Kuwait, and no agreement relating to the sale of the Certificates will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Certificates in the State of Kuwait.

GENERAL INFORMATION

Authorisation

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Trustee dated 12 November 2015. The Trustee has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Certificates and the execution and performance of the Transaction Documents to which it is a party. The entry into the Transaction Documents to which it is a party has been duly authorised by a resolution of the Board of Directors of Kuveyt Türk on 6 May 2015.

Listing of Certificates

Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and admitted to trading on the Main Securities Market. The listing of the Certificates is expected to be granted on or before 18 February 2016.

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

The total expenses related to the admission to trading are estimated to be €6,790.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Trustee or Kuveyt Türk is aware) which may have, or have had during the twelve months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Trustee, Kuveyt Türk, or Kuveyt Türk and its subsidiaries taken as a whole.

Significant/Material Change

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the prospects of the Trustee, in each case, since the date of its incorporation.

Since 30 September 2015, there has been no significant change in the financial or trading position of Kuveyt Türk and its subsidiaries taken as a whole and, since 31 December 2014, there has been no material adverse change in the prospects of Kuveyt Türk and its subsidiaries taken as a whole.

Auditors

The BRSA Accounts and the IFRS Accounts were audited, without qualification, and the Interim BRSA Accounts were reviewed, in each case by DRT Bagimsiz Denetim ve Serbest Muhasebeci Mali Miişavirlik A.Ş. ("**Deloitte**"), member of Deloitte Touche Tohmatsu Limited.

Deloitte is a member of the Independent Auditors' Association of Turkey and an institution authorised by the BRSA to conduct independent audits of banks in Turkey. The auditors of Kuveyt Türk have no material interest in Kuveyt Türk.

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is a special purpose vehicle and is not required under the law of the Cayman Islands, and has no intention to prepare its own financial statements.

Documents Available

For so long as any Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will be available both in electronic and physical format, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered office of the Trustee and the specified London office of the Principal Paying Agent:

- (a) the Transaction Documents;

- (b) the Memorandum and Articles of Association of the Trustee;
- (c) the Articles of Association, Certificate of Activities and the Council of Ministers Decree approving the incorporation of Kuveyt Türk;
- (d) the IFRS Accounts, in each case together with any audit reports prepared in connection therewith;
- (e) the BRSA Accounts, together with any audit or review reports prepared in connection therewith;
- (f) the Prospectus.

The Prospectus is available for viewing on the website of the Central Bank of Ireland (<http://www.centralbank.ie>).

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for the Certificates is XS1323608635. The Common Code for the Certificates is 132360863.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Shari'a Advisory Boards

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the QInvest Shari'a Supervisory Board, the Fatwa and Shari'a Supervisory Board of Noor Bank, the HSBC Saudi Arabia Executive Shari'ah Committee, the KFH Capital Sharia Committee and the Fatwa and Shari'a Supervision Board of Dubai Islamic Bank and Dar Al Sharia Legal and Financial Consultancy. Prospective Certificateholders should not rely on the approval referred to above in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction is in compliance with *Shari'a* principles.

Joint Lead Managers Transacting with the Trustee and Kuveyt Türk

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Trustee, Kuveyt Türk and their respective affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee or the Trustee's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Trustee and/or Kuveyt Türk routinely hedge their credit exposure to the Trustee and/or Kuveyt Türk, as the case may be, consistent with their customary risk management policies.

Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates. Any such short positions could adversely affect future trading prices of the Certificates. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

SUMMARY OF DIFFERENCES BETWEEN IFRS AND BRSA PRINCIPLES

Certain financial information contained in this Prospectus is presented in accordance with BRSA Principles (see "*Presentation of Financial and Certain Other Information*").

BRSA Principles differ from IFRS. Such differences primarily relate to the format of presentation of financial statements, disclosure requirements and accounting policies. BRSA format and disclosure requirements are prescribed by relevant regulations and do not always meet IFRS or IAS 34 standards. Among the differences in accounting policies some of the most important are:

- **Consolidation:** Only financial sector subsidiaries and associates are consolidated under BRSA Principles, others are carried at cost or at fair value.
- **Specific provisioning for loan losses:** BRSA Principles provisioning for loan losses is different from IAS 39 and is based on minimum percentages relating to the number of days overdue prescribed by relevant regulations, whereas the IFRS provisioning for loan losses is based on the present value of future cash flows discounted at original effective interest rates.
- **General loan loss provisioning:** This is required under BRSA Principles but prohibited under IFRS. Instead, IFRS requires portfolio/collective provisioning for groups of loans and receivables sharing similar characteristics and not individually identified as impaired. Moreover, BRSA Principles generic provisioning is based on minimum percentages defined in regulations for many asset classes (both on-balance and off-balance sheet), not only for loans, which is not the case with IFRS.
- **Deferred taxation:** Certain differences exist in this area. According to the IAS 12 Income Taxes deferred taxation is calculated in full on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Bank, whereas under BRSA Principles there are some specific exemptions. For example, under BRSA Principles, no deferred tax is computed in relation to general loan loss provisions.

TRUSTEE

KT Sukuk Company Limited

c/o MaplesFS Limited
P.O. Box 1093
Queensgate House
Grand Cayman, KY1-1102
Cayman Islands

KUVEYT TÜRK

Kuveyt Türk Katılım Bankası A.Ş.

Büyüdere Cad. No 129/1, 34394
Esentepe Şişli
İstanbul
Turkey

DELEGATE

HSBC Corporate Trustee Company (UK) Limited

Level 24
8 Canada Square
London
E14 5HQ

PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

HSBC Bank plc

8 Canada Square
London
E14 5HQ

SOLE GLOBAL COORDINATOR

KFH Capital Investment Company KSCC

Level 23 Baitak Tower
Safat Square
Ahmed Al Jaber Street
Kuwait City
P.O.Box 2650 Mishref
40177 Kuwait

JOINT LEAD MANAGERS

Abu Dhabi Islamic Bank PJSC

P.O. Box 313
Abu Dhabi
United Arab Emirates

Emirates NBD PJSC

P.O. Box 777
Dubai
United Arab Emirates

Dubai Islamic Bank PJSC

P.O. Box 1080
Dubai
United Arab Emirates

HSBC Bank plc

8 Canada Square
London
E14 5HQ
United Kingdom

KAMCO Investment Company K.S.C. (Public)

Khalid Bin Waleed Street
Al-Shaheed Tower
P.O. Box 28873
Safat 13149
Kuwait

KFH Capital Investment Company KSCC

Level 23 Baitak Tower
Safat Square
Ahmed Al Jaber Street
Kuwait City
P.O. Box 2650 Mishref
40177 Kuwait

Noor Bank PJSC

P.O. Box 8822
Dubai
United Arab Emirates

QInvest LLC

Tornado Tower, 39th Floor
West Bay
Doha
P.O. Box 26222
State of Qatar

LEGAL ADVISERS

To Kuveyt Türk as to English law

King & Spalding LLP

Al Fattan Currency House
Tower 2, Level 24
Dubai International Financial Centre
P.O. Box 506547
Dubai, United Arab Emirates

To Kuveyt Türk as to Turkish law

Mutlu Avukatlık Ortaklığı

Gazeteciler Sitesi Matbuat Sokak. No 9, 34394
Esentepe Şişli
Istanbul
Turkey

To the Joint Lead Managers as to English law

Clifford Chance LLP

Level 15
Burj Daman
Dubai International Financial Centre
PO Box 9380
Dubai, United Arab Emirates

To the Joint Lead Managers as to Turkish law

Yegin Çiftçi Attorney Partnership

Kanyon Ofis Binasi Kat. 10
Büyükdere Cad. No. 185
34394 Levent
Istanbul
Turkey

To the Delegate as to English law

Clifford Chance LLP

10 Upper Bank Street
London E14 5JJ
United Kingdom

To the Trustee as to Cayman Islands law

Maples and Calder (Dubai) LLP

5th Floor, The Exchange Building
Dubai International Financial Centre
P.O. Box 119980
Dubai
United Arab Emirates

AUDITORS TO KUYEYT TÜRK KATILIM BANKASI A.Ş.**DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.****Member of Deloitte Touche Tohmatsu Limited**

Reşitpaşa Mah.
Eski Büyükdere cad.
Groupama Plaza No.2, Maslak Mah. Bilim Sk. No: 5
Şişli Istanbul
Turkey

LISTING AGENT**Arthur Cox Listing Services Limited**

Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland