Asya Sukuk Company Limited

(*incorporated in the Cayman Islands with limited liability*)

U.S.$250,000,000 Fixed Rate Resettable Tier 2 Certificates due 2023
Issue Price: 100 per cent.

The U.S.$250,000,000 Fixed Rate Resettable Tier 2 Certificates due 2023 (the **Certificates**) of Asya Sukuk Company Limited (the **Issuer**) will be constituted by a declaration of trust (the **Declaration of Trust**) dated on or around 28 March 2013 (the **Closing Date**) between the Issuer, in its capacity as issuer and as trustee (the **Trustee**) for and on behalf of holders of the Certificates (the **Certificateholders**), Asya Katılım Bankası A.Ş. (**Bank Asya** or the **Bank**) and BNY Mellon Corporate Trustee Services Limited (the **Delegate**). Pursuant to the Declaration of Trust, the Trustee will declare that it will hold the Trust Assets (as defined herein), including certain subordinated obligations of Bank Asya 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**).

Distributions in relation to the Certificates will be made to holders, *pro rata* to their respective holdings on each of 28 March and 28 September in each year commencing on 28 September 2013 (each, a **Periodic Distribution Date**). The amount of each such distribution (each a **Periodic Distribution Amount**) for the period (the **Initial Distribution Period**) from (and including) the Closing Date to (but excluding) 28 March 2018 (the **Issuer Call Date**) will be calculated at the rate of 7.500 per cent. per annum (the **Initial Periodic Distribution Rate**) on the outstanding face amount of the Certificates. For the period (the **Reset Distribution Period** and, together with the Initial Distribution Period, each a **Distribution Period**) from (and including) the Issuer Call Date to (but excluding) 28 March 2023 (the **Scheduled Dissolution Date**), the Periodic Distribution Amounts payable to Certificateholders will be calculated at the rate (the **Reset Periodic Distribution Rate**) of 6.525 per cent. per annum above the then applying annual swap rate for U.S. dollar swap transactions with a maturity of five years determined in accordance with market convention.

The Issuer will pay such Periodic Distribution Amounts solely from the proceeds received in respect of the Trust Assets, which include payments by Bank Asya under the Commodity Murabaha Agreement (as defined herein). Subject as further provided in Condition 8 and, in the case of any redemption of the Certificates on the Issuer Call Date or on the occurrence of a Tax Event (as defined herein), to the prior approval of the Banking Regulation and Supervision Agency (*Bankacılık Düzenleme ve Denetleme Kurumu*) of Turkey (the **BRSA**), the Certificates may be redeemed by the Issuer in whole (but not in part) on the Issuer Call Date or at any time if a Capital Disqualification Event (as defined herein) or a Tax Event occurs, in each case following the optional exercise by Bank Asya of its rights under the Sale and Transfer Undertaking to oblige the Trustee to sell the Asset Portfolio (as defined herein). If not previously redeemed as described above, the Certificates will be redeemed on the Scheduled Dissolution Date at the Dissolution Distribution Amount (as defined herein). The Trustee will pay Dissolution Distribution Amounts solely from the proceeds received in respect of the Trust Assets, which include payments by Bank Asya under the Commodity Murabaha Agreement, the Management Agreement and the Purchase and Asset Portfolio Undertaking (each as defined herein).

The Certificates will be limited recourse obligations of the Issuer. An investment in the 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 to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the **Prospectus Directive**). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval only relates to Certificates which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments (the **Markets in Financial Instruments Directive**) and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and trading on its regulated market (the **Main Securities Market**). The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive. References in this Prospectus to the Certificates being **listed** (and all related references) shall mean that the Certificates have been admitted to the Official List and trading on the Main Securities Market.

The Certificates are expected to be assigned a rating of Ba3 by Moody's Deutschland GmbH (**Moody's**). Bank Asya has been assigned a rating of Ba2 by Moody's. Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, Moody's 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. Please also refer to "*Credit ratings may not reflect all risks*" in the Risk Factors section of this Prospectus.

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 (as defined in Regulation S under the Securities Act (**Regulation S**)) or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. 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. Certificates will be represented at all times 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 SA/NV (**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.

Joint Lead Managers

BofA Merrill Lynch **Emirates NBD Capital** **HSBC** **National Bank of Abu Dhabi**

The date of this Prospectus is 26 March 2013.

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Issuer, Bank Asya, Bank Asya and its consolidated subsidiaries taken as a whole (the **Group**) and the Certificates which, according to the particular nature of the Issuer, Bank Asya, the Group 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 Issuer, Bank Asya, the Group and of the Certificates.

Each of the Issuer and Bank Asya accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Issuer and Bank Asya (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, Bank Asya, the Joint Lead Managers (as defined under "*Subscription and Sale*"), the Trustee, the Delegate, the Agents (as defined herein) or any other person.

Neither the delivery of this document nor any offer, sale or delivery of any Certificates shall, under any circumstances, constitute a representation or create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the affairs of any party mentioned herein since that date.

None of the Joint Lead Managers, the Delegate or the Agents has verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them as to the accuracy, adequacy, reasonableness or completeness of the information contained in this Prospectus or any other information provided by the Issuer or Bank Asya in connection with the Certificates, their distribution or their future performance.

Neither this Prospectus nor any other information supplied in connection with the Certificates is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Issuer, Bank Asya, the Joint Lead Managers, the Trustee, the Delegate or the Agents that any recipient of this Prospectus should purchase any of the Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and Bank Asya. None of the Joint Lead Managers, the Delegate or the Agents accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer and Bank Asya in connection with the Certificates.

No comment is made or advice given by the Issuer, Bank Asya, the Joint Lead Managers, the Trustee, the Delegate or the Agents in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under any applicable law.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF THE CERTIFICATES.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of the Certificates may be restricted by law in certain jurisdictions. None of the Issuer, Bank Asya, the Joint Lead Managers, the Trustee, the Delegate or the Agents represents 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 assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, Bank Asya, the Joint Lead Managers, the Trustee, the Delegate or the Agents which is intended to permit a public offering of any Certificates or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Certificates may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of the Certificates. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the European Economic Area (including the United Kingdom), the Republic of Turkey, the Cayman Islands, the Dubai International Financial Centre (the **DIFC**), Hong Kong, Malaysia, the Kingdom of Saudi Arabia (**Saudi Arabia**), Singapore, Switzerland and the United Arab Emirates (the **UAE**) (excluding the DIFC), see "*Subscription and Sale*".

Suitability of investments

The Certificates may not be a suitable investment for all investors. Each potential investor in the 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 the Transaction Documents (as defined below) and be familiar with the behaviour of 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.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be "forward-looking statements". Forward-looking statements involve risks, uncertainties and assumptions, and include statements (other than statements of historical fact) concerning Bank Asya's or, as the case may be, the Group'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. Bank Asya has based these forward-looking statements on the current view of its management with respect to, among other things, Bank Asya's or, as the case may be, the Group's business strategy, management plans and objectives, future events and financial performance. Although Bank Asya 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 identified below or which Bank Asya has otherwise identified in this Prospectus, or if any of Bank Asya's underlying assumptions prove to be incomplete or inaccurate, Bank Asya's or, as the case may be, the Group's actual results of operation may vary from those expected, estimated or predicted.

Important factors that could cause Bank Asya's or, as the case may be, the Group's actual results of operation to differ materially from any forward-looking statements include, among others:

- macro-economic and financial market conditions and, in particular, political and economic conditions in Turkey, including changes in the Turkish economy and in the banking and financial markets in Turkey;
- credit risks, including the impact of a higher level of credit defaults arising from adverse economic conditions, Bank Asya's ability to successfully re-price and restructure financings, the impact of provisions and impairments and the concentration of Bank Asya's financing portfolio;
- liquidity risks, including the inability of Bank Asya to meet its contractual and contingent cash flow obligations or the inability to fund its operations; and
- changes in profit rates and other market conditions, including changes in benchmark rates, spreads and net profit margins.

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, Bank Asya 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.

CERTAIN PUBLICLY AVAILABLE INFORMATION

Certain statistical data and other information appearing in this Prospectus under "*Risk Factors*", "*Selected Financial Information*", "*Financial Review*", "*Description of Bank Asya*" and "*Overview of the Turkish Banking Sector and Regulations*" have been extracted from public sources identified herein. Neither the Issuer nor Bank Asya accepts responsibility for the factual correctness of any such statistics or information but the Issuer and Bank Asya confirm that such statistics and information have been accurately reproduced and that, so far as the Issuer and Bank Asya are aware and have been able to ascertain from statistics and information published by those public sources, no facts have been omitted which would render the reproduced statistics and information inaccurate or misleading.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Bank Asya 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 Turkish Official Gazette No. 26333 dated 1 November 2006, 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 financial statements of Bank Asya for the years ended 31 December 2010, 2011 and 2012 (consolidated in the case of 2010 and 2011 and unconsolidated in the case of 2011 and 2012 (the **2012 Unconsolidated BRSA Accounts**) (collectively, the **BRSA Accounts**) incorporated by reference in this Prospectus have been prepared and presented in accordance with BRSA Principles. The BRSA Accounts were audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of Deloitte Touche Tohmatsu Limited (**Deloitte**). Bank Asya'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 Bank Asya 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 for the years ended 31 December 2010 and 2011 (the **Audited IFRS Accounts**) and unaudited consolidated interim financial statements for the six month periods ended 30 June 2011 and 2012 (the **Interim IFRS Accounts** and, together with the Audited IFRS Accounts, the **IFRS Accounts**), prepared and presented in each case in accordance with IFRS, are incorporated by reference in this Prospectus. The Audited IFRS Accounts have been audited and the Interim IFRS Accounts have been reviewed by Deloitte.

Unless otherwise indicated, the financial data for the Group for the years ended 31 December 2010 and 2011 and the six month periods ended 30 June 2011 and 2012 included in this Prospectus is extracted from the IFRS Accounts without material adjustment and the financial data for the Group for the year ended 31 December 2012 included in this Prospectus is extracted from the 2012 Unconsolidated BRSA Accounts without material adjustment.

BRSA Principles differ from IFRS. For a discussion of the differences between BRSA Principles and IFRS, see "*Annex A—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 lirasi***) 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.

IN CONNECTION WITH THE ISSUE OF THE CERTIFICATES, HSBC BANK PLC, IN ITS CAPACITY AS STABILISING MANAGER (THE **STABILISING MANAGER**) (OR ANY PERSON ACTING ON ITS BEHALF) 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 ANY PERSON ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE CLOSING DATE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE CLOSING DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE CERTIFICATES. ANY STABILISATION ACTION SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

ENFORCEMENT OF FOREIGN JUDGMENTS AND SERVICE OF PROCESS

Bank Asya is a joint stock company organised under the laws of Turkey. Certain of the directors and officers of Bank Asya named herein reside inside Turkey and all or a significant portion of the assets of such persons may be, and substantially all of the assets of Bank Asya 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 order to enforce such judgments in Turkey, investors should initiate enforcement lawsuits before the competent Turkish courts. In accordance with Articles 50-59 of Turkey's International Private and Procedure Law (**Law No. 5718**), the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless:

(a) there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments;

(b) there is *de facto* enforcement in such country of judgments rendered by Turkish courts; or

(c) there is a provision in the laws of such country that provides for the enforcement of judgments of Turkish courts.

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

(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 judgment was rendered by a foreign court that has deemed itself competent even though it has no actual relationship with the parties or the subject matter at hand.

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 Turkish lira equivalent of the amount claimed plus a fixed application fee to the relevant courts.

In connection with the Certificates, service of process may be made upon Bank Asya at the registered office of Maples and Calder at 11th Floor, 200 Aldersgate Street, London EC1A 4HD (Attention: Process Agency) with respect to any proceedings in England.

See "*Risk Factors—Risk factors relating to enforcement*".

NOTICE TO RESIDENTS OF TURKEY

The Certificates may not be offered or sold within Turkey under the provisions of Capital Markets Law (Law No. 6362).

NOTICE TO RESIDENTS OF MALAYSIA

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia directly or indirectly for the purpose of any sale of the Certificates in Malaysia other than to persons falling within the categories specified under (i) Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)) and (ii) Schedule 8 (or Section 257(3)) of the Capital Markets and Services Act 2007 of Malaysia (the **CMSA**). The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Issuer or Bank Asya and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

KINGDOM OF SAUDI ARABIA NOTICE

This Prospectus may not be distributed in 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 the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

NOTICE TO CAYMAN ISLAND RESIDENTS

No invitation 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.

TABLE OF CONTENTS

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.

Each of the Issuer and Bank Asya believes that the factors described below represent the principal risks inherent in investing in the Certificates, but the inability of the Issuer to pay any amounts on or in connection with any Certificate may occur for other reasons and none of the Issuer or Bank Asya 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 Issuer or Bank Asya or which the Issuer or Bank Asya 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 Issuer

The Issuer has a limited operating history and no material assets. The Issuer will not engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in its capacity as Trustee, and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Issuer's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets, including its right to receive payments under the Commodity Murabaha Agreement, the Management Agreement and the Purchase and Asset Portfolio Undertaking. Therefore the Trustee is subject to all the risks to which Bank Asya is subject to the extent that such risks could limit Bank Asya'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 Bank Asya*'' below for a further description of these risks.

The ability of the Trustee to pay amounts due on the Certificates will primarily be dependent upon receipt by the Trustee from Bank Asya of all amounts due under the Commodity Murabaha Agreement and from the Managing Agent and Bank Asya under the Management Agreement and the Purchase and Asset Portfolio Undertaking, respectively, which, in the aggregate, may not be sufficient to meet all claims under the Certificates and the Transaction Documents.

Risk factors relating to Bank Asya

Risks relating to Bank Asya's business

Bank Asya's cash loan portfolio has increased in recent years and will require it to continue to develop more sophisticated monitoring systems to manage Bank Asya's credit exposure

Bank Asya's gross cash loan portfolio has increased in recent years, growing to TRY13.75 billion (including finance lease receivables) as at 31 December 2011 from TRY11.36 billion as at 31 December 2010 and from TRY12.46 billion as at 30 June 2011 to TRY15.42 billion as at 30 June 2012. The growth in Bank Asya's net cash loan portfolio is attributable to an overall increase in the growth of Bank Asya's lending activity, which Bank Asya intends to continue to target as part of its strategy. See ''*Description of Bank Asya—Strategy*''.

As at 31 December 2011, Bank Asya's ratio of cash loans in arrears to total cash loans was 4.95 per cent. compared to 5.86 per cent. as at 31 December 2010 and as at 30 June 2012, Bank Asya's ratio of cash loans in arrears to total cash loans was 5.44 per cent. compared to 5.35 per cent. as at 30 June 2011. As a participation bank, the monthly principal repayment structure of Bank Asya's cash loans helps to reduce its credit risks as compared to conventional banks which provide interest-only loans. The significant increase in the size of its cash loan portfolio has increased Bank Asya'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 Bank Asya to seek to attract and retain a significant number of qualified personnel to monitor asset quality. Bank Asya has consistently updated its credit monitoring and system infrastructure with respect to its lending process and pays strict attention to the timeliness of loan repayments. The Credit Monitoring Group (consisting of four departments) has a total of 80 employees responsible for monitoring loans provided to corporate, commercial, SME and retail customers in accordance with BRSA regulations and Bank Asya's internal credit policy. Where repayments are overdue for 90 days and more, the Legal Department, comprising 40 personnel who work with approximately 90 external lawyers, assumes responsibility for the relevant loans.

Bank Asya's credit risk management policies may nevertheless be insufficient to protect it against material cash loan losses and any negative macroeconomic developments could have a more significant impact on small-to-medium enterprise (**SME**) customers compared to larger corporate and commercial type customers (see "*Risk Management*"). 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 Bank Asya 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 level of allowance as set out by the BRSA (see "*Description of Bank Asya—Loan Portfolio—IFRS/BRSA Provisioning*"). Bank Asya's increased levels of lending may require Bank Asya to make higher levels of provisioning for credit losses. Although Bank Asya constantly seeks to revise and improve its lending procedures and credit quality analysis there can be no assurances that Bank Asya will not experience losses as a result of the growth and quality of its credit portfolio and these losses could have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

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

Bank Asya's core banking businesses have historically been, and are expected to continue to be, loans to corporate and commercial clients and SMEs. As at 30 June 2012, loans to corporate and commercial clients and SMEs constituted approximately 74.44 per cent. of Bank Asya's total loans with corporate and commercial loans constituting approximately 63.19 per cent. and SME loans constituting approximately 11.25 per cent. Many factors affect customers' ability to repay their loans or other obligations. 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 Bank Asya's control. Such factors affect the Turkish banking sector as a whole. Other factors are dependent upon Bank Asya's strategy of loan growth (including sector focus) and the viability of Bank Asya's internal credit application and monitoring systems, see "*—Bank Asya'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 Bank Asya's business, financial condition, results of operations and prospects.

Bank Asya's SME customer base is particularly sensitive to adverse developments in the Turkish economy which renders such lending activities relatively riskier than is the case with larger corporate customers

As at 30 June 2012, 11.25 per cent. of Bank Asya's loan portfolio consisted of loans to SMEs compared to 9.19 per cent. as at 30 June 2011. SMEs are a key component of Bank Asya's current business strategy (see "*Description of Bank Asya—Strategy*"). The availability of accurate and comprehensive financial information and general credit information on which to base credit decisions is more limited for SMEs than for large corporate clients. Therefore, notwithstanding the credit risk determination procedures that Bank Asya has in place, Bank Asya may be unable to evaluate correctly the current financial condition of each prospective borrower and to determine their long-term financial viability.

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

Security interests, collateral or loan guarantees provided in favour of Bank Asya may be insufficient to cover losses in the event of defaults by debtors and may entail long and costly enforcement proceedings

Bank Asya may experience difficulty foreclosing on collateral or enforcing guarantees or other third party credit support arrangements when debtors default on their loans. While Bank Asya seeks to mitigate credit risk (including through the diversification of its assets and requiring collateral for its loans, particularly loans to SMEs), such efforts may be insufficient to protect Bank Asya against material credit losses. For example, if the value of the collateral securing Bank Asya's credit portfolio is insufficient (including through the decline in its value after the original taking of such collateral), Bank Asya will be exposed to greater credit risk and an increased risk of non-recovery if related credit exposures fail to perform. In addition, the time and costs associated with enforcing security interests in Turkey may make it uneconomical for Bank Asya to pursue such proceedings, adversely affecting Bank Asya's ability to recover its loan losses.

Any decline in the value or liquidity of collateral taken may prevent Bank Asya from foreclosing on such collateral for its full value or at all in the event that a borrower becomes insolvent and enters bankruptcy and could thereby adversely affect Bank Asya's ability to recover any loan losses and accordingly could have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

Bank Asya's cash loans and deposits portfolio has significant geographic and currency concentrations

Bank Asya has a high concentration of such loans and deposits in both geographic and currency terms. Geographically, Bank Asya's cash loan portfolio is highly concentrated in Turkey at 90 per cent. of total cash loans as at 30 September 2012 (calculated by reference to the unaudited consolidated interim financial statements of Bank Asya for the nine month period ended 30 September 2012, prepared in accordance with BRSA Principles (the **30 September 2012 BRSA Accounts**)) and Bank Asya's deposits are highly concentrated in Turkish lira accounts at 59 per cent. of total deposits as at 30 September 2012 (calculated by reference to the 30 September 2012 BRSA Accounts). Accordingly, Bank Asya is particularly exposed to adverse changes in Turkish economic and political conditions and any such changes could have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

Bank Asya 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 Bank Asya

Bank Asya routinely executes transactions with counterparties in the financial services industry, including commercial banks, investment banks and other institutional clients. Given the high level of interdependence between financial institutions within the financial services industry, Bank Asya is and will continue to be subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of financial services institutions. Within the financial services industry, the default of any one institution could lead to defaults by other institutions. The perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by Bank Asya or other institutions. Bank Asya's credit risk would also be exacerbated if the collateral it holds cannot be realised at prices that are sufficient to recover the full amount of the loan or derivative exposure the collateral 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 an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

Bank Asya's banking business entails operational risks

Bank Asya is exposed to operational risk, which is the risk of loss resulting from inadequacy or failure of internal processes or systems or from external events. Such operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisations or failure to comply with regulatory requirements and conduct of business rules. A framework is in place to ensure that operational risks within Bank Asya are properly identified, monitored, managed and reported in a structured, systematic and consistent manner. Bank Asya's operational risk issues are actively managed by regular monitoring of Bank Asya's activities to quickly detect and correct deficiencies in its policies, processes and procedures for managing operational risks. See "*Risk Management*" for a description of Bank Asya's exposure to operational risks.

Although Bank Asya 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 Bank Asya. Any failure to effectively control such risks would have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

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

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

Bank Asya 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 Bank Asya's risk management, general ledger, account servicing or credit organisation systems. Although Bank Asya has developed back-up systems and may continue some of its operations through branches in case of emergency, if Bank Asya's information systems fail, Bank Asya could be temporarily 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 Bank Asya's information technology systems could result in significant costs being incurred in connection with information retrieval and verification.

Bank Asya's information technology department is headquartered in Istanbul and is supported by a disaster recovery centre (**Disaster Recovery Centre**) at Ízmir, which was established in 2006. Bank Asya has established a separate on-line backup system which is used to transfer critical data to the Disaster Recovery Centre. In a disaster recovery situation, the Disaster Recovery Centre would serve as Bank Asya's production system, using the latest available data through digital lines. Notwithstanding these precautions, should a natural disaster or other event affecting the Ízmir area occur, or should Bank Asya not be able to use its on-line link to the Disaster Recovery Centre, Bank Asya may be able to access its data backed up on storage cassettes located across various branches in Istanbul. However, it may also be impossible for Bank Asya to recover data from these storage cassettes. Therefore, there can be no assurances that such failures or interruptions will not occur or that Bank Asya will be able to address them in a timely manner if they do occur. Accordingly, the occurrence of any failure, interruption or breach of Bank Asya's information systems could have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

Bank Asya'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 Bank Asya's ability, under adverse conditions, to access 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 Bank Asya's inability to anticipate and provide for unforeseen decreases or changes in funding sources which could have adverse consequences on Bank Asya's ability to meet its obligations when they fall due. As is the normal practice in the Turkish banking industry, Bank Asya accepts deposits from its customers which are short-term in nature. Of its TRY14.76 billion in customers' current and profit sharing accounts as at 30 September 2012 (based on the 30 September 2012 BRSA Accounts), 63.25 per cent. had contractual maturities of less than and equal to 6 months. These short-term deposits are often rolled over on their maturity such that, in practice, a significant portion of them have actual maturities of longer duration. By contrast, Bank Asya's loans and leasing receivables have more diversified maturities. See "*Risk Management*" for a description of Bank Asya's exposure to liquidity risks. Accordingly, there is a risk that if a significant number of Bank Asya's customers do not choose to roll over their deposits at any time Bank Asya could experience difficulties in repaying those deposits. Furthermore, the recent policies of the Central Bank of Turkey (the **CBT**) have raised Turkish banks' reserve requirements for Turkish lira deposits, which have limited Turkish lira liquidity. An inability on the part of Bank Asya to access funds or to access the markets from which it raises funds may result in Bank Asya not being able to finance its operations and growth plans adequately. Bank Asya may also be unable to secure funding in the international capital markets if conditions in these markets, or its credit rating, were to deteriorate.

A rising interest rate environment could compound the risk of Bank Asya not being able to access funds at favourable rates. Bank Asya'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 Bank Asya provides its loans.

To address these risks, Bank Asya 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 maintains liquid assets at prudent levels to ensure that cash can quickly be made available to honour its obligations, even under adverse market conditions. In addition, as a participation bank, the monthly principal repayment structure of Bank Asya's cash loans helps to reduce any liquidity risks. Nonetheless, there is no assurance that Bank Asya will not experience significant liquidity constraints in the future. In the event that Bank Asya 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. Bank Asya'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 Bank Asya'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 Bank Asya

Bank Asya is exposed to market risks, including the indirect effects of currency exchange rate risk, interest rate risk and fluctuations in the prices of financial products. Bank Asya is also exposed to commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. As a participation bank, Bank Asya has the ability to reprice its participation ratio to mitigate any changes in the interest rate environment in Turkey. Although Bank Asya utilises various risk management tools to reduce its exposure to these risks, such as hedging against these risks and the use of derivative instruments, no assurance can be given that these measures will be effectively implemented or that they will allow Bank Asya to minimise the impact of currency exchange rate and interest rate volatility. See also "*Risk Management*". If Bank Asya's risk management procedures and limits do not minimise the impact of market risks on Bank Asya, its business, financial condition and results of operations may be adversely affected. Bank Asya 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 have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

Currency translation risks may have a negative impact on Bank Asya's business

A portion of Bank Asya's assets and liabilities are denominated in foreign currencies, and in particular the U.S. dollar and the Euro. Bank Asya 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 in preparing its financial statements. Bank Asya'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 Bank Asya's results of operations significantly depends on the rate of depreciation or appreciation of the Turkish lira against the foreign currencies in which its assets and liabilities are denominated. Significant fluctuations in the value of the Turkish lira against these foreign currencies, in particular the U.S. dollar and the Euro, could have an adverse effect on Bank Asya's business, financial condition and results of operations.

Volatility in interest rates may adversely affect Bank Asya's net income attributable to mark-ups and have other adverse consequences

As a participation bank, Bank Asya is an interest-free financial institution and its customers' participation and investment 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 and investment accounts, however, the maximum loss Bank Asya's customers can suffer is limited to the amount of their initial investment. Accordingly, interest rate related risk has no direct effect on Bank Asya's business. However, changes in market interest rates still affect Bank Asya 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 Bank Asya's mark-ups.

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

The growth of Bank Asya's business is dependent upon the continued growth of the participation banking industry in Turkey and in countries where it operates or considers operating in the future

Although the participation banking industry is established with a loyal customer base in Turkey, participation banking is a relatively new and growing area in relation to the Turkish banking sector. As at the date of this Prospectus, participation banks have a market share of approximately 5.16 per cent. of the Turkish banking sector and Bank Asya has approximately 1.56 per cent. of that market share (the largest percentage of any participation bank). There can be no assurances that customer perception in relation to participation banking in general may not change as a result of events and factors affecting the socio-political environment in Turkey and in countries where Bank Asya operates or considers operating in the future or that the market share of participation banks will continue to grow. Any negative change in such perception could have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

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

There can be no assurance that Bank Asya's risk management and internal control policies and procedures will adequately control, or protect Bank Asya against, all credit, liquidity, market and other risks. In addition, certain risks could be greater than Bank Asya's empirical data would otherwise indicate. Bank Asya continues to maintain and develop its risk management systems, both to meet Bank Asya's ongoing internal risk management needs and to comply with all legal and regulatory requirements in the banking sector, including the Basel II criteria (as defined below) and the BRSA regulations.

The internal rating model which Bank Asya uses has recently been extended by adding a collateral rating model that uses an analytical hierarchal method. This enables Bank Asya to consider both the credit customer's internal rating and the collateral rating. See "*Description of Bank Asya—Loan Portfolio—Collateral*".

Other risk management practices, including "know your client" practices, depend upon evaluation of information regarding the markets in which Bank Asya operates, its clients or other matters that are publicly available or information otherwise accessible to Bank Asya. 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.

Bank Asya cannot give assurances that all of its staff have adhered or will adhere to its policies and procedures. Bank Asya is susceptible to, amongst other things, failure of internal processes or systems, unauthorised transactions by employees and operational errors, including clerical or record keeping errors or errors resulting from faulty computer or telecommunications systems, and fraud by employees or outsiders. See also "*Risks Relating to Bank Asya—Bank Asya's banking business entails operational risks*" and "*Risk Relating to Bank Asya—A failure or interruption in or breach of Bank Asya's information systems, and any failure to update such systems, may result in loss of business and other losses*". Bank Asya's risk management and internal control capabilities are also limited by the information tools and technologies available to it.

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

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

Bank Asya is currently expanding its core business areas, see "*Description of Bank Asya—Strategy*". Bank Asya intends to open a number of additional branches throughout Turkey where growth opportunities exist in order to attract more retail and SME customers as well as increase Bank Asya's retail deposit base. There are risks associated with expansion, including encountering 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 Bank Asya's risk management systems. Bank Asya may also experience pressure on its margins as it implements its growth strategy because of the time lag between the increased operating costs incurred in connection with such expansion and any increase in revenues, if any, generated from such expansion. Any failure to manage this growth while at the same time ensuring that Bank Asya maintains adequate focus on existing operations, including risk management systems and internal control processes, could have an adverse effect on Bank Asya's asset quality, profitability and capital ratios, and in turn, have an adverse effect on its business, financial condition, results of operations and prospects.

Bank Asya's capital base may limit its potential for growth

The opening of new branches is a central aspect of Bank Asya's overall strategy. The BRSA does not allow a bank to continue to expand if that bank's capital adequacy ratio is below 12 per cent. While Bank Asya's current capital adequacy ratio is sufficient to support existing operations, there can be no assurance that it will continue to be sufficient to support its growth strategy without additional capital raising or increased retained earnings. Bank Asya may need to raise additional capital in the future to ensure that it has sufficient capital to support its future growth. Should Bank Asya desire or be required to raise additional capital, such capital may not be available at all or at a price that Bank Asya considers to be reasonable. Any such inability to acquire additional capital or increase retained earnings could have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

Bank Asya'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

Bank Asya's success depends, 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 Bank Asya's key personnel are unable or unwilling to continue in their present positions, or if they join a competitor or form a competing company, Bank Asya may not be able to replace them promptly and Bank Asya's business may in consequence be disrupted which could have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

Bank Asya is not insured against the effects to its business that may result from the loss or dismissal of its key personnel, and Bank Asya 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 (iii) if it is required to offer significantly higher compensation to attract and retain key personnel, this could have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

Labour disputes or work stoppages could disrupt operations or make them more costly to run. Bank Asya is exposed to the risk of labour disputes and work stoppages. There are no members of labour unions amongst Bank Asya's employees. Bank Asya 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 an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

Bank Asya maintains a reputation as a leading participation bank in Turkey and any failure to adhere to the principles of participation banking may result in loss of reputation

Bank Asya and all its subsidiaries operate and conduct their business pursuant to the principles of a participation bank which are also in line with the principles of *Sharia*. Bank Asya maintains a *Sharia* supervisory board to ensure that Bank Asya and its subsidiaries 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 Bank Asya's reputation which may in turn damage its ability to attract and retain customers and therefore have an adverse effect on Bank Asya'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 Bank Asya to customers and their deposits are subject to the credit risks of financings included in such pools) may also have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

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

Credit ratings affect the cost and other terms upon which Bank Asya is able to obtain funding. Rating agencies regularly evaluate Bank Asya 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 31 December 2012, Bank Asya's long-term local currency rating was Ba1 from Moody's Deutschland GmbH. One or more independent credit rating agencies may also assign credit ratings to the Certificates. Any ratings of either Bank Asya 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 Bank Asya's current ratings or outlook.

In addition, a downgrade or potential downgrade of the Turkish sovereign rating could negatively affect the perception of Bank Asya's ratings and could, in turn, have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects. Investors should be aware that a credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

Risks relating to Turkey

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

Bank Asya's business is predominantly 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. 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 European Union (**EU**) or other similar jurisdictions. Summarised below are a number of risks relating to operating in Turkey and other emerging markets.

Adverse political, economic and related considerations in Turkey could adversely affect Bank Asya's business, financial condition, results of operations and prospects

Turkey has from time to time experienced volatile political, economic and social conditions and two financial crises in 1994 and 2000/2001. Turkey's economy was also impacted by the 2008-2009 global financial crisis. If similar conditions recur or if the current global slowdown persists or worsens, this may affect Turkey's economy and financial condition which could in turn have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

Turkey has been a parliamentary democracy since 1923. Since its formation in 1923, Turkey has had 60 governments and political disagreements have frequently resulted in early elections. In Turkey's most recent national elections, held in June 2011, the Justice and Development Party (the **AKP**) won with 49.8% of the eligible votes. Recep Tayyip Erdogan has served as Prime Minister since March 2003. On 28 August 2007, Abdullah Gül was elected as the 11th president of Turkey.

Any negative changes in the political environment of Turkey may affect the stability of the Turkish economy which could in turn could have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects. In addition, the failure of the Turkish government to implement its proposed economic and financial policies may also adversely affect the Turkish economy and therefore Bank Asya's business, financial condition, results of operations and prospects.

The level of inflation and the state of the current account deficit in Turkey could adversely affect Bank Asya's business, financial condition, results of operations and prospects

Turkey has experienced high rates of inflation. As a result of the financial crises in November 2000 and February 2001, the Wholesale Price Index (**WPI**) increased to 88.6 at the end of 2001 from 32.7 at the end of 2000 and the Consumer Price Index (**CPI**) increased to 68.5 from 39.0. Since 2001, pursuant to stand-by agreements with the IMF, the Turkish government has implemented measures to significantly reduce inflation. WPI decreased to 13.8 at the end of 2004. CPI decreased to 9.3 at the end of 2004 and 7.7 at the end of 2005. In January 2005, the WPI was replaced by the Producer Price Index (**PPI**) which was approximately 2.7 at the end of 2005. Turkey's PPI and CPI for the December 2008 – December 2009 period was 5.93 and 6.53, respectively. The CPI rate was 6.4 at the end of 2010, below the CBT's target of 6.5, and 10.45 for 2011. Rising commodity prices are expected to constitute the main threat to price stability. This increase is believed to be temporary and due to a base year effect, whereby previous periods of low inflation make even a modest increase in CPI appear significant. In 2011, the CBT implemented monetary and fiscal policies to maintain financial stability, decrease the budget deficit and reduce the current account deficit (**CAD**). The Turkish government estimates Turkey's real gross domestic product (**GDP**) to have increased by 3.2 per cent. in 2012 compared to the 8.5 per cent. growth experienced in 2011. In the third quarter of 2012, GDP grew by 2.6 per cent. and domestic demand decreased by 0.5 per cent. (on a quarter-on-quarter basis), compared to the same period in 2011. The cooling down of the economy is expected to have reduced the CAD as a percentage of GDP to approximately 7 per cent. in 2012 compared to 10 per cent. in 2011.

Loans provided by Turkish banks increased by approximately 30 per cent. in 2011. To limit the rate of inflation and prevent the domestic economy from overheating, the CBT introduced the "Reserve Option Coefficient" in 2012 and announced a 15 per cent. loan growth estimate for 2012 and loan growth reached 13 per cent. on a year-to-date basis in November 2012.

While the CBT has stated that current core inflation indicators remain in line with medium-term targets, and the rate of inflation has generally decreased since 2000, there can be no assurance that this trend will not reverse, particularly if the government fails to adhere strictly to current fiscal policies or due to other macroeconomic factors. Any such reversal could have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects. In addition, recent increases in prices, such as food prices, could cause an increase in inflation. Certain actions taken by the Turkish government to combat inflation could also have negative effects on the Turkish economy. This could in turn limit Bank Asya's access to credit markets and foreign financial markets and negatively impact its ability to comply with its obligations which could have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects. There can be no assurance that inflation as well as government intervention that is harmful to Bank Asya will not occur in the future.

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 an adverse effect on Bank Asya'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 recent global financial crisis.

Bank Asya's banking and other businesses are significantly dependent upon its customers' ability to make payments on their loans and meet their other obligations to Bank Asya. 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 Bank Asya's customers may not be able to repay loans when due or meet their other debt service requirements to Bank Asya, which would increase Bank Asya'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 Bank Asya's products. The occurrence of any or all of the above could have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

International considerations

As a result of economic instability in many developed and emerging markets, the international financial markets have experienced a significant amount of volatility and many financial market indices have declined significantly. The potential impact of such volatility on the Turkish market, including its banking system, is uncertain.

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. Political instability in the Middle East and elsewhere remains a concern, most recently exemplified by the internal conflict in Syria and tension between Iran and Israel. 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. Turkey has also experienced problems with domestic terrorist and ethnic separatist groups including the Kurdistan Workers' Party, formerly known as the PKK. In recent years, Turkey has experienced a number of terrorist incidents, including bombings in tourist and commercial centres in Istanbul, Ankara (such as the suicide bomb attack on the U.S. Embassy in Ankara on 1 February 2013 which killed the bomber and a security guard) and various coastal towns and attacks against its armed forces, especially in south-east Turkey.

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 Bank Asya's business, financial condition, results of operations and prospects. While Bank Asya'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.

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

The global financial and European sovereign debt crises have affected the banking sector in Turkey. The EU is Turkey's main trading partner and, as a result, the ongoing financial uncertainty being experienced within countries in the EU may adversely impact the Turkish economy as demand for Turkish exports may decrease from the EU. This adverse effect on the Turkish economy may in turn have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

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

Turkey commenced negotiations on its accession to the EU on 3 October 2005 and expects to join the EU at some point in the future. However, Turkey's accession depends on a number of economic and political factors relating to Turkey and the EU. Although the common objective of the negotiations is accession, these negotiations are an open ended process, the outcome and timing of which cannot be guaranteed. The EU decided in 2006 to suspend negotiations in eight out of 35 parts (or **Chapters**), and not to "close" the other 27 Chapters, of Turkey's negotiations because of Turkey's restrictions with respect to the Greek Cypriot Administration. There can be no assurance that the EU will continue to maintain an open approach to Turkey's EU membership or that Turkey will be able to meet all the criteria applicable to becoming a member state, including the new Chapters opened in 2009 relating to taxation and the environment.

The government of Turkey's influence over the Turkish economy could negatively impact Bank Asya's business, financial condition, results of operations and prospects

Traditionally, the government of Turkey 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 Bank Asya 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 an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

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

Although Turkey has a 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 FATF requested Turkey to make progress in implementing its action plan. In particular, Turkey is required to make sufficient progress in: (a) adequately criminalising terrorist financing and (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 countermeasures 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).

In an effort to ensure compliance with the FATF requirements, on 7 February 2013 the Law on Suppression of Financing of Terrorism (the **Terrorism Law**) was passed by the parliament of the Republic of Turkey implementing the resolutions of the United Nations Security Council and the International Convention for the Suppression of the Financing of Terrorism dated 9 December 1999, in order to regulate the crime of financing of terrorism and the sanctions in respect of such crime. The Terrorism Law has been promulgated in the Official Gazette of 16 February 2013.

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.

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

Turkey is subject to earthquakes

Almost all of Turkey is classified in a high risk earthquake zone by seismologists. A significant proportion of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone. Turkey has experienced a large number of earthquakes in recent years, some of which have been quite significant in magnitude. In 1999, separate earthquakes measuring 7.5 and 7.2 on the Richter scale struck an area near the city of İzmit, and the city of Düzce, respectively, resulting in the loss of thousands of lives and the destruction of many buildings. These earthquakes resulted in substantial financial costs to Turkey. As recently as October 2011, the eastern part of the country near the city of Van was struck by an earthquake measuring 7.2 on the Richter scale, causing property damage and the loss of several lives. Bank Asya maintains insurance policies covering earthquake damages and appropriate measures have been taken to minimise the risks associated with potential earthquakes, such as operating a disaster recovery centre in a lower earthquake risk zone for the continuation of its operations. However, in the event of major earthquakes, effects from the direct impact of such events on Bank Asya and its employees, as well as measures that could be taken by the government (such as the imposition of taxes to raise revenue for rebuilding), may have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects. To finance in part the rebuilding of the areas affected by the large earthquakes of 1999, a package of measures was passed by the Turkish Parliament in November 1999, including a new law that subjected interest earned on domestic treasury securities issued before 1 December 1999 to an additional tax at a rate of 4% to 19% depending upon their maturity. There can be no assurance that Turkey would recover from the negative economic impact of a major earthquake or that the recent GDP growth rate would be sustainable. A severe earthquake could negatively impact the Turkish economy, which could adversely affect the Turkish banking sector and Bank Asya's business, financial condition, results of operations and prospects.

Turkish disclosure standards differ in certain material respects from those in more developed markets, leading to a relatively limited amount of information being available

The reporting, accounting and financial practices applicable to Turkish banks differ in certain respects from those applicable to similar banks in the United States, the EU or in other more developed economies. There is also less publicly available information regarding listed Turkish companies than public companies in the United States, the EU or in other more developed economies and any information that is published may only be presented in Turkish. This may make it more difficult to assess Bank Asya's continuing and expected future compliance with all required regulatory and legal requirements for those unfamiliar with the Turkish banking system and, as a result, investors may not have access to the same depth of disclosure relating to Bank Asya as they would for investments in banks in the United States, the EU and other more developed markets.

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

Recently, four major 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, whereas the Turkish Code of Civil Procedures came into effect on 1 October 2011 and the Capital Markets Law as at 30 December 2012. These amendments are expected to implement substantial changes in Turkish law and have a significant impact on commercial life in Turkey. Accordingly, the amendments may impact Bank Asya'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 Bank Asya's business, financial condition, results of operations and prospects or which could adversely affect the market price and liquidity of the Certificates.

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

The standards of corporate governance expected by Turkish law or regulation may not be as high (or cover the same areas) as those set out by the rules of other jurisdictions (such as the United States, the EU or other more developed economies) and are subject to change. On 30 December 2011, the Communiqué on the Determination and Implementation of Corporate Governance Principles Series: IV, No: 56, as amended (the **Corporate Governance Communiqué**) was published and entered into force, providing certain compulsory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on the ISE, including Bank Asya. The Corporate Governance Communiqué is designed to implement certain enhancements to Turkish corporate governance standards, including a requirement that at least one third of board members be independent. Although the Corporate Governance Communiqué is currently in force for all listed companies, there is an exception for banks and thus the rules will not be applicable to Bank Asya any earlier than 30 June 2013. While it is currently unclear whether and how these rules will apply to Bank Asya, Bank Asya intends to comply with any rules that ultimately take effect and become applicable to it.

Risks relating to emerging markets

Emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilisation resulting from domestic and international developments. Turkey's economy remains vulnerable to external shocks, including the recent global economic crisis and the ongoing European sovereign debt crisis. If there is a significant decline in the economic growth of any of Turkey's major trade partners or if any major trade partner experiences difficulties issuing securities in the sovereign debt market or servicing existing debt, it could have a material adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Furthermore, a decline in demand for imports from any of Turkey's major trade partners could have a material adverse effect on Turkey's exports and Turkey's economic growth.

In addition, because international investors' reactions to the events occurring in one emerging market country sometimes appear to demonstrate a ''contagion'' effect, in which an entire region or class of investment is disfavoured by international investors, Turkey could be adversely affected by negative economic or financial developments in other emerging market countries. While in recent years Turkey has improved its banking structure, reduced its external vulnerability and consolidated sound macroeconomic policies, which in turn improved its borrowing costs and maturities, Turkey has been adversely affected by such contagion effects on a number of occasions, including following the two financial crises in 1994 and 2000/2001 and the recent global economic crisis. Similar developments can be expected to affect Turkey's economy in the future.

There can be no assurance that any crises such as those described above or similar events will not adversely affect investor confidence in emerging markets or the economies of countries including Turkey. In addition, there can be no assurance that these events will not adversely affect Turkey's economy and its ability to raise capital in the external debt markets in the future.

Risks relating to the Turkish banking industry

The Turkish banking system is subject to risks

The Turkish financial sector has gone through major changes as a result of the financial liberalisation programme that started in the early 1980s. The abolition of directed credit policies, liberalisation of deposit and credit interest rates and liberal exchange rate policies, as well as the adoption of international 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 Turkish lira and foreign exchange markets experienced in 1994, 1998 and in 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 banks.

Following this crisis, the government made structural changes to the Turkish banking system to strengthen the private (i.e., non-governmental) banking sector and to allow it to compete more effectively against the state-controlled banks (Turkiye Halk Bankası (Halkbank), Turkiye Vakıflar Bankası T.A.O. (VakıfBank) and T.C. Ziraat Bankası (Ziraat)). 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 crisis, 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. See "*Overview of the Turkish Banking Sector and Regulations*" for a further discussion of the Turkish banking regulatory environment.

Bank Asya faces significant competition in the Turkish banking sector which may result in reduced margins and volume growth

Although Bank Asya 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. The Turkish banking sector is highly competitive and has in recent years undergone a period of consolidation. As at 31 December 2012, there were a total of 49 banks (excluding the CBT) licensed to operate in Turkey, 17 of which were banks with foreign ownership, including the subsidiaries of foreign banks and joint ventures between Turkish and foreign shareholders, and four of which were participation banks, compared to 54 banks as at 31 December 2002. Furthermore, as at 31 December 2012 there were a total of six branches of foreign banks in Turkey. A small number of banks in the Turkish banking sector dominate the banking industry in Turkey. According to BRSA, as at 30 September 2012, the top five banks in Turkey (in terms of asset size) held approximately 55 per cent. of the banking sector's total credit portfolio and approximately 57 per cent. of total bank assets in Turkey.

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 the 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. The entry of foreign-owned companies to the sector, either directly or in collaboration with existing Turkish banks, may increase the already significant competition in the market.

Although Bank Asya has been adapting to a changing competitive environment, its limited product range compared to conventional banks on both the asset and liability side limit Bank Asya's competitiveness in the Turkish banking market. Bank Asya's increased exposure to intense competition may limit Bank Asya's ability to increase its client base and expand its operations, reduce its asset growth rate and may negatively impact the margins Bank Asya can charge for its products. There can be no assurances that further competition pressures will not result in margin compression, which could have an adverse effect on Bank Asya's business, financial condition and results of operations.

The policy of the CBT on reserve requirements and interest rates could negatively affect Bank Asya's business, financial condition, results of operations and prospects

In December 2010, the CBT announced a policy of reducing interest rates while increasing Turkish lira reserve requirements in order to tackle Turkey's current account deficit. Since then, the CBT has tightened the monetary policy by significantly increasing the amount of reserves required. As the policy began to achieve its goal, the CBT focused its policies on price stability. In order to achieve price stability, the CBT implemented a monetary policy of widening the interest rate corridor upwards and keeping interest rates within the upper boundaries of that corridor. During this period, short term interest rates remained high this period and additional monetary tightening was implemented. As inflation risks decreased and the global risk appetite increased, the CBT began to gradually loosen its monetary policies with a new framework in which the upper band of the interest rate corridor has been cut and liquidity conditions eased. As a result, short term interest rates have fallen significantly to very low levels. Moreover, the CBT has implemented a "reserve option mechanism" to allow banks to use their foreign currency reserves more effectively and to control the inflow of short term capital. In addition, the CBT has cut the benchmark rate to 5.50 per cent. from 5.75 per cent. at the end of 2012.

As liquidity conditions improved domestically and internationally, Bank Asya has seen an improvement in its liquidity position and funding costs. While Bank Asya expects to benefit from the current monetary policies in place through 2013 and thereby increase its profitability and liquidity, there can be no assurance that it will be able to do so. If Bank Asya is not able to increase the term of its deposits or attract foreign currency deposits, its Turkish lira reserve requirements and associated costs will increase, which could have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects.

International guidelines for banking regulation and implementation in Turkey are subject to ongoing changes

In June 2004, the Basel Committee on Banking Supervision (the **Basel Committee**) published a report entitled "International Convergence of Capital Measurement and Capital Standards: a Revised Framework," which sets out a new capital adequacy framework (commonly referred to as **Basel II**) to replace the Basel Capital Accord issued in 1988. Basel II was implemented in Turkey in stages and was fully adopted during the second half of 2012.

The Basel Committee has recently adopted further revisions to Basel II (**Basel III**). The BRSA issued a press release on 1 February 2013 stating that the regulations implementing Basel III are expected to be passed between 2013 and 2019 in accordance with the transition period provided for by the Basel Committee. The BRSA also published two new draft regulations; (i) Regulation on Equity of Banks and (ii) Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks. 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.

The BRSA consultation period for these draft regulations ends on 1 March 2013, following which the BRSA does not propose to have any further discussions regarding the proposed implementation date and nature of these changes.

Bank Asya is subject to changes in regulation, which have in the past and may in the future change rapidly

Bank Asya is subject to a number of banking and other regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations, and limit their exposure to risk. These regulations include Turkish laws and regulations (and in particular those of the BRSA and the CBT), as well as laws and regulations of certain other countries where Bank Asya operates. Banking laws and regulations in Turkey and the manner in which those laws and regulations are applied to the operations of financial institutions are still evolving. Furthermore, as a result of the recent global economic crisis, policy makers in Turkey, the EU and other jurisdictions have enacted or proposed various new laws and regulations and there is uncertainty as to what impact these changes may have. New regulations may be implemented rapidly, without substantial consultation with the industry, which may not allow sufficient time for Bank Asya to adjust its strategy to deal with such changes. New regulations may increase Bank Asya's cost of doing business or limit its activities.

Turkish banking regulations have changed in the second half of 2011 and 2012. As some of the new banking regulations have only recently been adopted, the manner in which those regulations are applied to the operations of financial institutions is still evolving. In the future, laws or regulations might be adopted, enforced or interpreted in a manner that could have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects. In addition, a breach of regulatory guidelines could expose it to potential liabilities or sanctions.

Bank Asya's primary regulator, the BRSA, uses the Bank's BRSA Accounts to assess Bank Asya's compliance with banking regulations and capital adequacy requirements. Therefore, the results of operations and financial condition of Bank Asya as reflected in the IFRS Accounts may not reflect Bank Asya's business, results of operations or financial condition as used to determine its performance under, and compliance with, Turkish regulations. In addition, Bank Asya uses BRSA Accounts 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 is set out at "*Annex A—Summary of Differences between IFRS and BRSA Principles*".

Bank Asya is dependent on its banking and other licences

The banking and other operations performed by Bank Asya and its subsidiaries require licences by the relevant authorities in each jurisdiction in which they operate. A large majority of Bank Asya's business depends on its banking licence from the BRSA. If Bank Asya loses its general banking licence, it will be unable to perform any banking operations in Turkey.

Although Bank Asya believes that it and its subsidiaries have the necessary licences for their banking and other operations and that each of Bank Asya and its subsidiaries are currently in compliance with their existing material licence and reporting obligations, there is no assurance that it will be able to maintain the necessary licences in the future. The loss of a licence, a breach of the terms of any licence or failure to obtain any further required licences in the future could have an adverse effect on Bank Asya's business, financial condition, results of operations and prospects. Further description of the applicable regulatory requirements is set out in "Overview of the Turkish Banking Sector and Regulations".

Bank Asya is subject to risks associated with money laundering and terrorist financing

Bank Asya has implemented internal measures to prevent it from being used as a conduit for money laundering or terrorist financing. Bank Asya believes that it is in compliance with applicable anti-money laundering and anti-terrorist financing laws and regulations. Bank Asya has adopted various policies and procedures, including internal control and know-your-customer procedures, aimed at preventing money laundering and terrorist financing. Bank Asya's anti-money laundering policies and procedures are based upon, and Bank Asya believes that such policies and procedures are in compliance in all material respects with, applicable provisions of Turkish law and laws in other jurisdictions. However, such measures, procedures and compliance may not be completely effective in preventing third parties from using Bank Asya as a conduit for money laundering (including illegal cash operations) or terrorist financing without Bank Asya's knowledge. If Bank Asya is associated with money laundering (including illegal cash operations) or terrorist financing, then it could suffer serious damage to its reputation, including among its network of correspondent banks in foreign countries, which could affect its ability to maintain existing relationships, attract new business and provide services to its customers. Bank Asya could also become subject to fines, sanctions and/or legal enforcement (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with Bank Asya), adversely affecting Bank Asya's business, financial condition, results of operations and prospects.

Risk factors relating to the Certificates

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

The obligations of Bank Asya under the Transaction Documents to which it is a party will be unsecured and subordinated. On any distribution of the assets of Bank Asya on its dissolution, winding-up or liquidation (as further described in "*Overview of the Offering—Status and Subordination*" below), and for so long as such Subordination Event subsists, the obligations of Bank Asya 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 below) and no amount will be paid by Bank Asya 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, Bank Asya 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 Bank Asya in respect of any other obligations it may have under any Parity Obligations (as defined below). 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 Bank Asya 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 Bank Asya. 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 Bank Asya 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 the 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. Application has been made for the listing of the Certificates on the Irish Stock Exchange but there can be no assurance that such listing will occur on or prior to the Closing Date or at all or, if it does occur, that it will enhance the liquidity of the Certificates.

The Certificates may be subject to early redemption

In certain circumstances as provided in Condition 8, the Certificates may be subject to early redemption. On the optional exercise by Bank Asya of its corresponding right under the Sale and Transfer Undertaking to oblige the Trustee to sell the Asset Portfolio, the Issuer may redeem all, but not some only, of the Certificates at the Dissolution Distribution Amount on the Issuer Call Date. 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.

Bank Asya 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, Bank Asya will also have the right under the Sale and Transfer Undertaking to oblige the Trustee to sell the Asset Portfolio at any time upon the occurrence of a Capital Disqualification Event or a Tax Event, following which the Issuer 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 Bank Asya 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 Bank Asya as described in Condition 12. Subject as provided in Condition 12, the Trustee or the Delegate may then claim or prove in the winding-up, dissolution or liquidation for and on behalf of Certificateholders in respect of the resulting amounts due and payable by Bank Asya under the Transaction Documents.

Certificateholders may institute proceedings through the Delegate against Bank Asya, other than in respect of any payment obligation it may have under the Transaction Documents in respect of the Certificates, but Bank Asya will not have any obligation by virtue of the institution of any such proceedings to pay any amount or amounts in respect of the Certificates 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 Bank Asya in payment or otherwise. The only remedy of Certificateholders on any default by Bank Asya in payment under any Transaction Document of any amount payable in respect of the Certificates will be to institute proceedings through the Delegate in respect of such defaulted payment for Bank Asya's winding-up, dissolution or liquidation as described in Condition 12 and on such winding-up, dissolution or liquidation to accelerate payment of any remaining amounts payable by Bank Asya and prove in the winding-up, dissolution or liquidation as provided above.

On the occurrence of an Issuer Event, Bank Asya has undertaken in the Declaration of Trust to procure as soon as practicable, subject as provided in Condition 12, the substitution of any newly formed special purpose company in form substantially the same as that of the Issuer, in place of the Issuer, or of any previous substituted company, as issuer, trustee and in any other relevant capacity under the Declaration of Trust, the Certificates and the other Transaction Documents to which the Issuer is a party. However, failing such substitution, other than the bringing of proceedings against Bank Asya for the enforcement of its undertaking to procure such substitution or the bringing of proceedings against the Issuer in whichever relevant capacity for the enforcement of its obligations under the Transaction Documents and/or the Delegate itself procuring such substitution as provided in the Declaration of Trust (subject in each case to the Delegate being indemnified and/or secured and/or prefunded to its satisfaction), neither the Delegate nor any Certificateholder will have any other remedy in respect of any Issuer Event.

No remedy other than those described above will be available to any of the Issuer, the Trustee, the Delegate or Certificateholders in respect of the obligations of Bank Asya 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 in respect of any amounts due to Certificateholders or in respect of any breach by Bank Asya of any of its obligations under the Transaction Documents in relation to the Certificates and none of the Issuer, 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 Bank Asya in respect of such obligations.

The Certificates are limited recourse obligations

The Certificates are not debt obligations of the Issuer. Instead, the Certificates represent a beneficial interest solely in the Trust Assets. Recourse to the Issuer 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 Delegate and, through the Delegate, the Certificateholders will be against Bank Asya to perform its respective obligations under the Transaction Documents. Certificateholders will otherwise have no recourse to any assets of the Issuer or Bank Asya in respect of any shortfall in the expected amounts due under the Trust Assets. Bank Asya is obliged to make certain payments under the Transaction Documents directly to the Trustee, and the Delegate will have direct recourse against Bank Asya to recover such payments due to the Trustee pursuant to the Transaction Documents. Unless the Delegate, having become bound to act pursuant to the terms of the Declaration of Trust and the Conditions, fails to do soI, investors have no direct recourse to Bank Asya 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 Issuer and the Trustee in respect of the Certificates shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Issuer or 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 Issuer, the Trustee, the Delegate or any Certificateholder 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 Issuer, the Trustee, the Delegate and the Certificateholders against Bank Asya shall be to enforce the obligation of Bank Asya to perform its obligations under the Transaction Documents.

Loss absorption and write-down at the point of non-viability of Bank Asya

On 1 February 2013, the BRSA published draft regulations for the implementation of Basel III in Turkey. The consultation period for these draft regulations ends on 1 March 2013 and the proposed effective dated is 1 July 2013. The new draft regulations provide for tier 2 capital instruments such as the Certificates to be required to be convertible into share certificates or written-off in exchange for share certificates if a bank's core capital adequacy ratio, calculated on a consolidated or non-consolidated basis, falls below 5.125 per cent. Instruments that qualified as tier 2 capital of the bank before the proposed effective date of 1 July 2013 but cease to qualify under the new regulations (whether as a result of not including such provisions or otherwise) will continue to be eligible for tier 2 capital treatment but on the basis of a 10 per cent. reduction in such capital treatment for each year that they remain outstanding.

There is no certainty as to whether Basel III will be implemented by the BRSA in Turkey in the form of these new draft regulations and of the timetable for such implementation or whether any different form of implementation may be proposed by the BRSA. However, the BRSA has indicated that it proposes to follow the general timetable for such implementation as provided for by the Basel Committee of between 2013 and 2019.

While the current proposal of the BRSA is for the Basel III requirements to ensure loss absorbency at the point of non-viability to be implemented on a contractual basis only by way of write-down and conversion for share certificates as described above, there can be no assurance that the new draft regulations will be implemented in this form (including by providing for the non-viability of a bank to be determined by reference to whether its core capital adequacy ratio has fallen below 5.125 per cent.).

Should the BRSA decide to implement loss absorbency provisions at the point of a bank's non-viability on a statutory basis, then to the extent such provisions are implemented so as to apply to the Certificates, Certificateholders could lose some or all of their investment at the point of non-viability of Bank Asya (which could be determined at the discretion of the applicable authority). The ability of Bank Asya to include its obligations under the Transaction Documents in its capital calculations could also be prohibited or further limited. The implementation of any such loss absorbency requirements or any suggestions of such implementation could materially adversely affect the value of the Certificates.

Risk factors relating to the Asset Portfolio

Liability attaching to owners of assets

In order to comply with the requirements of *Sharia*, an interest in the Constituent Assets comprised within the Asset Portfolio will pass to the Trustee under the Purchase Agreement. Article 27 of the Leasing, Factoring and Financing Companies Law numbered 6361 and published in the Official Gazette dated 13 December 2012 prohibits the transfer of legal title to assets the subject of a financial lease (**Financial Lease Assets**) unless such legal title is transferred to a financial lease company. Therefore, in the case of the Constituent Assets consisting of Financial Lease Assets, legal title to such assets will at all times remain with Bank Asya, which will hold such legal title on behalf of the Trustee.

The Trustee will declare a trust in respect of its ownership interest in such Asset Portfolio and the other Trust Assets in favour of the Certificateholders pursuant to the Declaration of Trust. Accordingly, Certificateholders will through the ownership interest of the Trustee have an ownership interest in the Asset Portfolio unless transfer of the Asset Portfolio is prohibited by, or ineffective under, any applicable law (see "*Transfer of the Constituent Assets*" below).

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Constituent Assets comprised within the Asset Portfolio. Only limited representations will be obtained from Bank Asya in respect of the Constituent Assets. In particular, the precise terms of the Constituent Assets will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by Bank Asya to give effect to the transfer of the relevant interests in the Constituent Assets). No steps will be taken to perfect the transfer of any interest in the Constituent Assets or otherwise give notice to any obligor in respect thereof.

In addition, if and to the extent that a third party is able to establish a direct claim against the Issuer, the Trustee, the Delegate or any Certificateholders on the basis of a legal or beneficial interest in the Constituent Assets, Bank Asya has agreed in the Declaration of Trust to indemnify the Issuer, the Trustee, the Delegate and the Certificateholders against any such liabilities. In the event that Bank Asya is unable to meet any such claims then the Certificateholders may suffer losses in excess of the original face amount invested.

Transfer of the Constituent Assets

No investigation has been or will be made as to whether any interest in the Constituent Assets may be transferred as a matter of the law governing the contracts, the law of the jurisdiction where such assets are located or any other relevant law. No investigation will be made to determine if the Purchase Agreement will have the effect of transferring an interest in the Constituent Assets. The Purchase Agreement is governed by English law and, to the extent that such laws are applied in relation to any dispute, there are doubts whether an interest in certain assets can be effectively transferred without registration of the transfer with appropriate authorities. Accordingly, no assurance is given that any interest in the Constituent Assets has been or will be transferred to the Trustee.

Bank Asya has undertaken in the Purchase and Asset Portfolio Undertaking to indemnify the Trustee for the purposes of redemption in full of the outstanding Certificates in the event that any transfer of any relevant interest in any Constituent Assets is found to be ineffective. In addition, Bank Asya has agreed in the Purchase and Asset Portfolio Undertaking that, to the extent that the sale and purchase or transfer of any relevant interest in any Constituent Assets is not effective in any jurisdiction for any reason, it will in consideration for the payment to Bank Asya by the Trustee of the purchase price for that relevant interest make payment of an amount equal to the purchase price by way of restitution to the Trustee immediately upon request.

In the event that the Constituent Assets are not repurchased by Bank Asya for any reason, the Delegate will seek to enforce the payment and indemnity obligations of Bank Asya 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 Bank Asya to the Trustee under the Transaction Documents to which it is a party or by the Trustee in respect of the Certificates could become subject to taxation. The Commodity Murabaha Agreement, the Management Agreement and the Purchase and Asset Portfolio Undertaking each require Bank Asya (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 10 provides that the Issuer is required to pay additional amounts in respect of any such withholding or deduction imposed by Cayman Islands law in certain circumstances. In the event that the Issuer fails to pay any such additional amounts in respect of any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, Bank Asya 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 Issuer in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 10 in respect of any withholding or deduction in respect of any tax as set out in that Condition.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

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

Risk factors relating to enforcement

Enforcement risk

Ultimately the payments under the Certificates are dependent upon Bank Asya making payments to the Trustee and the Issuer making payments to Certificateholders in the manner contemplated under the Transaction Documents. If Bank Asya or the Issuer 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.

All of the Transaction Documents are governed by English 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 Bank Asya or the Issuer 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

Bank Asya is a joint stock company organised under the laws of Turkey. Certain of the directors and officers of Bank Asya reside inside Turkey and all or a substantial portion of the assets of such persons may be, and substantially all of the assets of Bank Asya 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 addition, under Law No. 5718, a judgment of a court established in a country other than the Republic of Turkey may not be enforced in Turkish courts in certain circumstances. Although Turkish courts have recognised as enforceable a judgment of the English courts on the basis that there is de facto reciprocity between the United Kingdom and Turkey with respect to the enforcement of judgments of their respective courts, there is no treaty between the United Kingdom and Turkey providing for reciprocal enforcement of judgments. See "*Enforcement of Foreign Judgments and Service of Process*".

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 Bank Asya or the Trustee to comply with their respective obligations under the Transaction Documents.

Claims for specific enforcement

In the event that any of Bank Asya, the Trustee or the Issuer 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 Bank Asya, the Issuer or the Trustee to perform its obligations as set out in the Transaction Documents.

Additional risk factors

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.

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 of the Certificates 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, without the consent of Certificateholders and without regard to the interests of particular Certificateholders, agree 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) 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 15.

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 depositary 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 Issuer 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 Issuer 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.

Sharia rules

The HSBC Amanah Central Sharia Committee and the Bank Asya Sharia Advisory Board have each reviewed 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 *Sharia* compliant by any other *Sharia* board or *Sharia* scholars or in the future. None of the Issuer, the Trustee, the Delegate, the Agents, Bank Asya or the Joint Lead Managers makes any representation as to the *Sharia* compliance of the Certificates and potential investors are reminded that, as with any *Sharia* views, differences in opinion are possible. Potential investors should obtain their own independent *Sharia* advice as to the compliance of the Transaction Documents and the issue and trading of the Certificates with *Sharia* principles.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents (which are available at http://www.ise.ie/Debt-Securities/Individual-Debt-Securities-Data/) 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 unconsolidated financial statements of Bank Asya for the years ended 31 December 2011 and 2012, prepared and presented in accordance with BRSA Principles (together with the auditors reports thereon);

(b) the audited consolidated financial statements of Bank Asya for the years ended 31 December 2010 and 2011, prepared and presented in accordance with BRSA Principles (together with the auditors reports thereon);

(c) the unaudited consolidated interim financial statements of Bank Asya for the six month periods ended 30 June 2011 and 2012, prepared and presented in accordance with IFRS (together with the auditors review reports thereon); and

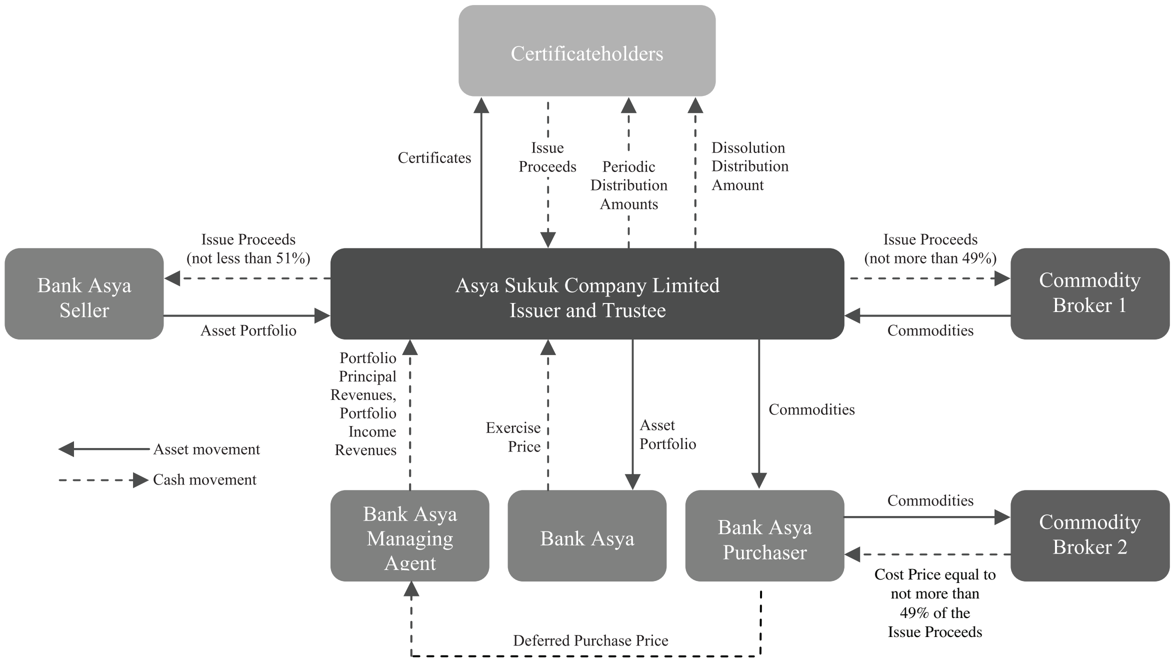
(d) the audited consolidated annual financial statements of Bank Asya for the years ended 31 December 2010 and 2011, prepared and presented in accordance with IFRS (together with the auditors reports thereon).

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

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying the transaction. Potential investors are referred to the terms and conditions of the Certificates and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

Structure diagram



Principal cash flows

Payments by the Certificateholders and the Trustee

On the Closing Date, the Certificateholders will pay the issue price in respect of the Certificates to the Issuer, which will hold such proceeds of the issue of the Certificates (the **Issue Proceeds**) as Trustee and will pay:

(a) not less than 51 per cent. of the Issue Proceeds (the **Tangible Asset Percentage**) to or to the order of Bank Asya as the purchase price payable under the Purchase Agreement for the purchase of an initial portfolio (the **Asset Portfolio**) of (i) certain non-real estate assets (including related ijara (lease) contracts and all rights under such contracts) (**Ijara Assets**) and (ii) sukuk certificates having associated with such certificates underlying tangible assets of a value not less than the aggregate face amount of those certificates (**Tangible Investment Assets**) (together, the **Constituent Assets**); and

(b) not more than 49 per cent. of the Issue Proceeds (the **Commodity Murabaha Percentage**) to or to the order of a commodity broker to purchase *Sharia* compliant commodities (which shall be metals other than silver and gold traded on the over the counter market and may include metals traded on the London Metal Exchange, as mutually agreed between the Trustee and Bank Asya, as Purchaser (as defined below)) (**Commodities**) at the spot rate at which, and in such quantity as, the Trustee is able to purchase Commodities with such amount on the Closing Date, which Commodities the Trustee will immediately sell to the Purchaser pursuant to the Commodity Murabaha Agreement on immediate delivery and deferred payment terms for an amount equal to the cost price of the Commodities to the Trustee (the **Initial Cost Price**) plus an amount of profit equal to the Periodic Distribution Amounts payable in respect of the Certificates for the Initial Distribution Period (the **Initial Profit Amount** and, together with the Initial Cost Price, the **Initial Deferred Purchase Price**).

In the event the Certificates are not redeemed by the Issuer on the Issuer Call Date, Bank Asya will irrevocably and unconditionally promise and undertake under the Commodity Murabaha Agreement to purchase, or procure the purchase of, further Commodities on the Issuer Call Date (the **Additional Murabaha Contract**) at the spot rate at which, and in such quantity as, the Trustee is able to purchase Commodities with the Initial Cost Price component of the Initial Deferred Purchase Price (the **Reset Cost Price**, and the Initial Cost Price and the Reset Cost Price, each a **Cost Price**) on the Issuer Call Date on immediate delivery and deferred payment terms for an amount equal to the Reset Cost Price plus an amount of profit equal to the Periodic Distribution Amounts payable in respect of the Certificates for the Reset Distribution Period (the **Reset Profit Amount** and, together with the Reset Cost Price, the **Reset Deferred Purchase Price**, and the Reset Deferred Purchase Price and the Initial Deferred Purchase Price, each a **Deferred Purchase Price**).

Immediately following any purchase of Commodities by the Purchaser pursuant to the Commodity Murabaha Agreement, the Purchaser will sell such Commodities to another commodity broker on immediate delivery and payment terms.

Each of the Initial Profit Amount and the Reset Profit Amount (each a **Profit Amount**) will be payable in equal instalments (each a **Deferred Profit Payment**) to the Managing Agent on behalf of the Trustee on the Business Day immediately preceding each Periodic Distribution Date within the relevant Distribution Period (including the Periodic Distribution Date immediately following the end of such Distribution Period).

Periodic Distribution Payments

Prior to each Periodic Distribution Date, the Managing Agent will pay to the Trustee an amount reflecting the Deferred Profit Payment received in that Return Accumulation Period pursuant to the Commodity Murabaha Agreement which is intended to be sufficient to fund the Periodic Distribution Amounts payable by the Issuer under the Certificates and shall be applied by the Trustee for that purpose.

Dissolution Payment by Bank Asya

On the Scheduled Dissolution Date, the Trustee will have the right under the Purchase and Asset Portfolio Undertaking to require Bank Asya to purchase the Asset Portfolio and the payment of the exercise price payable by Bank Asya for such purchase to the Trustee, together with the payment of the remaining unpaid Deferred Purchase Price payable by the Purchaser pursuant to the Commodity Murabaha Agreement, and the liquidation of any Sharia Compliant Investments (as defined below) by the Managing Agent and payment of the liquidation proceeds, together with any Portfolio Principal Revenues (as defined below) then held by the Managing Agent, to the Trustee, in each case pursuant to the Management Agreement, is intended to fund the Dissolution Distribution Amount payable by the Issuer under the Certificates.

Bank Asya may also be required to purchase the Asset Portfolio and make such payments prior to the Scheduled Dissolution Date for the following reasons: (i) following the optional exercise by Bank Asya of its rights under the Sale and Transfer Undertaking to oblige the Trustee to sell the Asset Portfolio on the Issuer Call Date or following the occurrence of a Capital Disqualification Event or a Tax Event or (ii) pursuant to the Purchase and Asset Portfolio Undertaking upon the occurrence of a Dissolution Event.

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" shall have the same meanings in this overview. Reference to a "Condition" is to a numbered condition of the Terms and Conditions of the Certificates (the **Conditions***).*

Parties

Issuer and Trustee	Asya Sukuk Company Limited, a company incorporated in accordance with the laws of, and formed and registered in, the Cayman Islands with registration number 259887. The Issuer has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party. The Issuer will issue the Certificates on the Closing Date and act as Trustee in respect of the Trust Assets for the benefit of the Certificateholders.
Ownership of the Issuer	The authorised share capital of the Issuer is U.S.$50,000 consisting of 50,000 shares with a nominal value of U.S.$1.00 each. 250 of the Issuer's shares have been issued and are held by MaplesFS Limited under the terms of a trust for charitable purposes.
Seller	Bank Asya (in such capacity, the **Seller**). The Seller will sell to the Trustee (to hold as trustee for and on behalf of the Certificateholders) and the Trustee will purchase using the Tangible Asset Percentage of the Issue Proceeds the Asset Portfolio identified in, and pursuant to, the Purchase Agreement.
Managing Agent	Bank Asya (in such capacity, the **Managing Agent**). In accordance with the Management Agreement, the Managing Agent will provide certain services with respect to the Asset Portfolio. Under the Management Agreement, the duties of the Managing Agent will include the following (i) the crediting of all amounts received in respect of the Asset Portfolio in the nature of capital or principal payments in respect of the relevant Constituent Asset (the **Portfolio Principal Revenues**) to a separate ledger account (the **Principal Collection Account**) in the name of the Trustee as and when received and (ii) the crediting of all other amounts received in respect of the Asset Portfolio (the **Portfolio Income Revenues**) to a further ledger account (the **Income Collection Account**) in the name of the Trustee as and when received. The Managing Agent shall use all Portfolio Principal Revenues received in respect of the Asset Portfolio to purchase from Bank Asya (acting in its own capacity and for its own account), for and on behalf of the Trustee, additional Constituent Assets (the **Additional Constituent Assets**) and, in the event that on the receipt of any Portfolio Principal Revenues Bank Asya does not have sufficient Additional Constituent Assets available for sale to the Trustee, invest any remaining Portfolio Principal Revenues by placing the relevant amounts on deposit with Bank Asya on a *Sharia* compliant basis (the **Sharia Compliant Investments**) pending the availability of such Additional Constituent Assets. In accordance with the Management Agreement, the Managing Agent will use all reasonable endeavours to ensure that industry standard insurances are maintained, and on a *Sharia* compliant basis where applicable, and structural repair and major maintenance obligations are fulfilled in respect of the Ijara Assets forming part of the Asset

	Portfolio. The Managing Agent will also collect the Deferred Profit Payments and the Deferred Principal Amount payable by Bank Asya (as purchaser) under the Commodity Murabaha Agreement on the Trustee's behalf. The Managing Agent will make periodic payments to the Trustee in respect of the Portfolio Income Revenues and Deferred Profit Payments received in each Return Accumulation Period by payment to the Transaction Account on the Business Day immediately preceding the Periodic Distribution Date falling immediately after the end of such Return Accumulation Period. Such payments are intended to fund the Periodic Distribution Amounts payable by the Issuer in respect of the Certificates.
Purchaser	Bany Asya (in such capacity, the **Purchaser**). In accordance with the Commodity Murabaha Agreement, the Purchaser will purchase Commodities from the Trustee on the Closing Date for an amount equal to the Commodity Murabaha Percentage of the Issue Proceeds on immediate delivery but deferred payment terms. The profit component of the Deferred Purchase Price payable by the Purchaser to the Trustee for such Commodities is payable in equal instalments of Deferred Profit Payments on the Business Day immediately preceding each Periodic Distribution Date and the Deferred Principal Amount of the Deferred Purchase Price is payable on the Issuer Call Date. In the event the Certificates are not redeemed by the Issuer on the Issuer Call Date, Bank Asya will irrevocably and unconditionally promise and undertake under the Commodity Murabaha Agreement to enter into the Additional Murabaha Contract and purchase further Commodities on the Issuer Call Date on equivalent terms, including immediate delivery and deferred payment, with the Deferred Principal Amount payable by the Purchaser to the Trustee on the Scheduled Dissolution Date.
Obligor	Bank Asya. In accordance with the Purchase and Asset Portfolio Undertaking, Bank Asya will, at the option of the Trustee, purchase the Asset Portfolio, with the exercise price payable by Bank Asya for such purchase to be paid towards the funding of the Dissolution Distribution Amount payable by the Issuer under the Certificates. Bank Asya shall have the right, under the Sale and Transfer Undertaking, to oblige the Trustee to sell the Asset Portfolio on the Issuer Call Date or following the occurrence of a Capital Disqualification Event or a Tax Event, against payment by Bank Asya of the exercise price for such purchase, which the Trustee shall pay towards the funding of the Dissolution Distribution Amount payable by the Issuer under the Certificates.
Joint Lead Managers	Emirates NBD Capital Limited HSBC Bank plc Merrill Lynch International National Bank of Abu Dhabi PJSC
Delegate	BNY Mellon Corporate Trustee Services Limited. In accordance with the Declaration of Trust, the Trustee will unconditionally and irrevocably delegate to the Delegate the present and future duties, powers, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust In particular, the Delegate shall be entitled to: (a) deliver an Exercise Notice to Bank Asya in accordance with the Purchase and Asset Portfolio Undertaking;

	(b) following the occurrence of any of the events or circumstances described in Condition 12, take any enforcement action in the name of the Trustee against either Bank Asya, the Purchaser or the Managing Agent (including the enforcement of Bank Asya's undertaking to procure as soon as practicable the substitution of the Issuer following the occurrence of an Issuer Event and/or the Delegate itself procuring such substitution).
Principal Paying Agent and Transfer Agent	The Bank of New York Mellon, London Branch
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Summary of the Transaction Structure and Documents	An overview of the structure of the transaction and the principal cash flows is set out under "*Structure Diagram and Cashflows*" and a description of the principal terms of the significant Transaction Documents is set out under "*Summary of the Principal Transaction Documents*".

Summary of the Certificates

Certificates	U.S.$250,000,000 Fixed Rate Resettable Tier 2 Certificates due 2023.
Closing Date	28 March 2013.
Issue Price	100 per cent. of the aggregate face amount of the Certificates.
Status and Subordination	Each Certificate evidences an undivided beneficial ownership interest in the Trust Assets, subject to the terms of the Transaction Documents and the Conditions, and is a limited recourse obligation of the Issuer. Each Certificate will rank *pari passu*, without any preference or priority, with the other Certificates. The payment obligations of Bank Asya under the Transaction Documents to which it is a party in relation to amounts payable in respect of the Certificates will constitute direct, unsecured and subordinated obligations of Bank Asya 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 Bank Asya 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 Bank Asya 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.
Trust Assets	The Trust Assets are all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Asset Portfolio, the obligations of Bank Asya (as purchaser) in respect of payment of each Deferred Purchase Price under the Commodity Murabaha Agreement and the Transaction Documents together with all monies standing to the credit of the Transaction Account and all proceeds of the foregoing.
Periodic Distribution Dates	Each of 28 March and 28 September in each year commencing on 28 September 2013.

Periodic Distributions	On each Periodic Distribution Date, distributions in relation to the Certificates will be made to holders, *pro rata* to their respective holdings, from moneys received by the Trustee in respect of the Trust Assets. Each Periodic Distribution Amount for the Initial Distribution Period will be calculated at the Initial Periodic Distribution Rate and for the Reset Distribution Period at the Reset Periodic Distribution Rate. See Condition 6.
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 relevant Dissolution Date.
Issuer Call Date	The Issuer Call Date is 28 March 2018. Subject as further provided in Condition 8.2 and to the prior approval of the BRSA, the Certificates may be redeemed by the Issuer in whole (but not in part) on the Issuer Call Date following the optional exercise by Bank Asya of its rights under the Sale and Transfer Undertaking to oblige the Trustee to sell the Assets Portfolio.
Scheduled Dissolution of the Trust	The Scheduled Dissolution Date is 28 March 2023. Upon receipt by the Trustee of the exercise price payable in accordance with the terms of the Purchase and Asset Portfolio Undertaking, together with the remaining unpaid Deferred Purchase Price payable by Bank Asya pursuant to the Commodity Murabaha Agreement, and the liquidation of any Sharia Compliant Investments by the Managing Agent and payment of the liquidation proceeds, together with any Portfolio Principal Revenues then held by the Managing Agent, to the Trustee, in each case pursuant to the Management Agreement, such amounts will be applied to redeem the Certificates at the Dissolution Distribution Amount.
Early Dissolution of the Trust	Other than as a result of the occurrence of a Dissolution Event or an early dissolution on the Issuer Call Date, or upon the occurrence of a Capital Disqualification Event or any of the events or circumstances specified in Conditions 8.4(a) or (b) (each a **Tax Event)**, subject as further provided in Condition 8, the Trust will not be subject to dissolution, and the Certificates will not be redeemed, prior to the Scheduled Dissolution Date.
Dissolution Events	The Dissolution Events are set out in Condition 12.2. 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 Bank Asya's obligations under the Transaction Documents to which it is a party as described above.
Dissolution Distribution Amount	The aggregate outstanding face amount of the Certificates plus all accrued and unpaid Periodic Distribution Amounts in respect of such Certificates.
Covenants	The Purchase and Asset Portfolio Undertaking contains certain covenants given by Bank Asya, See "*Summary of the Principal Transaction Documents*".
Form and Delivery of the Certificates	The Certificates will be issued in registered global form only.
	The Certificates will be represented on issue by beneficial interests in the Global Certificate which will be deposited with, and registered in the name of a nominee for, 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. 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.
Withholding Tax	All payments by the Issuer under the Certificates are to be made without withholding or deduction for or on account of Cayman Islands taxes, unless the withholding or deduction is required by law. In such event, Bank Asya 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 Bank Asya (including when acting in its capacity as Managing Agent) under the Transaction Documents are to be made without withholding or deduction for or on account of Turkish taxes, unless the withholding or deduction is required by law. In such event, Bank Asya (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.
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 Bank Asya under the Management Agreement (as managing agent), the Commodity Murabaha Agreement (as purchaser) and the Purchase and Asset Portfolio Undertaking or the Sale and Transfer Undertaking, as the case may be 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 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 or any Appointee in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate or Appointee; (b) *second*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid; (c) *third*, 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; (d) *fourth*, only if such payment is made on a Dissolution Date, to the Managing Agent in or towards payment of all outstanding Management Expenses (as defined in the Management Agreement) as directed by the Managing Agent; and

(e) *fifth*, only if such payment is made on a Dissolution Date, to the Managing Agent by way of 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 Issuer or the Trustee (other than the Trust Assets) or Bank Asya (to the extent that it fulfils all of its obligations under the Transaction Documents), 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 Issuer and the Trustee shall be extinguished.

Enforcement

If default is made by Bank Asya in the payment of any amount due pursuant to its obligations under the Transaction Documents to which it is a party in relation to any amounts payable in respect of the Certificates and the default continues for a period of seven days, the Delegate shall be entitled to institute proceedings, in the name of the Trustee, for Bank Asya to be declared bankrupt or insolvent of for there otherwise to be a Subordination Event, or for Bank Asya's winding up, dissolution or liquidation, and prove in the winding up, dissolution or liquidation of Bank Asya.

Upon the occurrence of a Dissolution Event, but not otherwise before the Scheduled Dissolution Date, the Delegate may give notice to Bank Asya that the exercise price payable under the Purchase and Asset Portfolio Undertaking is, and it shall accordingly forthwith become, immediately due and payable, subject to the subordination provisions described above, and may so claim or prove in the winding up, dissolution or liquidation of Bank Asya. However, the Delegate may take no further or other action to enforce, claim or prove for any payment by Bank Asya in respect of its obligations under the Transaction Documents to which it is a party in relation to the Certificates and may only claim such payment in the winding up, dissolution or liquidation of Bank Asya.

The Delegate shall also be entitled to institute proceedings, in the name of the Trustee, against Bank Asya to enforce any obligation, condition, undertaking or provision binding on Bank Asya under the Transaction Documents (other than, without prejudice to the provisions above, any obligation of Bank Asya for the payment of any amount due to Certificateholders), provided that Bank Asya 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.

No remedy against Bank Asya, other than as provided above, shall be available to the Trustee, the Delegate or the Certificateholders, whether for the recovery of amounts owing by Bank Asya pursuant to its obligations under the Transaction Documents or in respect of any breach by Bank Asya of any of its obligations, covenants or undertakings under the Transaction Documents in relation to the Certificates.

Following the distribution of the Trust Assets to the Certificateholders to the extent permitted under the Conditions and the Declaration of Trust, neither the Issuer nor the Trustee shall be liable for any further amounts and accordingly the Certificateholders may not take any action against the Issuer or the Trustee or any other person (including Bank Asya) to recover any such amount in respect of the Certificates or the Trust Assets.

Neither the Trustee nor the Delegate shall be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action against the Issuer, the Trustee or Bank Asya under any Transaction Document unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least 20 per cent. of the aggregate outstanding face amount of the Certificates, and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities (as defined in the Declaration of Trust) to which it may thereby render itself liable or which it may incur by so doing.

No Certificateholder shall be entitled to proceed directly against the Issuer, the Trustee or Bank Asya unless the Delegate, having become bound so to proceed, fails to do so within a reasonable period of becoming so bound and such failure is continuing. Under no circumstances shall the Delegate or any Certificateholders 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 sole right of the Delegate and the Certificateholders against the Issuer, the Trustee or Bank Asya shall be to enforce their respective obligations under the Transaction Documents.

The foregoing is subject to the following. After enforcing or realising the Trust Assets and distributing the net proceeds in accordance with Condition 4.2, the obligations of the Issuer and the Trustee in respect of the Certificates shall be satisfied and no holder of the Certificates may take any further steps against the Issuer, the Trustee or the Delegate or any other person to recover any further sums in respect of the Certificates and the right to receive any such 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 Issuer or the Trustee.

No Set-off or Counterclaim

All payment obligations of, and payments made by, the Issuer in respect of the Certificates and Bank Asya under the Transaction Documents 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 Issuer or Bank Asya or arising before or in respect of any Subordination Event. By virtue of the subordination of Bank Asya'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 or the Trustee by the Issuer in respect of the Certificates or Bank Asya 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.

No Link to Derivative Transactions	None of the Transaction Documents, the Certificates or any obligations of the Issuer or Bank Asya 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 Articles 8(1)(c) and (d) of the BRSA Regulation or (ii) in any manner the subject of any guarantee or security.
Purchases / Assignments	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 Bank Asya's affiliates or subsidiaries (as contemplated in the Banking Law (Law No. 5411)). The Issuer or Bank Asya, to the extent permitted by applicable laws and subject to having obtained the prior approval of the BRSA, may at any time (but not before the fifth anniversary of the Closing Date) purchase the Certificates in any manner and at any price.
Use of Proceeds	The proceeds of the issue of the Certificates will be paid by the Trustee on the Closing Date to the Seller as the purchase price for the Asset Portfolio and to the relevant commodity broker as the purchase price for the Commodities.
Listing	Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and trading on the Main Securities Market.
Ratings	The Certificates are expected to be assigned a rating of Ba3 by Moody's. Moody's is established in the EU and is registered under the CRA Regulation. As such, Moody's 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.
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 15.
Tax Considerations	See "*Taxation*" for a description of certain tax considerations applicable to the Certificates.
Transaction Documents	The Transaction Documents are the Purchase Agreement, the Commodity Murabaha Agreement, the Management Agreement, the Purchase and Asset Portfolio Undertaking, the Sale and Transfer Undertaking, the Declaration of Trust and the Agency Agreement.
Governing Law	The Purchase Agreement, the Commodity Murabaha Agreement, the Management Agreement, the Purchase and Asset Portfolio Undertaking, the Sale and Transfer Undertaking, the Declaration of Trust, the Agency Agreement and the Certificates will be governed by English law, except for the provisions related to subordination which will be governed by the laws of Turkey.
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, Turkey, the Cayman Islands, the DIFC, Hong Kong, Malaysia, Saudi Arabia, Singapore, Switzerland and the United Arab Emirates (excluding the DIFC).

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.$250,000,000 Fixed Rate Resettable Tier 2 Certificates due 2023 (the **Certificates**) is issued by Asya Sukuk Company Limited (the **Issuer**) and represents an undivided beneficial ownership interest in the Trust Assets (as defined in Condition 4.1) 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 28 March 2013 (the **Closing Date**) made between the Issuer, in its capacity as issuer and as trustee (the **Trustee**), Asya Katılım Bankası A.Ş. (**Bank Asya**) and BNY Mellon Corporate Trustee Services Limited as the delegate of the Trustee (the **Delegate**).

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Closing Date (the **Agency Agreement**) made between the Issuer, The Bank of New York Mellon, London Branch, 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 The Bank of New York Mellon (Luxembourg) S.A. 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.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents (as defined in Condition 4.1). In these Conditions, words and expressions defined and rules of construction and interpretation set out in the Declaration of Trust shall, unless defined herein or the context otherwise requires, have the same meanings herein. Copies of the Transaction Documents are available for inspection during normal business hours at the specified offices of the Paying Agents. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Issuer, in its capacity as Trustee for and on behalf of the Certificateholders (a) to apply the sums paid by it in respect of its Certificates (i) in making payment to Bank Asya, in its capacity as seller (the **Seller**), as the purchase price for the Asset Portfolio and (ii) in purchasing the Commodities (each such capitalised term having the meaning given in Condition 4.1) for immediate sale to Bank Asya, in its capacity as purchaser (the **Purchaser**), on immediate delivery and deferred payment terms 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.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Certificates are issued in registered form in face amounts 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 a Global Certificate. The Conditions are modified by certain provisions contained in the Global Certificate. 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 Issuer 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 Issuer as entitled to its Certificate free from any equity, set-off or counterclaim on the part of the Issuer 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.

2. TRANSFERS OF CERTIFICATES

2.1 Transfers

Subject to Conditions 2.4 and 2.5, 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 Global Certificate will be effected in accordance with the rules 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 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. For the purposes of this Condition, **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.

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 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.

2.3 Formalities Free of Charge

Registration of any transfer of Certificates will be effected without charge by or on behalf of the Issuer or any Transfer Agent but upon payment (or the giving of such indemnity as the Issuer 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 days ending on (and including) the due date for any payment of the Dissolution Distribution Amount (as defined in Condition 8.1) or any Periodic Distribution Amount (as defined in Condition 6.1).

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 Issuer 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, 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.

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 Issuer. Each Certificate ranks *pari passu*, without any preference or priority, with the other Certificates.

3.2 Subordination

The payment obligations of Bank Asya under the Transaction Documents to which it is a party in relation to 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 Bank Asya 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 Bank Asya 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 Bank Asya 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 Bank Asya;

BRSA Regulation means the BRSA Regulation on Equities of Banks (published in the Official Gazette dated 1 November 2006, No. 26333, as amended, modified, supplemented or superseded from time to time);

Junior Obligations means any class of share capital (including ordinary and preferred shares) of Bank Asya 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 Bank Asya that rank, or are expressed to rank, junior to Bank Asya's obligations under the Transaction Documents;

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

Senior Obligations means any of Bank Asya'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 trade 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 (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 (No. 5520) and Article 94 and Provisional Article 67 of the Income Tax 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 Bank Asya on a dissolution, winding-up or liquidation of Bank Asya 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 on the Certificates. Save as provided in the next sentence, the Certificates do not represent an interest in or obligation of either the Issuer or Bank Asya. Accordingly, Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that they will have no recourse to any assets of the Issuer, the Trustee (other than the Trust Assets), Bank Asya (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 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 Issuer and the Trustee shall be extinguished.

Bank Asya is obliged to make certain payments under the Transaction Documents directly to the Issuer and the Trustee for and on behalf of the Certificateholders, and the Delegate will have direct recourse against Bank Asya to recover such payments.

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 12, no holder of Certificates will have any claim against the Issuer or the Trustee (to the extent the Trust Assets have been exhausted) or Bank Asya (to the extent that it fulfils all of its obligations under the Transaction Documents) or against any assets (other than the Trust Assets to the extent not exhausted), 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 Issuer or the Trustee as a consequence of such shortfall or otherwise.

3.4 Agreement of Certificateholders

By purchasing Certificates, each Certificateholder is deemed to have agreed 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 Issuer or 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 Issuer, the Trustee, the Delegate or the Agents to the extent the Trust Assets have been exhausted following which all obligations of the Issuer, the Trustee, 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 amounts owing by the Issuer under the Transaction Documents have been paid in full, it will not institute against, or join with any other person in instituting against, the Issuer or 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 Issuer or 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 Issuer or 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 Issuer or 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 Issuer in respect of the Certificates and Bank Asya under the Transaction Documents 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 Issuer or Bank Asya or arising before or in respect of any Subordination Event. By virtue of the subordination of Bank Asya'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 or the Trustee by the Issuer in respect of the Certificates or Bank Asya 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 Issuer or Bank Asya 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 Articles 8(1)(c) and (d) 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

The Trustee will enter into a purchase agreement (the **Purchase Agreement**) to be dated the Closing Date with Bank Asya (in such capacity, the **Seller**). Pursuant to the Purchase Agreement the Seller will sell a portfolio (the **Asset Portfolio**) of certain constituent assets (the **Constituent Assets**) to the Trustee and the Trustee will purchase the Asset Portfolio using a percentage (the **Tangible Asset Percentage**) of the proceeds of the issue of the Certificates (the **Issue Proceeds**). The Trustee will also enter into a management agreement (the **Management Agreement**) to be dated the Closing Date with Bank Asya as managing agent (in such capacity, the **Managing Agent**) of the Asset Portfolio.

The Trustee will enter into a commodity *murabaha* agreement (the **Commodity Murabaha Agreement**) to be dated the Closing Date with Bank Asya (in such capacity, the **Purchaser**). The Trustee will purchase certain commodities (the **Commodities**) on the Closing Date using the remaining percentage (the **Commodity Murabaha Percentage**) of the Issue Proceeds and will immediately sell the Commodities to the Purchaser pursuant to the Commodity Murabaha Agreement on immediate delivery and deferred payment terms.

The deferred purchase price payable by the Purchaser for the Commodities (the **Deferred Purchase Price**) will include an amount equal to the cost price of the Commodities (the **Deferred Principal Amount**), which will equal the product of the Commodity Murabaha Percentage and the initial aggregate face amount of the Certificates, and an amount of profit equal to the Periodic Distribution Amounts (as defined in Condition 6.1) payable in respect of the Certificates. The profit amount will be payable in equal instalments (the **Deferred Profit Payments**) on the Business Day immediately preceding each Periodic Distribution Date (each as defined in Condition 6.1) and the Deferred Principal Amount (together with any remaining Deferred Profit Payments) on the Business Day immediately preceding any Dissolution Date (as defined in Condition 8.1).

In the event the Certificates are not redeemed by the Issuer on the Issuer Call Date (as defined in Condition 8.2), Bank Asya will irrevocably and unconditionally promise and undertake under the Commodity Murabaha Agreement to purchase further Commodities on the Issuer Call Date on terms equivalent to those described above.

Bank Asya will enter into a purchase and asset portfolio undertaking (the **Purchase and Asset Portfolio Undertaking**) to be dated the Closing Date in favour of the Trustee and the Delegate 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) or, if earlier, on the due date for dissolution in accordance with Condition 12, at an amount equal to the product of the Tangible Asset Percentage and the Dissolution Distribution Amount, after taking into account any corresponding payments to be made under the Management Agreement.

The Trustee will enter into a sale and transfer undertaking (the **Sale and Transfer Undertaking**) to be dated the Closing Date in favour of Bank Asya. Pursuant to the Sale and Transfer Undertaking, subject to the Issuer being entitled to redeem the Certificates early pursuant to Condition 8.2, 8.3 or 8.4, as the case may be, Bank Asya may, by exercising its option under the Sale and Transfer Undertaking and serving notice on the Trustee no later than 30 days prior to the Issuer Call Date, the Capital Disqualification Redemption Date or the Tax Redemption Date (each as defined in the respective Conditions referred to above), 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 Issuer Call Date, the Capital Disqualification Redemption Date or the Tax Redemption Date at an amount equal to the product of the Tangible Asset Percentage and the Dissolution Distribution Amount, after taking into account any corresponding payments to be made under the Management Agreement.

Following any purchase of the Certificates by Bank Asya pursuant to Condition 9, Bank Asya may also oblige the Trustee pursuant to the Sale and Transfer Undertaking to transfer all of its rights, interests, benefits and entitlements in, to and under specified Constituent Assets against the delivery of such Certificates to the Principal Paying Agent for cancellation. An equivalent reduction will also be made in the cost price component of the relevant Deferred Purchase Price payable for the Commodities pursuant to the Commodity Murabaha Agreement and any corresponding payments to be made under the Management Agreement.

The Issuer has established a transaction account (the **Transaction Account**) in the name of the Trustee with the Principal Paying Agent into which Bank Asya will deposit all amounts due to the Trustee under the Management Agreement, the Commodity Murabaha 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 Issuer 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;

(b) all of the Issuer's rights, title, interest and benefit, present and future, in to and under the obligations of the Purchaser in respect of payment of each Deferred Purchase Price under the Commodity Murabaha Agreement;

(c) all of the Issuer's other rights, title, interest and benefit, present and future, in, to and under the Transaction Documents; and

(d) all monies standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing upon trust absolutely for 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.

The Purchase Agreement, the Management Agreement, the Commodity Murabaha Agreement, the Purchase and Asset Portfolio Undertaking, the Sale and Transfer Undertaking, any Sale Agreement entered into pursuant to the Purchase and Asset Portfolio Undertaking or the Sale and Transfer Undertaking, the Declaration of Trust and the Agency Agreement are together referred to in these Conditions as the **Transaction Documents**.

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 or any Appointee in respect of all amounts (including by way of indemnity) owing to it under the Transaction Documents in its capacity as Delegate or Appointee;

(b) *second*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;

(c) *third*, 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;

(d) *fourth*, only if such payment is made on a Dissolution Date, to the Managing Agent in or towards payment of all outstanding Management Expenses (as defined in the Management Agreement) as directed by the Managing Agent; and

(e) *fifth*, only if such payment is made on a Dissolution Date, to the Managing Agent by way of incentive fee in accordance with the Management Agreement.

5. COVENANTS

The Issuer covenants that for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate and as provided in Condition 15):

(a) incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee 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) except, in all cases, as contemplated in the Transaction Documents;

(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) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;

(e) amend or agree to any amendment of any Transaction Document to which it is a party or its memorandum and articles of association;

(f) act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;

(g) have any subsidiaries or employees;

(h) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;

(i) prior to the date which is one year and one day after the date on which all amounts owing by the Issuer 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; and

(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 4.2 and Condition 7, 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 Issuer Call Date, at the rate of 7.500 per cent. per annum (the **Initial Periodic Distribution Rate**); and

(b) in respect of the period from (and including) the Issuer 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 these Conditions:

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

Determination Date means the third Business Day immediately preceding the Issuer Call Date;

Periodic Distribution Date means each of 28 March and 28 September in each year, commencing on 28 September 2013 and, subject to Condition 6.3, 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;

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 0.975 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 6.525 per cent. per annum.

The Principal Paying Agent may rely upon and shall not be in any way responsible for any ratio provided by a Reference Bank which is subsequently found to be incorrect or inaccurate in any way.

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

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 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 applicable in the place of payment, but without prejudice to the provisions of Condition 10.

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 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 this Condition, 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 at the end of these Conditions. The Issuer 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 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), (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 and (c) there will at all times be a Paying Agent (which may be the Principal Paying Agent) located in an EU Member State that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, any such Directive. Notice of any termination or appointment and of any changes in specified offices will be given to Certificateholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders. 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 or purchased and cancelled, the Issuer will redeem each Certificate at the Dissolution Distribution Amount on the Periodic Distribution Date falling on 28 March 2023 (the **Scheduled Dissolution Date**). Upon payment in full of the Dissolution Distribution Amount to the Certificateholders, the Trust will dissolve, the Certificates shall cease to represent Trust Assets and no further amounts shall be payable in respect thereof and the Issuer and the Trustee shall have no further obligations in respect thereof.

In these Conditions, **Dissolution Date** means any of the Scheduled Dissolution Date, the Issuer Call Date, the Capital Disqualification Redemption Date, the Tax Redemption Date and any date specified by the Delegate in accordance with Condition 12 and **Dissolution Distribution Amount** in relation to a Certificate means its outstanding face amount plus all accrued and unpaid Periodic Distribution Amounts in respect of such Certificate.

8.2 Early Dissolution following the optional exercise by Bank Asya of its rights under the Sale and Transfer Undertaking

The Issuer, having given not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 14 (which notice shall be irrevocable), may redeem all (but not some only) of the Certificates on 28 March 2018 (the **Issuer Call Date**) at the Dissolution Distribution Amount, *provided*, *however*, that no such notice of redemption shall be given unless a corresponding exercise notice has been received by the Trustee from Bank Asya under the Sale and Transfer Undertaking, the delivery of which is subject to Bank Asya having obtained the prior approval of the BRSA for such redemption.

8.3 Early Dissolution upon a Capital Disqualification Event

The Issuer, having given not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 14 (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*, *however*, that no such notice of redemption shall be given unless a corresponding exercise notice has been received by the Trustee from Bank Asya under the Sale and Transfer Undertaking, the delivery of which is subject to Bank Asya having delivered to the Delegate:

(a) the required confirmation in writing by the BRSA of the occurrence of the relevant Capital Disqualification Event; and

(b) a certificate signed by two directors of Bank Asya stating that a Capital Disqualification Event has occurred.

In these Conditions:

Capital Disqualification Event means if, as a result of any change in applicable law (including the BRSA Regulation), or the application or official interpretation thereof, as confirmed in writing by the BRSA, the payment obligations of Bank Asya under the Transaction Documents to which it is a party in an amount equal to the face amount of the outstanding Certificates is fully excluded from inclusion as Tier 2 capital of Bank Asya (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 5 of the BRSA Regulation.

8.4 Early Dissolution for Tax Reasons

The Certificates may be redeemed by the Issuer 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 14 (which notice shall be irrevocable), at the Dissolution Distribution Amount, if:

(a) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 10 as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 10) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 28 March 2013 and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(b) (1) the Issuer has received notice from Bank Asya that Bank Asya has or will become obliged to pay additional amounts pursuant to the terms of the Management Agreement or the Commodity Murabaha Agreement 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 28 March 2013 and (2) such obligation cannot be avoided by Bank Asya taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given unless a corresponding exercise notice has been received by the Trustee 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 Issuer 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) Bank Asya would be obliged to pay such additional amounts if a payment to the Trustee under the Management Agreement or the Commodity Murabaha Agreement was then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Delegate (i) a certificate signed by two directors of the Issuer stating that the Issuer 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 Issuer so to dissolve have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or Bank Asya, 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) 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 Conditions 8.2, 8.3 and 8.4, the Issuer 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 Trust Assets and no further amounts shall be payable in respect thereof and neither the Issuer nor the Trustee 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 12.2) which is continuing, the Certificates may be redeemed at the Dissolution Distribution Amount and the Trust dissolved as more particularly specified in Condition 12.

8.7 No other Dissolution

The Issuer 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 and Condition 12.

8.8 Cancellation

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

9. PURCHASE OF CERTIFICATES

9.1 Purchases / Assignments

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 Bank Asya's affiliates or subsidiaries (as contemplated in the Banking Law (Law No. 5411)). Bank Asya, to the extent permitted by applicable laws and subject to having obtained the prior approval of the BRSA, may at any time (but not before the fifth anniversary of the Closing Date) purchase the Notes in any manner and at any price.

9.2 Portfolio Assets

Following any purchase of Certificates by Bank Asya pursuant to Condition 9.1, Bank Asya may oblige the Trustee pursuant to the Sale and Transfer Undertaking to transfer all of its rights, interests and entitlements in, to and under specified Constituent Assets, together with a corresponding payment of an amount of Portfolio Principal Revenues and Sharia Compliant Investment Principal (each as defined in the Management Agreement) then held or invested by the Managing Agent under the Management Agreement to Bank Asya and reduction of the Deferred Principal Amount payable by Bank Asya under the Commodity Murabaha Agreement, in each case on a *pro rata* basis and such that the aggregate amount or Value (as defined in the Management Agreement) of such Constituent Assets, Portfolio Principal Revenues, Sharia Compliant Investment Principal and reduction in the Deferred Principal Amount is equal to the aggregate face amount of the Certificates so purchased, in return for the delivery of such Certificates to the Principal Paying Agent for cancellation in accordance with Condition 9.3.

9.3 Cancellation

Following any purchase of Certificates by Bank Asya pursuant to this Condition 9, such Certificates shall be delivered by Bank Asya to the Principal Paying Agent for cancellation and accordingly may not be held, reissued or resold.

10. 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 Issuer 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; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment (where presentation is required) by or on behalf of a Certificateholder who would be able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in a different Member State of the European Union.

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 10. 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 or the Delegate 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 14; and

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

The Management Agreement, Commodity Murabaha Agreement and Purchase and Asset Portfolio Undertaking each provides that payments thereunder by Bank Asya shall be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law and, in such case, provides for the payment by Bank Asya of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

11. PRESCRIPTION

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within periods of 10 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.

12. ENFORCEMENT

12.1 If:

(a) default is made by Bank Asya in the payment of any amount due pursuant to its obligations under any Transaction Document to which it is a party in relation to any Periodic Distribution Amount, the Dissolution Distribution Amount or any other amount payable in respect of the Certificates and the default continues for a period of seven days; or

(b) a Subordination Event occurs; or

(c) an order is made by any competent court or resolution is passed for the winding up, liquidation or dissolution of Bank Asya,

the Trustee, or the Delegate in the name of the Trustee (subject to the Trustee or the Delegate, as the case may be, being indemnified and/or secured and/or prefunded to its satisfaction), may:

(i) in the case of (a) above, institute proceedings for Bank Asya to be declared bankrupt or insolvent or for there otherwise to be a Subordination Event, or for Bank Asya's winding up, dissolution or liquidation, and prove in the winding-up, dissolution or liquidation of Bank Asya; and/or

(ii) in the case of (b) or (c) above, claim or prove in the winding-up, dissolution or liquidation of Bank Asya.

but (in either case) may take no further or other action to enforce, claim or prove for any payment by Bank Asya in respect of its obligations under the Transaction Documents in relation to the Certificates and may only claim such payment in the winding-up, dissolution or liquidation of Bank Asya.

12.2 In any of the events or circumstances described in (b) or (c) above (each a **Dissolution Event**), the Delegate shall give notice of the occurrence of such Dissolution Event to the holders of Certificates in accordance with Condition 14 with a request to such holders to request if they wish the Certificates to be redeemed and the Trust to be dissolved. If so requested in writing by the holders of at least 20 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, the Delegate shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) or, if the Delegate so decides in its discretion, the Delegate may (subject as aforesaid), give notice to the Issuer, the Trustee, Bank Asya and all the holders of the Certificates in accordance with Condition 14 that the Certificates are to be redeemed at the Dissolution Distribution Amount on the date specified in such notice, in which event all amounts payable by Bank Asya in respect of its obligations under the Transaction Documents shall accordingly forthwith become immediately due and payable, subject to the subordination provisions described in Condition 3.2. Upon payment in full of the Dissolution Distribution Amount, 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 Issuer and the Trustee shall have no further obligations in respect thereof.

12.3 The Delegate may (subject to being indemnified and/or secured and/or prefunded to its satisfaction) institute proceedings in the name of the Trustee against Bank Asya to enforce any obligation, condition, undertaking or provision binding on Bank Asya under the Transaction Documents (other than, without prejudice to the provisions above, any obligation of Bank Asya for the payment of any amount due to Certificateholders), provided that Bank Asya 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.

12.4 No remedy against Bank Asya, other than as provided above, shall be available to the Trustee, the Delegate or the Certificateholders, whether for the recovery of amounts owing by Bank Asya pursuant to its obligations under the Transaction Documents in respect of any amount due to Certificateholders or in respect of any breach by Bank Asya of any of its obligations, covenants or undertakings under the Transaction Documents in relation to the Certificates.

12.5 Upon the occurrence and continuation of any of the following events (each an **Issuer Event**):

(a) the Issuer defaults in the performance or observance of or compliance with any of its obligations or undertakings under the Transaction Documents to which it is a party and such default is not capable of remedy or (if capable of remedy) is not remedied within 30 days after written notice of such default shall have been given to the Issuer by the Delegate; or

(b) the Issuer repudiates any Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document to which it is a party; or

(c) at any time it is or will become unlawful or impossible for the Issuer (by way of insolvency or otherwise) to perform or comply with any or all of its obligations under the Transaction Documents or any of the obligations of the Issuer under the Transaction Documents are not or cease to be legal, valid and binding;

(d) either (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made), (iii) the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it, (iv) the Issuer ceases or threatens to cease to carry on all or substantially the whole of its business (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(e) an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer; or

(f) any event occurs which under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraph (d) and (e) above,

Bank Asya has undertaken in the Declaration of Trust to procure as soon as practicable, subject to such amendments to the Declaration of Trust being made and such other conditions as the Delegate may require, the substitution of any newly formed special purpose company in form substantially the same as that of the Issuer, in place of the Issuer and Trustee (the **Substituted Issuer**), or of any previous substituted company, as issuer, trustee and in any other relevant capacity under the Declaration of Trust, the Certificates and the other Transaction Documents to which the Issuer and/or the Trustee are a party, *provided that*:

(i) a deed is executed or undertaking given by the Substituted Issuer to the Delegate, in form and manner satisfactory to the Delegate, agreeing to be bound by the Declaration of Trust, the Certificates and the Transaction Documents (with such consequential amendments as the Delegate may deem appropriate) as if the Substituted Issuer had been named in the Declaration of Trust, the Certificates and the Transaction Documents as issuer, trustee or in such other relevant capacity in place of the Issuer;

(ii) if the Substituted Issuer is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the **Substituted Territory**) other than the territory of the taxing jurisdiction to which (or to any such authority of or in which) the Issuer is subject generally (the **Issuer's Territory**), the Substituted Issuer shall give to the Delegate an undertaking satisfactory to the Delegate in terms corresponding to Condition 10 with the substitution for the references in that Condition to the Issuer's Territory of references to the Substituted Territory, whereupon the Declaration of Trust and the Certificates shall be read accordingly (and Bank Asya shall be required to give to the Delegate an undertaking satisfactory to the Delegate in terms corresponding to the last two paragraphs of Condition 10 extending its obligations thereunder to the Substituted Territory);

(iii) if any two directors of the Substituted Issuer certify that it will be solvent immediately after such substitution, the Delegate need not have regard to the Substituted Issuer's financial condition, profits or prospects or compare them with those of the Issuer and the Trustee; and

(iv) the Issuer, the Substituted Issuer and Bank Asya comply with such other requirements as the Delegate may direct in the interests of the Certificateholders,

and following such substitution the Trust Assets shall immediately and absolutely be transferred and assigned to, and shall vest in, the Substituted Issuer, which transfer, assignment and vesting of the Trust Assets shall take place automatically on such substitution, without any act or thing being required to be done by the Substituted Issuer or anything further being required of any other party.

Failing such substitution, the Delegate may bring proceedings against Bank Asya for the enforcement of its undertaking to procure such substitution or against the Issuer in whichever relevant capacity for the enforcement of its obligations under the Transaction Documents and/or the Delegate itself may (but shall not be obliged to) procure such substitution as provided in the Declaration of Trust (subject in each case to the Delegate being indemnified and/or secured and/or prefunded to its satisfaction).

12.6 Following the distribution in full of the proceeds of the Trust Assets in respect of the Certificates to the Certificateholders in accordance with these Conditions and the Declaration of Trust, neither the Issuer nor the Trustee shall be liable for any further sums and, accordingly, Certificateholders may not take any action against the Issuer, the Trustee or any other person to recover any such sum in respect of the Certificates or Trust Assets.

12.7 Neither the Delegate nor the Trustee shall be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action against the Issuer, the Trustee, Bank Asya or any other party under any Transaction Document unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Certificates 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.

12.8 No Certificateholder shall be entitled to proceed directly against the Issuer, the Trustee, Bank Asya or any other party unless the Delegate, having become bound so to proceed, fails to do so within a reasonable period of becoming so bound and such failure is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than pursuant to the Purchase and Asset Portfolio Undertaking) and the sole right of the Delegate and the Certificateholders against the Issuer, the Trustee, Bank Asya or any other party shall be to enforce their respective obligations under the Transaction Documents.

12.9 The foregoing paragraphs in this Condition are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the proceeds of the Trust Assets in accordance with Condition 4.2 and the Declaration of Trust, the obligations of the Issuer and the Trustee in respect of the Certificates shall be satisfied and no holder of the Certificates may take any further steps against the Issuer, 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 Issuer or the Trustee.

13. 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, Issuer or Bank Asya may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14. 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.

The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Certificates have then been admitted to listing, trading and/or quotation. 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.

15. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

15.1 The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of these Conditions or the provisions of the Declaration of Trust. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in aggregate face amount of the Certificates for the time being outstanding, or at any adjourned such meeting one or more persons 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 the modification of certain provisions of the Certificates (including modifying the Scheduled Dissolution Date, reducing or cancelling any amount payable in respect of the Certificates or altering the currency of payment of the Certificates or amending certain covenants given by the Issuer and Bank Asya in the Transaction Documents), the quorum shall be one or more persons present holding or representing not less than 75 per cent. in aggregate face amount of the Certificates for the time being outstanding, or at any adjourned such meeting one or more persons present holding or representing not less 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.

15.2 The Declaration of Trust provides that an Extraordinary Resolution (i) passed at a meeting of Certificateholders duly convened and held in accordance with the Declaration of Trust (ii) passed as an Extraordinary Resolution in writing in accordance with the Declaration of Trust or (iii) passed by way of electronic consents given by holders through the relevant Clearing System(s) 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.

15.3 The Delegate may agree, without the consent or sanction of the Certificateholders, to any modification (including in respect of a Reserved Matter) 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 in any such case is not, in the opinion of the Delegate, materially prejudicial to the interests of Certificateholders or may agree, without any such consent or sanction as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error.

15.4 In connection with the exercise by it of any of its trusts, powers, authorities 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 (but 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 sub-division 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.

15.5 Any modification, abrogation, waiver, authorisation or determination shall be binding on all the Certificateholders and, if the Delegate so requires, shall be notified by the Issuer to the Certificateholders as soon as practicable thereafter in accordance with Condition 14.

16. INDEMNIFICATION AND LIABILITY OF THE DELEGATE AND THE TRUSTEE

16.1 The Declaration of Trust contains provisions for the indemnification of each of the Trustee and 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.

16.2 The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of Bank Asya, the Issuer 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 Bank Asya, the Issuer 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 the Conditions or in the Declaration of Trust.

16.3 Each of the Trustee and the Delegate is exempted from (i) any liability in respect of any loss or theft of the Trust Assets or any cash, (ii) any obligation to insure the Trust Assets or any cash and (iii) 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 by the Trustee or the Delegate, as the case may be.

16.4 The Declaration of Trust also contains provisions pursuant to which the Delegate is entitled, among other things (a) to enter into business transactions with Bank Asya, the Issuer 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 Bank Asya, the Issuer and/or any of their respective Subsidiaries, (b) 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 (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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.

18. GOVERNING LAW AND DISPUTE RESOLUTION

18.1 The Declaration of Trust and the Certificates (including the remaining provisions of this Condition 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, which will be governed by, and construed in accordance with, Turkish law.

18.2 Both the Issuer and Bank Asya have in the Declaration of Trust irrevocably agreed for the benefit of the Trustee, the Delegate and the Certificateholders that the courts of England are to have exclusive jurisdiction to settle any dispute, suit, action or proceeding (together referred to as Proceedings) which may arise out of or in connection with the Declaration of Trust and the Certificates (and any non-contractual obligations arising out of or in connection with the Declaration of Trust and the Certificates) and has accordingly submitted to the exclusive jurisdiction of the English courts.

18.3 Each of the Issuer and Bank Asya has also agreed to waive any objection to the Proceedings on the grounds that they are in an inconvenient or inappropriate forum and has agreed that a judgment in any Proceedings brought in the English courts shall be conclusive and binding on it and may be enforced in the courts of any other jurisdiction.

18.4 The Trustee, the Delegate and the Certificateholders may bring Proceedings under the Declaration of Trust and the Certificates in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

18.5 The Issuer and Bank Asya agree, without prejudice to the enforcement of a judgment obtained in the English courts according to the provisions of Article 54 of Law No. 5718, that in the event that any action is brought in relation to the Issuer and/or Bank Asya in a court in Turkey in connection with these Declaration of Trust or the Certificates (or any non-contractual obligations arising out of or in connection with the Declaration of Trust or the Certificates), in addition to other permissible legal evidence, any judgment obtained in the courts of England in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer and/or Bank Asya, as applicable, pursuant to the provisions of Article 193/1 of the Civil Procedure Code of Turkey (Law No. 6100) and Articles 58 and 59 of Law No. 5718.

18.6 Each of the Issuer and Bank Asya has in the Declaration of Trust appointed an agent for service of process and has undertaken that, in the event of such agent ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the Delegate as its agent for service of process in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any matter permitted by law.

GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Certificates in respect of which it is issued whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning in paragraphs 1 to 7 below.

1. Holders

For so long as all of the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than another clearing system) who is for the time being shown in the records of either such clearing system as the holder of a particular aggregate face amount of such Certificates (each, a **Holder**) (in which regard any certificate or other document issued by a clearing system as to the aggregate face amount of such Certificates 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 aggregate face amount of such Certificates (and the expression **Certificateholders** and references to **holding of Certificates** and to **holder of Certificates** shall be construed accordingly) for all purposes other than with respect to payments on such Certificates, the right to which shall be vested, as against the Issuer and the Delegate, solely in the registered holder of the Global Certificate in accordance with and subject to its terms. Each Holder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the registered holder of the Global Certificate.

2. Cancellation

Cancellation of any Certificate represented by the Global Certificate will be effected by reduction in the aggregate face amount of the Certificates in the Register.

3. Payments

Payments of the Dissolution Distribution Amount in respect of Certificates represented by the Global Certificate will be made only upon presentation and surrender of the Global Certificate to or to the order of the Registrar or such other Agent as shall have been notified to the holder of the Global Certificate for such purpose.

Distributions of amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system's rules and procedures.

A record of each payment made in respect of the Certificates will be entered into the Register by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made.

4. Notices

So long as all the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Certificateholders may be given by delivery of the relevant notice to those clearing systems for communication to entitled Holders in substitution for notification as required by the Conditions except that, so long as the Certificates are listed on any stock exchange, notices shall also be published in accordance with the rules of such stock exchange. Any such notice shall be deemed to have been given to the Certificateholders on the day on which such notice is delivered to the relevant clearing systems.

Notices to be given by any Certificateholder may be given to a Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

5. Registration of Title

The Registrar will not register title to the Certificates in a name other than that of a nominee for the Common Depositary for a period of seven calendar days preceding the due date for any payment of any Periodic Distribution Amount or the Dissolution Distribution Amount in respect of the Certificates.

6. Transfers

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear or Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

7. Exchange for Definitive Certificates

Interests in the Global Certificate will be exchanged for Certificates in definitive form (**Definitive Certificates**) upon the occurrence of an Exchange Event.

For these purposes, **Exchange Event** means that (a) the Delegate has given notice in accordance with Condition 12 that a Dissolution Event has occurred and is continuing or (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor or alternative clearing system satisfactory to the Delegate is available. Upon the occurrence of an Exchange Event, the Issuer will issue Definitive Certificates in exchange for the whole of the Global Certificate within 30 days of the occurrence of the relevant Exchange Event upon presentation of the Global Certificate by the person in whose name it is registered in the Register on any day (other than a Saturday or Sunday) on which banks are open for business in the city in which the Registrar has its specified office.

USE OF PROCEEDS

The net proceeds of the issue of the Certificates will be applied by the Issuer and the Trustee on the Closing Date as follows:

(a) not less than 51 per cent. towards the purchase from Bank Asya of the Asset Portfolio; and

(b) not more than 49 per cent. towards the purchase from a commodity broker of the Commodities (which will be immediately sold to Bank Asya on immediate delivery but deferred payment terms at the Deferred Payment Price).

DESCRIPTION OF THE ISSUER

General

Asya Sukuk Company Limited, a Cayman Islands exempted company with limited liability, was incorporated on 25 July 2011 under the Companies Law (2010 Revision) of the Cayman Islands with company registration number 259887. The Issuer has been established as a special purpose vehicle for the sole purpose of issuing the Certificates and entering into the transactions contemplated by the Transaction Documents.

The registered office of the Issuer is at MaplesFS Limited, PO Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.

The authorised share capital of the Issuer is U.S.$50,000 consisting of 50,000 ordinary shares of U.S.$1.00 each, of which 250 shares have been issued. All of the issued shares (the **Shares**) are fully-paid and are held by MaplesFS Limited as share trustee (the **Share Trustee**) under the terms of a trust deed (the **Trust Deed**) dated 31 October 2011 under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Trust Deed). 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 Trust Deed). 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 other interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

Business of the Issuer

The Issuer has no prior operating history or prior business and will not have any substantial liabilities other than in connection with the issue of the Certificates. The Certificates are the obligations of the Issuer alone and not the Share Trustee.

The objects for which the Issuer is established are set out in clause 3 of its Memorandum of Association as registered on 25 July 2011. The objects are expressed to be unrestricted and therefore would include the issue of the Certificates, execution of Transaction Documents to which it is a party and any other agreement necessary for the performance of its obligations under the transactions contemplated thereby and undertaking activities pursuant to or that are not inconsistent with the terms and conditions of the Certificates.

Directors of the Issuer

The Directors of the Issuer are as follows:

Name	Nationality	Occupation
Andrew Millar	South Africa	Senior Vice President, Maples Fund Services (Middle East) Limited
Cleveland Stewart	Cayman Islands	Vice President, MaplesFS Limited

The business address of Andrew Millar is c/o Maples Fund Services (Middle East) Limited, Liberty House, 8th Floor, Office 801, PO Box 506734, Dubai, United Arab Emirates.

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

Other than in their capacities as employees and officers of the Issuer Administrator as disclosed under "*Description of the Issuer—The Administrator*", there are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Issuer.

Fiscal Year / Financial Statements

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

Other than as described herein, the Issuer does not have any loan, capital, borrowings or contingent liabilities and has not changed its equity capital.

The Administrator

MaplesFS Limited also acts as administrator of the Issuer (in such capacity, the **Issuer Administrator**). The office of the Issuer Administrator serves as the general business office of the Issuer.

Through the office, and pursuant to the terms of the corporate services agreement executed between the Issuer and the Issuer Administrator (the **Corporate Services Agreement**), the Issuer 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 certain management functions on behalf of the Issuer and to provide certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Issuer and the Issuer Administrator have also entered into a registered office agreement (the **Registered Office Agreement**) for the provision of registered office facilities to the Issuer. In consideration of the foregoing, the Issuer Administrator will receive various fees payable by the Issuer 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 Issuer or the Issuer Administrator may terminate such agreements by giving notice to the other party at any time upon the happening of any 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.

The Issuer Administrator will be subject to the overview of the Issuer's Board of Directors.

The Issuer Administrator's principal office is PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The Directors of the Issuer are all employees or officers of the Issuer Administrator or an affiliate thereof. The Issuer has no employees and is not expected to have any employees in the future.

SELECTED FINANCIAL INFORMATION

The following tables set forth, for the periods indicated, selected consolidated financial information of Bank Asya 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 Bank Asya for the periods indicated.

	For the years ended 31 December		For the six month periods ended 30 June	
	2011	2010	2012	2011
	(Thousands of TRY)		*(Thousands of TRY)*	
Income on Loans	1,200,956	1,126,940	751,096	561,153
Income on Finance Leases	16,686	13,373	13,701	5,739
Income on Deposits at Banks	4,621	24,691	2,238	2,409
Income on Securities	58,116	30,884	29,968	23,992
Income on Reserve Deposit at the CBT	—	13,364	—	—
	1,280,379	1,209,252	797,003	593,293
Expense on Customers' Current and Profit Sharing Accounts	(586,782)	(591,110)	(393,819)	(281,278)
Expense on Obligations under Repurchase Agreements	(14,340)	—	(3,288)	(262)
Expense on Borrowings	(43,286)	(16,744)	(27,922)	(16,285)
Other	(199)	(177)	(26)	(200)
	(644,607)	(608,031)	(425,055)	(298,025)
Net Profit Sharing and Similar Income	**635,772**	**601,221**	**371,948**	**295,268**
Fees and Commission Income	320,699	304,364	173,023	159,432
Fees and Commission Expense	(79,623)	(69,235)	(48,898)	(38,057)
Net Fees and Commission Income	241,076	235,129	124,125	121,375
Income from Insurance Operations	87,363	81,810	45,725	42,074
Income from Time Shares and Rental Operations	33,226	18,630	17,892	10,462
Other Operating Income	45,291	51,324	29,806	18,633
Cost of Insurance Operations	(54,288)	(55,875)	(32,121)	(30,824)
Cost of Time Shares and Rental Operations	(25,491)	(14,934)	(15,418)	(9,233)
Impairment Losses on Loan and Finance Lease Receivables (Net)	(142,995)	(124,704)	(89,933)	(34,069)
Other Impairment Losses	(1,800)	(1,923)	—	(321)
General Administrative and Other Operating Expenses	(624,691)	(555,539)	(345,898)	(305,587)
Foreign Exchange Gains/Losses (Net)	(23,338)	14,338	(54,132)	(7,768)
Gain on Derivative Transactions (Net)	62,881	33,789	63,505	31,043
Share of Profit of Associates	3,632	1,211	1,814	373
PROFIT BEFORE TAXATION	236,638	284,477	117,313	131,426
Taxation	(44,101)	(52,086)	(25,653)	(25,698)
NET PROFIT FOR THE YEAR/PERIOD	**192,537**	**232,391**	**91,660**	**105,728**
Net Profit Attributable to:				
Equity Holders of the Group	191,496	231,564	91,525	106,811
Non-controlling Interest	1,041	827	135	(1,083)
Weighted Number of Shares with TRY1 Face Value Each	900,000,000	900,000,000	900,000,000	900,000,000
Basic and Diluted Earnings Per Share (Full TRY)	0.21	0.26	0.10	0.12
Profit for the Period	192,537	232,391	91,660	105,728
Non-controlling Interest	1,041	827	135	(1,083)
Equity Holders of the Group	191,496	231,564	91,525	106,811
Change in Unrealized Gains/(Losses) on Available-for-Sale Financial Assets, Net of Tax	(20,331)	3,811	11,789	(7,240)
Change in Translation Reserve	6,202	(670)	(8,934)	170
Fair Value Changes on Revaluation Reserve	(3,354)	(726)	(2,305)	(489)
Non-controlling Interest	(1,026)	(246)	(721)	(150)
Equity Holders of the Group	(2,328)	(480)	(1,584)	(339)
Total Comprehensive Income for the Year/Period	175,054	234,806	92,210	98,169
Total Comprehensive Income Attributable to:				
Non-controlling Interest	15	581	(586)	(1,233)
Equity Holders of the Group	175,039	234,225	92,796	99,402

Balance Sheet Data

The table below sets out selected consolidated balance sheet statement data for Bank Asya for the periods indicated.

	For the years ended 31 December		For the six month periods ended 30 June	
	2011	2010	2012	2011
	(Thousands of TRY)		*(Thousands of TRY)*	
ASSETS				
Cash and cash equivalents	567,735	356,943	337,137	1,724,510
Reserve deposits at the CBT	1,360,161	1,830,902	1,554,167	374,912
Financial assets at fair value through profit and loss				
– Held for trading	73,608	66,526	73,738	68,005
– Derivative financial instruments	1,250	2,581	10,239	1,690
Precious metals	154,760	122,479	295,064	—
Loans and leasing receivables	13,107,444	10,723,132	14,705,533	11,881,490
Trade receivables	4,370	2,159	8,125	3,057
Insurance receivables	38,782	37,737	44,656	36,678
Inventories	85,071	94,114	99,513	92,654
Investment securities				
– Available-for-sale investments	782,762	396,708	668,999	490,258
– Held-to-maturity investments	77,053	77,032	—	77,010
Subsidiaries	50	50	100	50
Investments in associates	45,900	31,166	49,662	31,710
Goodwill	4,366	4,366	4,366	4,366
Premises and equipment	489,217	416,977	150,017	417,958
Investment properties	35,924	1,997	15,980	28,795
Intangible assets	16,069	10,578	11,087	11,557
Assets held for sale	8,724	6,509	6,406	6,210
Other assets	74,819	46,884	515,402	70,069
Deferred tax asset	76,092	54,476	82,900	63,591
Total Assets	**17,004,157**	**14,283,316**	**18,633,091**	**15,384,570**
LIABILITIES				
Customers' current and profit sharing accounts	12,259,012	11,012,344	13,695,447	11,152,476
Obligations under repurchase agreements	279,207	—	—	262,984
Financial liabilities at fair value through profit and loss				
– Derivative financial instruments	11,715	5,397	8,560	2,822
Borrowings	1,486,251	651,117	1,707,597	1,078,066
Trade payables	3,135	1,791	1,389	2,325
Corporate tax payable	10,068	15,726	19,240	24,218
Provisions	182,770	157,022	205,128	202,347
Other liabilities	678,699	521,857	813,964	643,101
Deferred tax liability	8	—	—	—
Total liabilities	**14,910,865**	**12,365,254**	**16,451,325**	**13,368,339**
EQUITY				
Share capital				
Nominal capital	900,000	900,000	900,000	900,000
Inflation adjustment to capital	7,870	7,870	7,870	7,870
Total paid-in capital	**907,870**	**907,870**	**907,870**	**907,870**
Premium in excess of par	3,307	3,307	3,307	3,307
Revaluation reserve	3,347	5,675	1,763	5,336
Unrealized gains/(losses) on available-for-sale investments, net of tax	(13,599)	6,732	(1,810)	(508)
Translation reserve	5,532	(670)	(3,402)	(500)
Retained earnings and other reserves	1,115,249	923,753	1,206,027	1,030,564
Equity attributable to equity holders of the Group	2,021,706	1,846,667	2,113,755	1,946,069
Non-controlling interest	71,586	71,395	68,011	70,162
Total equity	2,093,292	1,918,062	2,181,766	2,016,231
Total liabilities and shareholders' equity	**17,004,157**	**14,283,316**	**18,633,091**	**15,384,570**

Key Ratios

	For the years ended 31 December		For the six month periods ended 30 June	
	2011	**2010**	**2012**	**2011**
	(%)		*(%)*	
Net income margin	4.41	6.14	5.53	4.77
Capital adequacy ratio[1]	13.48	13.46	13.49	13.38
Non performing loans	4.95	5.86	5.44	5.35

(1) Calculated in accordance with BRSA regulations

FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information set out in "Presentation of Financial and Other Information" and the IFRS Accounts.

With the exception of the section entitled "Recent Developments" (2012 Unconsolidated BRSA Accounts and where, unless otherwise specified, the financial information presented therein has been extracted or derived without material adjustment), this discussion of Bank Asya'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 Other Information".

This discussion contains forward-looking statements that involve risks and uncertainties. Bank Asya'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 "Forward-Looking Statements" and "Risk Factors".

All information in this section as at, and for the six month periods ended, 30 June 2011 and 30 June 2012 is unaudited. Results for any interim period within a year will not necessarily be indicative of the results for the full year. As used herein, all references to 2010 and 2011 are references to the years ended 31 December 2010 and 31 December 2011, respectively.

Overview

Bank Asya's core business areas are Corporate, Commercial and SME Banking; Retail Banking; and International Banking and Treasury. Bank Asya operates primarily in Turkey but also has an international presence in West Africa through its affiliate company Tamweel Africa Holdings S.A. (**Tamweel S.A.**), in Iraq through its branch in Erbil, Northern Iraq and in India through a representative office in Mumbai.

Bank Asya provides full banking services to its Corporate, Commercial and SME Banking and Retail Banking customers. Bank Asya also provides insurance and pension products through its wholly owned subsidiaries (see "*Description of Bank Asya—Group Structure, Subsidiaries and Strategic Relationships—Key Subsidiaries*" for further details). Bank Asya's principal source of funding is derived from both the domestic and international wholesale funding markets and customer deposits (see "*Description of Bank Asya—Funding*" for further details).

Despite challenging global economic conditions, Turkey has continued to demonstrate strong growth with GDP increasing by 8.5 per cent. (year on year) in 2011 and 3.2 per cent. in the first half of 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.

Bank Asya's management is focused on expanding its domestic branch network and alternative distribution channels. Bank Asya also intends to continue to grow its lending business, primarily loans and lease finances to the SME sector. For further details of Bank Asya's strategy see "*Description of Bank Asya—Strategy*".

Significant Factors Affecting Results of Operations

Numerous factors affect Bank Asya's results of operations, some of which are outside its control. The significant factors that have affected Bank Asya during the periods under review are discussed below.

Turkey's Economic Condition

Bank Asya 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 rate of economic growth, 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 4.7 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 8.5 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 3.2 per cent. for the nine months ended 30 September 2012 compared to 9.7 per cent. during the same period in 2011. The CBT monetary policy measures implemented in 2011 helped to restrain the current account deficit which stood at 6.8 per cent. of GDP as at 30 September 2009. Inflation also fell in 2012 reflecting reduced domestic demand and a more stable exchange rate and was 6.37 per cent. as at 30 November 2012. According to BRSA data, moderate credit growth in the Turkish banking sector continued in 2012, with loans increasing by 10.3 per cent. during the nine months ended 30 September 2012 and the NPL ratio for the banking sector for the same period was 2.9 per cent.

The following table sets out key Turkish economic indicators for the nine months period ended 30 September 2012 and the years ended 31 December 2011 and 31 December 2010.

	As at year ended 31 December		For the nine month period ended 30 September
	2011	**2010**	**2012**
GDP *in billion Turkish lira (at current prices)*	1,298.89	1,098.80	1,398.60
GDP *in billion U.S. dollars (at current prices)*	774.19	732.0	991.70
Real GDP growth	8.5%	9.2%	3.2%
GDP per capita *in U.S. dollars (at current prices)*	10,469	10,067	10,327
Unemployment	9.80%	11.90%	9.1%
CBT policy rate (year-end)	5.75%	6.50%	5.75%
Benchmark yield (year-end)	11.01%[1]	7.10%	9.57%
Inflation	10.45%	6.40%	9.19%
Exports *in billion U.S. dollars*	134.95	113.88	126.30
Imports *in billion U.S. dollars*	240.83	185.54	195.80
Trade deficit *in billion U.S. dollars*	105.90	71.60	69.50
Current account deficit *in billion U. S. dollars*	77.0	46.64	53.10
Budget deficit *in billion Turkish lira*	17.78	40.08	18.80

1 The bench mark yield is calculated on the basis of the 5 March 2014 bond pursuant to the decision of the CBT.

(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).

As the Turkish economy recovered rapidly from the global economic crisis, the unemployment rate declined from 11.9 per cent. in 2010 to 9.8 per cent. as at 30 September 2012 and demand for Bank Asya's loan products and finance leasing products increased with total loans growing by 22.24 per cent. in 2011 compared to 2010 due in part to the above factors.

Changes in Interest Rates in Turkey

Bank Asya's profit share income from its loans and leasing receivables is a significant component of its total income.

A significant factor affecting Bank Asya's net profit share margin, loans and leasing receivables is the fluctuations in interest rates in Turkey. In general, increases in interest rates in Turkey allow Bank Asya to increase its revenue from loans due to the higher margins that Bank Asya receives and the corresponding higher returns on its excess capital. However, such increases may adversely affect Bank Asya's results of operations as a result of a reduced overall demand for loans and a greater risk of default by Bank Asya's customers. In addition, an increase in interest rates also increase Bank Asya's funding costs and may adversely affect Bank Asya's net income if Bank Asya is unable to pass on the increased funding costs to its customers. On the other hand, a decrease in interest rates may reduce Bank Asya's income from loans and leasing receivables as a result of lower rates applicable on Bank Asya's loans and leasing receivables. This reduction of revenue may, however, be offset by an increase in the volume of Bank Asya's loans and leasing receivables resulting from an increased demand for loans and finance leases and also possibly a decrease in Bank Asya's funding costs.

The table below sets out Bank Asya's expense from profit sharing accounts, income from loans and leasing receivables and net income margin (calculated as its net income from loans and leasing receivables (determined as the difference between its total income from loans and leasing receivables and its expense from profit sharing accounts) divided by the total income from loans and leasing receivables) for the years ended 2011 and 2010 and for the six month periods ended 30 June 2012 and 2011.

	For the years ended 31 December		For the six month periods ended 30 June	
	2011	**2010**	**2012**	**2011**
	(Thousands of TRY)		*(Thousands of TRY)*	
Expense from profit sharing accounts	(586,782)	(591,110)	(393,819)	(281,278)
Income from loans and leasing receivables	1,217,642	1,140,313	764,797	566,892
Net income from loans and leasing receivables	630,860	549,203	370,978	285,614
Net income margin (per cent.)	51.81	48.16	48.51	50.38

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 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 further reduced the overnight lending interest rate to 9.5 per cent.

The recent low interest rate environment in Turkey has helped support Bank Asya's asset growth as it has been able to grow its portfolio of loans and finance leases. The low interest rate environment also resulted in a contraction in customer deposits for the first half of 2011. However, in the second half of 2011, there was an increase in customer deposits. Customer deposits for 2011 increased by 11.03 per cent. as compared to 2010 which was in line with the industry wide growth of 13 per cent. in customer deposits in 2011. This was achieved due to Bank Asya's flexibility to offer attractive share of profit rates to its depositors which resulted in a substantial increase in Bank Asya's deposits for the period ended 31 December 2011 compared to the same period in 2010 (see *"Description of Bank Asya—Funding"* for further details).

Investment in RIBs

The Undersecretariat of the Treasury issued revenue indexed bonds (**RIBs**) as a means of providing a short-term liquidity management tool to banks, particularly participation banks. The returns paid by RIBs are indexed to the Turkish State budget of certain state-owned enterprises: the Turkish Petroleum Corporation (TPAO), State Supply Office (DMO), State Airport Authority (DHMİ) and Coastal Safety Administration (KIYEM). The RIBs are subject to secondary bond market operations on the Bonds and Bill Market of the Istanbul Stock Exchange. However, since June 2012 a number of participation banks, including Bank Asya, have stopped investing in RIBs as their *Sharia* compliance has been subsequently questioned by a number of scholars. As a result, Bank Asya is holding the RIBs it previously invested in to maturity.

Exchange Rates

A portion of Bank Asya's assets and liabilities are denominated in foreign currencies. As at 30 June 2012, 38.06 per cent. of Bank Asya's total assets and 41.10 per cent. of Bank Asya's total liabilities were denominated in foreign currencies. Bank Asya 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 Bank Asya'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 Bank Asya's exchange rate risk mitigation policy.

Significant Accounting Policies, Judgments and Estimates

For a discussion of the accounting policies applied by Bank Asya generally in preparing its IFRS Accounts, see Note 3 to the IFRS Annual Financial Statements and Note 3 to the Interim IFRS Financial Statements.

In preparing the IFRS Accounts, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of Bank Asya'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.

Changes to IFRS

The accounting policies adopted by Bank Asya are critical to understanding its results of operations and IFRS Accounts incorporated by reference in this Prospectus. These accounting policies are described in detail in Note 2 to the IFRS Accounts.

Results of Operations for the Years Ended 31 December 2011 and 2010 and for the Six Month Periods Ended 30 June 2012 and 2011

The following table sets out selected consolidated income statement data for Bank Asya for the years ended 31 December 2011 and 2010 and for the six month periods ended 30 June 2012 and 2011.

	For the years ended 31 December		For the six month periods ended 30 June	
	2011	**2010**	**2012**	**2011**
	(Thousands of TRY)		*(Thousands of TRY)*	
Income on loans	1,200,956	1,126,940	751,096	561,153
Income on finance leases	16,686	13,373	13,701	5,739
Income on deposits at banks	4,621	24,691	2,238	2,409
Income on securities	58,116	30,884	29,968	23,992
Income on reserve deposit at the CBT	—	13,364	—	—
Total income	1,280,379	1,209,252	797,003	593,293
Expense on customers' current and profit sharing accounts	(586,782)	(591,110)	(393,819)	(281,278)
Expense on obligations under repurchase agreements	(14,340)	—	(3,288)	(262)
Expense on borrowings	(43,286)	(16,744)	(27,922)	(16,285)
Other	(199)	(177)	(26)	(200)
Total expenses	(644,607)	(608,031)	(425,055)	(298,025)
Net profit sharing and similar income	635,772	601,221	371,948	295,268

Net profit sharing and similar income

Net profit sharing and similar income increased by 5.75 per cent. in 2011 from TRY601.22 million in 2010 to TRY635.77 million in 2011 as income increased more than expense in 2011 compared to 2010.

Net profit sharing and similar income increased by 25.97 per cent. to TRY371.95 million for the six month period ended 30 June 2012 from TRY295.27 million for the six month period ended 30 June 2011. The increase was a result of an increase in Bank Asya's loan and finance lease portfolio and a decrease in profit sharing ratios.

Bank Asya's expense on customers' current and profit sharing accounts decreased by 0.73 per cent. between 2011 and 2010 due to a reduction in the participation ratio paid to customers on their deposits. Net profit sharing and similar income increased by 5.75 per cent. during the same period due to Bank Asya retaining a greater proportion of the participation ratio on customer deposits.

Bank Asya's expense on customers' current and profit sharing accounts increased by 40.01 per cent. and net profit sharing and similar income increased by 25.97 per cent. for the six month period ended 30 June 2012 as compared to the same period in 2011.

Profit sharing and similar income

The following table sets out the principal components of Bank Asya's income for the years ended 31 December 2011 and 2010 and for the six month periods ended 30 June 2012 and 2011.

	For the years ended 31 December		For the six month periods ended 30 June	
	2011	2010	2012	2011
	(Thousands of TRY)		*(Thousands of TRY)*	
Income on loans	1,200,956	1,126,940	751,096	561,153
Income on finance leases	16,686	13,373	13,701	5,739
Income on deposits at banks	4,621	24,691	2,238	2,409
Income on securities	58,116	30,884	29,968	23,992
Income on reserve deposit at the CBT	—	13,364	—	—
Total profit sharing and similar income	1,280,379	1,209,252	797,003	593,293

Bank Asya's profit sharing and similar income consists of returns earned by Bank Asya on (a) loans to customers; (b) finance leasing transactions; (c) deposits made by it with other banks; (d) certain securities held by it; and (e) reserve deposits placed by it with the CBT.

2011 and 2010 compared

Income from total loans increased by 6.57 per cent. in 2011 from TRY1.13 billion in 2010 to TRY1.20 billion in 2011. The increase in income was primarily as a result of an increase in the volume of loans as well as the profit rates charged by Bank Asya. The total loans increased from TRY10.72 billion in 2010 to TRY13.11 billion in 2011, an increase of 22.24 per cent., which was partially offset by a decrease in the average yield on Bank Asya's loan portfolio. The average profit rates Bank Asya charged its customers on Turkish lira denominated loans decreased to 6.84 per cent. in 2011 compared to 8.10 per cent. in 2010.

Income from finance leases increased by 24.77 per cent. in 2011 from TRY13.37 million in 2010 to TRY16.69 million in 2011. In 2010, the rate of value added tax ("**VAT**") on leasing transactions was increased from 1 per cent. to 18 per cent. This increased the cost of borrowing for customers through finance leases. However, Bank Asya ran a number of promotions, to mitigate against this increased cost, including a promotion in 2011 whereby Bank Asya did not pass on the increased cost of borrowing to customers by offering to pay a portion of the VAT payable in order to increase its portfolio of finance leases for a possible *sukuk* issuance at the end of 2011. This promotion resulted in an increase in the number of finance leases.

In 2011, income from deposits at banks decreased to TRY4.62 million from TRY24.69 million in 2010. This decrease of 81.28 per cent. was due to a decrease in the average interest rate in Turkey which resulted in lower returns paid to Bank Asya in respect of its deposits with other banks.

Income from securities increased by 88.18 per cent. in 2011 from TRY30.88 million in 2010 to TRY58.12 million in 2011 primarily due to an increase in investments in government issued RIBs (see "*Significant Factors Affecting Results of Operations—Investment in RIBs*" above for further details).

Income from reserve deposits with the CBT decreased to nil in 2011 from TRY13.36 million in 2010 as the CBT ceased paying any returns on reserve deposits from 30 September 2010.

Six month periods ended 30 June 2012 and 2011 compared

Income on loans increased by TRY189.94 million, or by 33.85 per cent., from TRY561.15 million for the six month period ended 30 June 2011 to TRY751.10 million for the six month period ended 30 June 2012. This increase was primarily due to a general increase in Bank Asya's loan portfolio from TRY11.88 billion as at 30 June 2011 to TRY14.71 billion as at 30 June 2012.

Income from finance leases increased by TRY7.96 million, or by 138.73 per cent., from TRY5.74 million for the six month period ended 30 June 2011 to TRY13.70 million for the six month period ended 30 June 2012. This increase was due to an increase in finance leasings as a result of Bank Asya's focus to increase its finance lease portfolio by offering competitive options for its finance lease products.

Income from deposits at banks remained relatively similar for the six month period ended 30 June 2012 compared to the same period in 2011 reflecting a stable interest rate environment in the Turkish banking sector.

Profit Sharing and Similar Expenses

Bank Asya's profit sharing and similar expenses mainly comprise amounts paid by it in respect of (a) deposits by customers in current and profit sharing accounts; (b) its obligations under repurchase agreements; and (c) its borrowings from other banks in relation to its borrowings.

The following table sets out the components of Bank Asya's profit sharing and similar expenses for the years ended 31 December 2011 and 2010 and the six month periods ended 30 June 2012 and 2011.

	For the years ended 31 December		For the six month periods ended 30 June	
	2011	2010	2012	2011
	(Thousands of TRY)		*(Thousands of TRY)*	
Expense on customers' current and profit sharing accounts	(586,782)	(591,110)	(393,819)	(281,278)
Expense on obligations under repurchase agreements	(14,340)	—	(3,288)	(262)
Expense on borrowings	(43,286)	(16,744)	(27,922)	(16,285)
Other	(199)	(177)	(26)	(200)
Total profit sharing and similar expenses	(644,607)	(608,031)	(425,055)	(298,025)

2011 and 2010 compared

Total deposits increased by 11.32 per cent. in 2011 from TRY11.01 billion as at 31 December 2010 to TRY12.26 billion as at 31 December 2011. The sharing rate paid by Bank Asya on these deposits, however, reduced from an average sharing rate of 4.99 per cent. (comprising 8.10 per cent., 3.37 per cent. and 3.49 per cent. for Turkish Lira, U.S. dollar and Euro deposits, respectively) in 2010 to 4.38 per cent. (comprising 6.84 per cent., 3 per cent. and 3.31 per cent. for Turkish Lira, U.S. dollar and Euro deposits, respectively) in 2011 corresponding to the low interest rate environment in Turkey. The impact of these sharing rate changes resulted in a reduction in expense on customers' current and profit sharing accounts.

Expenses on repurchase agreements increased in 2011 to TRY14.34 million from nil in 2010 due to Bank Asya's use, for the first time in 2011, of the CBT's open market operations for liquidity management. Bank Asya commenced using this once participation banks were permitted to utilise the RIBs as collateral to access this source of funding from the CBT. As a result of the recent objection in relation to RIBs not being *Sharia* compliant, Bank Asya does not invest in RIBs and accordingly is unable to utilise RIBs as collateral to access funding from CBT's open market operations. However, following the recent issuance by the Republic of Turkey of its sovereign *sukuk*, Bank Asya and other participation banks may be able to access funding from the CBT's open market operations by posting these *sukuk* as collateral with the CBT.

Expenses on borrowings increased in 2011 to TRY43.29 million from TRY16.74 million in 2010 mainly due to an increase in Bank Asya's borrowings both domestically and internationally. Bank Asya's total domestic borrowing decreased by 1.59 per cent. from TRY28.88 million in 2010 to TRY28.42 million in 2011.

Six month periods ended 30 June 2012 and 2011 compared

There was an increase in customer deposits for the six month period ended 30 June 2012 compared to the same period in 2011 from TRY11.15 billion to TRY13.70 billion which in turn resulted in an increase in profit share expenses paid by Bank Asya.

Expenses on repurchase agreements increased to TRY3.29 million for the six month period ended 30 June 2012 from TRY0.26 million for the same period in 2011 due to Bank Asya utilising the CBT's open market operations for liquidity management.

The outstanding amount of Bank Asya's borrowings increased to TRY1.71 billion over the six month period ended 30 June 2012 compared to TRY1.08 billion the same period in 2011. Accordingly, expenses on borrowings increased to TRY27.92 million for the six month period ended 30 June 2012 compared to TRY16.29 million for the same period in 2011. These increases were principally due to an increase in Bank Asya's borrowings both domestically and internationally.

Net fees and commission income

Bank Asya mainly generates fees and commission income from its non-cash business and credit cards. The following table sets out Bank Asya's net fees and commission income for the years ended 31 December 2011 and 2010 and for the six month periods ended 30 June 2012 and 2011.

	For the years ended 31 December		For the six month periods ended 30 June	
	2011	2010	2012	2011
	(Thousands of TRY)		*(Thousands of TRY)*	
Fees and commission income	320,699	304,364	173,023	159,432
Fees and commission expense	(79,623)	(69,235)	(48,898)	(38,057)
Net fees and commission income	241,076	235,129	124,125	121,375

Fees and commission income

The following table sets out the breakdown of fees and commission income for the years ended 31 December 2011 and 2010 and for the six month periods ended 30 June 2012 and 2011.

	For the years ended 31 December		For the six month periods ended 30 June	
	2011	2010	2012	2011
	(Thousands of TRY)		*(Thousands of TRY)*	
Commissions received from non-cash loans	133,643	151,763	62,815	65,331
Credit card commission income	51,726	40,938	35,950	24,521
Commission income on credit card POS terminals	60,590	57,234	38,268	28,786
Insurance commissions received	818	7,765	872	4,518
Other	73,922	46,664	35,118	36,276
Total	320,699	304,364	173,023	159,432

Bank Asya's principal contributors to its fee and commission income are derived from: (a) commission earned from granting of non-cash loans such as but not limited to letters of credit and letters of guarantee; (b) from the use of its credit cards in the form of commission paid to it; and (c) from non-Bank Asya credit cards used each time on Bank Asya's credit card point of sale (**POS**) terminals.

2011 and 2010 compared

Fees and commission income increased by 5.37 per cent. in 2011 from TRY304.36 million in 2010 to TRY320.70 million in 2011.

Fees and commission income from non-cash loans decreased by 11.94 per cent. in 2011 from TRY151.76 million in 2010 compared to TRY133.64 million in 2011 principally reflecting Bank Asya's decision to actively reduce its exposure to non-cash loans and focus on the growth of its cash loans business (see "*Description of Bank Asya—Strategy*").

Fees and commission income from the use of Bank Asya's credit cards increased by 26.35 per cent. in 2011 from TRY40.94 million in 2010 to TRY51.73 million in 2011. This increase was primarily the result of an increase in commission charged each time Bank Asya's credit cards are used and an increase in active usage of Bank Asya's credit cards by its customers. For the year ended 31 December 2011, the volume of credit card transactions increased to TRY5.90 billion from TRY4.90 billion for the same period in 2010.

Bank Asya also experienced an increase of 5.86 per cent. in 2011 in fees and commission earned from the increased use of its POS terminals by other merchant credit cards from TRY57.23 million in 2010 to TRY60.59 million in 2011. This increase was primarily due to an increase in the volume of transactions completed using other merchant credit cards on Bank Asya's POS terminals.

Commission income earned from sale of insurance decreased by 89.47 per cent. from TRY7.77 million in 2010 to TRY0.82 million in 2011. This was primarily as a result of a change in IFRS reporting requirements in 2011 whereby commissions paid to agents were now to be deducted from calculations of insurance commissions received.

Six month periods ended 30 June 2012 and 2011 compared

Fees and commission income increased by 8.52 per cent. for the six month period ended 30 June 2012 to TRY173.02 million from TRY159.43 million for the comparative period in 2011.

Fees and commission income from non-cash loans decreased by 3.85 per cent. from TRY65.33 million for the six month period ended 30 June 2011 compared to TRY62.82 million for the six month period ended 30 June 2012 principally reflecting Bank Asya's decision to actively reduce its exposure to non-cash loans and focus on the growth of its cash loans business (see *"Description of Bank Asya—Strategy"*).

Fees and commission income from credit cards increased by 46.61 per cent. from TRY24.52 million for the six month period ended 30 June 2011 to TRY35.95 million for the six month period ended 30 June 2012. This increase was primarily the result of an increase in commission charged each time Bank Asya's credit cards are used. Additionally, there was also an increase in the active usage of Bank Asya's credit cards by its customers. For the six months ended 30 June 2012, the volume of credit card transactions increased to TRY3.80 billion compared to TRY2.70 billion for the same period in 2011.

Bank Asya also experienced an increase of 32.94 per cent. in fees and commission earned from credit card POS terminal usage over the six month period ended 30 June 2012 compared to the same period in 2011. This increase was primarily due to an increase in the volume of transactions completed using other merchant credit cards on Bank Asya's POS terminals.

Commission earned from sale of insurance decreased by 80.70 per cent. from TRY4.52 million for the six month period ended 30 June 2011 to TRY0.87 million for the same period in 2012. This was primarily as a result of a change in IFRS reporting requirements in 2011 whereby commissions paid to agents were now to be deducted from calculations of insurance commissions received.

Fees and commission expenses

Bank Asya's principal fees and commission expenses relate to the payment of commission to other merchant owned POS terminals where Bank Asya's credit cards are used to make payments. Bank Asya also pays commission to insurance agents and brokers who successfully effect a sale of Bank Asya's insurance products, sourced through Bank Asya.

	For the years ended 31 December		For the six month periods ended 30 June	
	2011	2010	2012	2011
	(Thousands of TRY)		(Thousands of TRY)	
Banking commission paid	(60,073)	(47,221)	(39,022)	(25,918)
Insurance commission paid	(19,550)	(22,014)	(9,876)	(12,139)
Total	(79,623)	(69,235)	(48,898)	(38,057)

2011 and 2010 compared

Fees and commission expenses increased by 15.00 per cent. from TRY69.24 million for 2010 to TRY79.62 million for 2011. The principal contributor to the increase in fees and commission expense was an increase in banking commission, which increased by 27.22 per cent. from TRY47.22 million in 2010 to TRY60.07 million in 2011. This increase was primarily the commission paid to other merchant owned POS terminals where Bank Asya's credit cards were used to make payment.

Insurance commission paid by Bank Asya decreased slightly by 11.19 per cent. from TRY22.01 million in 2010 to TRY19.55 million in 2011. This decrease is a result of payment of lower rates by Bank Asya to agents of commission who sell insurance products, sourced through Bank Asya as well as the change in reporting requirements under IFRS.

Six month periods ended 30 June 2012 and 2011 compared

Fees and commission expenses increased by 28.49 per cent. from TRY38.06 million for the six month period ended 30 June 2011 to TRY48.90 million for the same period in 2012. The principal contributor to the increase was an increase in banking commission, which increased by 50.56 per cent. from TRY25.92 million for the six month period ended 30 June 2011 to TRY39.02 million for the same period in 2012. This increase was primarily the commission paid to other merchant owned POS terminals where Bank Asya's credit cards were used to effect payment.

The insurance commission paid by Bank Asya decreased by 18.64 per cent. from TRY12.14 million for the six month period ended 30 June 2011 to TRY9.88 million for the same period in 2012. This decrease was a result of lower rates of commission paid to agents by Bank Asya who sell insurance products sourced through Bank Asya as well as the change in reporting requirements under IFRS.

Other operating income (net)

Bank Asya earns certain other operating income. The key contributing factors to net income are set out in the table below.

	For the years ended 31 December		For the six month periods ended 30 June	
	2011	2010	2012	2011
	(Thousands of TRY)		(Thousands of TRY)	
Gains on sale of assets	22,742	18,948	3,778	9,112
Reversal of prior year provisions	12,544	3,658	12,193	1,275
Time share and rental operations	33,226	18,630	17,892	10,462

2011 and 2010 compared

Bank Asya experienced an increase on the sale of assets of 20.02 per cent. from TRY18.95 million in 2010 to TRY22.74 million in 2011. This increase in income was primarily due to the profits earned from disposal of collateral assets which Bank Asya enforced to repay customer's outstanding payment obligations.

Bank Asya experienced improved levels of collections on the previously provisioned NPLs in 2011 compared to 2010 and, accordingly, the provisioning was reversed contributing to an increase in operating income of 242.92 per cent. in 2011 from TRY3.66 million in 2010 to TRY12.54 million in 2011.

In 2011, Bank Asya activity increased its efforts in selling time share options in Asya Thermal Holiday Village (see "*Description of Bank Asya—Group Structure, Subsidiaries and Strategic Relationships—Key Subsidiaries*" for further details). As a result, income from time share and rental operations increased to TRY33.23 million in 2011 from TRY18.63 million in 2010, an increase of 78.35 per cent.

Six month periods ended 30 June 2012 and 2011 compared

For the six month period ended 30 June 2012, Bank Asya experienced a decrease from sale of assets of TRY3.78 million in 2012 compared to TRY9.11 million for the same period in 2011. This decrease in gain was primarily due to lower profits earned from disposal of collateral assets enforced by Bank Asya.

Bank Asya experienced improved levels of collections on the previously provisioned NPLs in the six month period ended 30 June 2012 compared to the same period in 2011 and, accordingly, the provisioning was reversed resulting in an increase in operating income from TRY1.28 million as at 30 June 2011 to TRY12.19 million as at 30 June 2012.

Income from time share and rental operations increased by 71.02 per cent. to TRY17.89 million for the six month period ended 30 June 2012 compared to TRY10.46 million for the same period in 2011 as a result of Bank Asya's efforts to sell time share options in Asya Thermal Holiday Village.

Impairment losses on loans and leasing receivables (net)

2011 and 2010 compared

Bank Asya's impairment losses on loans and leasing receivables in 2011 increased by 14.67 per cent. to TRY143.00 million from TRY124.70 million in 2010 primarily due to an increase in loans and leasing receivables loss, provisions and reserves for inherent risk of loss present in the performing loans and leasing receivables.

Six month periods ended 30 June 2012 and 2011 compared

Bank Asya's impairment losses on loans and leasing receivables for the six month period ended 30 June 2012 increased by 163.97 per cent. to TRY89.33 million from TRY34.07 million for the same period in 2011 due to an increase in loans and leasing receivables loss provisioning and reserves for inherent risk of loss present in the pool of performing loans and leasing receivables. However, this increase was off-set by strong recoveries and reversals during the first six months of 2012.

General administrative and other operating expenses

The table below sets out the breakdown of the general administrative and other operating expenses.

	Years ended 31 December		Six month periods ended 30 June	
	2011	2010	2012	2011
	(Thousands of TRY)		*(Thousands of TRY)*	
Salaries and employee benefits	292,118	253,728	155,663	135,970
Rent expense	56,949	44,692	31,415	26,945
Depreciation and amortisation expense	55,033	49,240	25,994	24,601
Stationery expenses	35,684	31,741	13,767	15,949
Credit card expenses	30,833	26,591	11,788	13,774
Advertisement expenses	30,761	34,192	24,499	17,619
Taxes other than on income	17,329	16,775	10,616	7,916
Audit and consultancy expenses	15,714	11,585	6,622	6,129
Communication expenses	10,448	10,880	5,275	5,407
Cleaning expenses	7,724	8,190	3,717	3,301
Banking services expenses	7,269	5,833	4,073	3,690
Safety fund expenses	20,031	13,695	11,670	9,581
Losses on sale of assets*	2,893	9,637	—	—
Other	41,905	38,760	40,799	34,705
Total	624,691	555,539	345,898	305,587

(*) Losses on sale of assets for the six month periods ending 30 June are presented as "Other".

2011 and 2010 compared

General administrative and other operating expenses increased by TRY69.15 million or 12.45 per cent. in 2011 to TRY624.69 million from TRY555.54 million in 2010. The main contributor to the increase was salaries primarily driven by an increase in total number of employees from 4,266 in 2010 to 4,524 in 2011. The increase in the number of employees reflects the increase in the number of branches opened by Bank Asya in 2011 from 175 branches in 2010 to over 200 branches in 2011. Additionally, the increase in Bank Asya's branch network also contributed to an increase in general administrative and operating expenses including the increase in rent expenses from TRY44.69 million in 2010 to TRY56.95 million in 2011.

Six month periods ended 30 June 2012 and 2011 compared

General administrative and other operating expenses increased by 13.19 per cent. to TRY345.90 million for the six month period ended 30 June 2012 from TRY305.59 million compared to the same period in 2011. This increase was primarily due to an increase in salaries primarily driven by the number of employees and rent expenses, both as a result of Bank Asya's expansion of its branch network. Bank Asya had 4,640 employees and 220 branches as at 30 June 2012 compared to 4,280 employees and 186 branches as at 30 June 2011.

Net foreign exchange gains and losses

Bank Asya, 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, Bank Asya is exposed to foreign exchange rate fluctuations which have an impact on Bank Asya's income and expenses. See "*Financial Review—Exchange Rates*" for further details.

2011 and 2010 compared

In 2011, Bank Asya suffered foreign exchange losses of TRY23.34 million compared to a gain in 2010 of TRY14.34 million. Such losses resulted from foreign exchange rate fluctuations. Bank Asya mitigates such foreign exchange rate risk by entering into various derivative transactions (see "*Description of Bank Asya.—Risk Management—Foreign exchange rate risk*" for further details). However, these losses were more than off-set by net gains by Bank Asya in respect of its derivative transactions, see "*—Net gain on derivative transactions*" for further details.

Six month periods ended 30 June 2012 and 2011 compared

Bank Asya experienced a foreign exchange loss of TRY46.36 million from a loss of TRY7.77 million for the six month period ended 30 June 2011 to a loss of TRY54.13 million for the six month period ended 30 June 2012.

Net gain on derivative transactions

Bank Asya enters into forwards, currency swaps and other derivative instruments to mitigate fluctuation risks. The resulting gains and/or losses are reflected in its income statement.

2011 and 2010 compared

Bank Asya reported a gain of TRY29.09 million on derivative transactions from TRY33.79 million in 2010 to TRY62.88 million in 2011.

Six month periods ended 30 June 2012 and 2011 compared

Bank Asya reported a gain of TRY32.46 million on derivative transactions from TRY31.04 million for the six month period ended 30 June 2011 compared to TRY63.51 million for the six month period ended 30 June 2012.

Taxation

Bank Asya 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 2011 and 2010 was 20 per cent. Advance tax returns are filed on a quarterly basis in Turkey and the applicable corporate tax in 2011 and 2010 was 20 per cent.

A similar trend in Bank Asya's corporate tax above applies to Bank Asya's interim financials for the six month periods ended 30 June 2012 and 30 June 2011.

2011 and 2010 compared

Bank Asya's tax expenses decreased from TRY52.09 million in 2010 to TRY44.10 million in 2011 reflecting a reduction of 15.33 per cent. compared to 2010. This decrease in corporate tax payable by Bank Asya was a result of a decrease in Bank Asya's taxable profit of TRY47.84 million from TRY284.48 million in 2010 to TRY236.64 million in 2011.

Six month periods ended 30 June 2012 and 2011 compared

Bank Asya's tax expenses remained almost stagnant at TRY25.70 million for the six month period ended 30 June 2011 compared to TRY25.65 million for the same period in 2012. These stagnant tax expenses, despite a decrease in taxable income from TRY131.43 million for the six month period ended 30 June 2011 to TRY117.31 million for the same period in 2012 (a decrease of 10.74 per cent.), were primarily a result of an increase in the addition of non-deductible expenses and unused carry forward tax losses.

Net profit for the period

2011 and 2010 compared

Reflecting the various factors discussed above, Bank Asya's net profit for the year ended 2011 was TRY192.54 million, a decrease of 17.15 per cent., compared to the net profit of TRY232.39 million for the same period in 2010. This decrease is principally attributed to an increase in impairment losses from loans and leasing receivables and an increase in other operating expenses.

Six month periods ended 30 June 2012 and 2011 compared

Reflecting the various factors discussed above, Bank Asya's net profit for the six month period ended 30 June 2012 was TRY91.66 million, a decrease of 13.31 per cent., compared to the net profit for the same period in 2011 of TRY105.73 million. This decrease is primarily attributed to an increase in impairment losses from loans and leasing receivables and an increase in operating expenses.

Financial Condition

Loans and leasing receivables

2011 and 2010 compared

Bank Asya's total assets grew in 2011 by 19.05 per cent. to TRY17.00 billion in 2011 from TRY14.28 billion in 2010.

The primary factor contributing to Bank Asya's total assets was the size of its loans and leasing receivables portfolio, which accounted for 75.07 per cent. of Bank Asya's total assets in 2010 and 77.08 per cent. of the total assets in 2011. Bank Asya's loans and leasing receivables increased by 22.24 per cent. in 2011 from TRY10.72 billion in 2010 to TRY13.11 billion in 2011. This increase was principally due to the increase in Bank Asya's lending activity, particularly in relation to the SME and retail banking areas. For further details, see "*Description of Bank Asya—SME Banking Division*" and "*Description of Bank Asya—Retail Banking.*"

Six month periods ended 30 June 2012 and 2011 compared

Bank Asya's total assets for the six month period ended 30 June 2012 increased by 21.12 per cent. to TRY18.63 billion from TRY15.38 billion for the six month period ended 30 June 2011. This increase was principally due to the increase in Bank Asya's lending activity, particularly in relation to the SME and retail banking sector where its loan and leasing portfolio increased. For further details, see "*Description of Bank Asya—Corporate, Commercial and SME Banking—SME Banking Division*" and "*Description of Bank Asya—Retail Banking*".

Finance Assets

Bank Asya's financial assets are classified into: financial assets at fair value through profit and loss; and investment securities.

Financial assets at fair value through profit and loss

Financial assets held at fair value through profit and loss by Bank Asya are recognised into two sub-categories: those held-for-trading; and those which relate to derivative financial instruments.

Held-for-trading

	As at 31 December		As at 30 June	
	2011	2010	2012	2011
	(Thousands of TRY)		*(Thousands of TRY)*	
Equity securities – listed	7,612	4,897	7,742	6,376
Yeni Mağazacılık A.Ş. (**Yeni**) – non-listed	53,555	49,188	53,555	49,188
Landmark Holding A.Ş. (**Landmark**) – non-listed	12,441	12,441	12,441	12,441
Total	73,608	66,526	73,738	68,005

Derivative financial instruments

Bank Asya's investments in derivative financial instruments forward contracts in relation to asset sales and purchases predominantly relate to swap agreements entered into to manage Bank Asya's currency fluctuation risk as well as profit share amounts to be paid or to be received. Bank Asya aims to maintain a net square position.

The tables below show 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 2011			As at 31 December 2010		
	Fair value assets	Fair value liabilities	Notional amount in TRY equivalent	Fair value assets	Fair value liabilities	Notional amount in TRY equivalent
Forward asset purchase/sale commitments[(1)(2)]	1,121	2,312	1,085,835	67	176	—
Swaps contracts	129	9,403	1,316,473	2,514	5,221	926,555
Total	1,250	11,715	2,402,308	2,581	5,397	926,555

(1) *Nominal amounts are presented in commitments within off balance sheet items.*

(2) *Nominal amounts were reclassified as forward asset purchase/sale commitments as at 30 June 2012.*

	As at 30 June 2012			As at 30 June 2011		
	Fair value assets	Fair value liabilities	Notional amount in TRY equivalent	Fair value assets	Fair value liabilities	Notional amount in TRY equivalent
Derivatives held-for-trading forward asset purchase/sale commitments[(1)]	1,753	2,617	1,111,077	—	—	81,588
Swaps contracts	8,486	5,943	2,898,446	1,690	2,822	272,157
Total	10,239	8,560	4,009,523	1,690	2,822	353,745

(1) *Nominal amounts are presented in commitments within off balance sheet items.*

Investment securities

Under IFRS, investment securities are classified as either available-for-sale or held-to-maturity. A further breakdown of Bank Asya's investment securities is set forth below.

	As at 31 December		**As at 30 June**	
	2011	**2010**	**2012**	**2011**
	(Thousands of TRY)		*(Thousands of TRY)*	
Available-for-sale securities at fair value				
Revenue sharing certificates	779,544	394,484	665,781	488,034
Available-for-sale securities at cost				
Kredi Garanti Fonu A.Ş.-non listed	3,000	2,000	3,000	2,000
Tarim Sigortalari Havuz İşletmesi A.Ş.-non listed	125	131	125	131
Other	93	93	93	93
Total available-for-sale securities	782,762	396,708	668,999	490,258
Held-to-maturity securities at fair value				
Revenue sharing certificates	77,053	77,032	—	77,010
Total held-to-maturity securities	77,053	77,032	—	77,010
Total investment securities	859,815	473,740	668,999	567,268

Available-for-sale

In June 2011, the CBT introduced a new liquidity management product intended to comply with the principles of participation banking RIBs (also known as revenue sharing certificates) with varying maturity periods (see "*Financial Review—Investments in RIBs*"). The substantial increase in the amount of investment securities available-for-sale at fair value as at 31 December 2011 compared to the same period in 2010 was as a result of investments by Bank Asya in RIBs. RIBs classified as available-for-sale at fair value count towards the BRSA required liquidity ratio and also have a zero weighting for capital adequacy ratio calculations.

Additionally, by classifying RIBs as available-for-sale, Bank Asya is able to divest these investments prior to maturity by selling the RIBs back to the CBT at their face amount.

Investment securities classified as available-for-sale at cost relate to equity investments in companies which are reflected at book value.

Held-to-Maturity

All investment securities classified as held-to-maturity by Bank Asya are RIBs. By classifying RIB investments as held-to-maturity, Bank Asya is able to exclude these investments from its market risk calculations. With regard to investments, RIBs have to be classified as either available-for-sale or held-to-maturity. Bank Asya has the ability to decide which of the two classifications to use in relation to RIBs. Once classified as held-to-maturity, the investments may be sold back to the CBT at the face value prior to maturity, however, it is not subsequently permitted to classify any future RIBs as held-to-maturity.

Bank Asya's liabilities predominantly comprise customers' current and participation accounts (see "*Description of Bank Asya—Funding*") and Bank Asya's borrowings from banks and other financial institutions (see "*Financial Review—Funding and Liquidity*").

Funding and Liquidity

Bank Asya's principal sources of funding are described under "*Description of Bank Asya—Funding*".

The table below summarises Bank Asya's cash flows for each of 2010 and 2011 and for the six month periods ended 30 June 2011 and 30 June 2012.

	Year ended 31 December		Six month period ended 30 June	
	2011	**2010**	**2012**	**2011**
	(TRY thousands)		*(TRY thousands)*	
Net cash provided by/(used in) operating activities	(79,477)	(132,703)	(764,333)	(509,285)
Net cash used in investing activities	(416,165)	(331,027)	173,436	101,827
Net cash (provided by)/used in financing activities	671,977	460,330	394,181	465,605
Effect of net foreign exchange difference on cash and cash equivalents	—	—	(24,979)	25,661
Net (decrease)/increase in cash and cash equivalents	176,335	(3,400)	(221,695)	(119,846)
Cash and cash equivalents at 1 January	327,840	331,240	504,175	327,840
Cash and cash equivalents at period end	504,175	327,840	282,480	207,994

The principal factor impacting Bank Asya's operating cash flows was changes in loans and leasing receivables. In 2011, the increase in Bank Asya's loan portfolio was the principal reason for its negative operating cash flows and, in the six months ended 30 June 2012, the fall in Bank Asya's loan portfolio was the principal reason for Bank Asya's positive operating cash flows.

The principal factor impacting Bank Asya's investing cash flows was purchases and sales of investment securities. In each of 2010, 2011 and the six month periods ended 30 June 2011 and 2012, Bank Asya's purchases of investment securities exceeded its sales of investment securities and this was the principal reason for Bank Asya's use of cash in its investing activities.

Bank Asya's cash flow from financing activities reflects the receipt and repayment of funds borrowed, the receipt of proceeds from and the repayment of its financings. In 2010, Bank Asya received TRY100,000 thousand (U.S.$56,117 thousand) in proceeds from debt securities issued and, on a net basis, repaid TRY139,052 thousand (U.S.$78,031 thousand) in funds borrowed. In 2011, Bank Asya redeemed TRY50,000 (U.S.$28,058 thousand) in debt securities issued and, on a net basis, borrowed TRY430,184 thousand (U.S.$241,405 thousand). In the six months ended 30 June 2012, Bank Asya received TRY92,956 thousand (U.S.$52,164 thousand) in proceeds from debt securities issued and, on a net basis, repaid TRY340,067 thousand (U.S.$190,834 thousand) in funds borrowed. In each of 2010 and 2011, Bank Asya paid dividends of TRY5,337 thousand (U.S.$2,995 thousand) and TRY4,084 thousand (U.S.$2,292 thousand), respectively. No dividends were paid in the six months ended 30 June 2012.

Guarantees and other contingent liabilities

Bank Asya retains certain off-balance sheet contingent liabilities in the normal course of business in order to meet the needs of its customers. These contingent liabilities, which are non-cash loans and include letters of guarantee, letters of credit and other commitments and contingencies, involve varying degrees of credit risk and are not reflected in Bank Asya's balance sheet. Bank Asya's maximum exposure to credit losses for non-cash loans is represented by the contractual amount of these transactions.

The table below sets out certain details of Bank Asya's guarantees and other contingent liabilities as at the dates indicated:

	31 December 2011	31 December 2010
	(TRY thousands)	
Letter of guarantees	7,556,575	7,938,655
Letter of credit loans and commitments	1,334,519	997,362
Acceptances	323,970	154,318
Derivative financial instruments	1,316,473	926,555
Other guarantees	133,695	136,548
Total	10,665,232	10,153,438

	30 June 2012	30 June 2011(*)
	(TRY thousands)	*(TRY thousands)*
Letter of guarantees	6,814,879	7,935,308
Letter of credit loans and commitments	1,160,914	1,159,879
Derivative financial instruments	2,898,446	353,745
Commitments for credit card expenditure limits	2,651,796	—
Forward asset purchase-sale commitments	1,111,077	—
Payment commitments for checks	834,590	—
Acceptances	440,231	190,347
Loan granting commitments	30,138	—
Other guarantees	170,740	141,446
Other commitments	71,344	—
Total	16,184,155	9,780,725

(*) Commitments and contingencies note is detailed as at 30 June 2012.

Bank Asya entered into various banking transactions with related parties in the normal course of the banking business including cash and non-cash loans, finance lease and deposits. The related parties mainly consist of shareholders, related companies, directors and by management personnel.

Recent Developments

On 22 February 2013 Bank Asya released its 2012 Unconsolidated BRSA Accounts. The 2012 Unconsolidated BRSA Accounts disclosed a decrease in net profit to TRY190.39 million for the year ended 31 December 2012 compared to TRY216.09 million for the corresponding period in 2011. The consolidated net profit of Bank Asya for the year ended 31 December 2011 was TRY222.14 million.

The 2012 Unconsolidated BRSA Accounts disclosed an increase in assets to TRY21.39 billion as at 31 December 2012 compared to TRY17.19 billion as at 31 December 2011. The consolidated assets of Bank Asya as at 31 December 2011 were TRY17.35 billion. The total unconsolidated liabilities of Bank Asya increased to TRY19.04 billion as at 31 December 2012 compared to TRY15.05 billion as at 31 December 2011. The consolidated total liabilities of Bank Asya as at 31 December 2011 were TRY15.10 billion.

DESCRIPTION OF BANK ASYA

Incorporation

Bank Asya was incorporated as Asya Finans Kuruma A.Ş. (**Asya Finans**) as a joint stock company on 24 October 1996 pursuant to the decree of the Council of Ministers No. 96/8041 on 11 April 1996 and as published in the Official Gazette on 25 April 1996. Following the introduction of a new banking framework in Turkey in 2005 (pursuant to which the regulation and supervision of all interest-free financial institutions such as Asya Finans were transferred to the BRSA), Asya Finans changed its name to Asya Katılım Bankası A.Ş. (Asya Participation Bank Inc.) and continued Asya Finans's operations from 2006 as "Bank Asya".

Bank Asya's trade registration number is 353195. Bank Asya's registered head office address is Saray Mahallesi. Dr. Adnan Büyükdeniz Caddesi. No: 10 34768 Ümraniye, Istanbul, Turkey and its telephone number is +90 216 633 5000. As at the date of this Prospectus, Bank Asya is regulated by the BRSA and in accordance with Banking Law No. 5411 dated 1 November 2005 (the **Banking Law**).

Overview

Bank Asya is a full service bank operating primarily in Turkey for over 16 years. Bank Asya's business is undertaken in compliance with the principles of interest-free banking known as participation banking in Turkey. Bank Asya offers products and services to its customers through a nationwide branch network which, as at 31 December 2012, consisted of 250 domestic branches (99 of which were located in Istanbul). Bank Asya also has an international presence in West Africa through its affiliate company, Tamweel S.A.; in India through a representative office in Mumbai (the first participation bank in India and the first Islamic bank in India to be granted a licence by the Reserve Bank); and in Iraq through a branch office in Erbil, Northern Iraq.

According to the BRSA and The Participation Banks Association of Turkey (**PBAT**), as at 30 September 2012, Bank Asya was Turkey's largest participation bank measured by total assets, customer deposits, loans and equity. As at 30 November 2012, Bank Asya's total assets accounted for approximately a third of the Turkish participation banking sector's total assets. The Turkish participation banking sector's total assets constituted 5.1 per cent. of Turkish banking sector assets as at 31 December 2012 (source: *BRSA*). As at 30 September 2012, Bank Asya also ranked 13th among all banks (conventional and participation) in Turkey in terms of bank-only assets with a market share of 1.5 per cent. and 12th in terms of cash loans with a market share of 2 per cent., 10th in terms of non-cash loans with a market share of 3.5 per cent. and 11th in terms of depositors with a market share of 1.89 per cent. (source: *BRSA*).

Bank Asya's operations are carried out through three core business areas: Corporate, Commercial and SME Banking; Retail Banking; and International Banking and Treasury Services. In addition, Bank Asya (through its subsidiaries and other companies in which it has an interest) provides, among others, leasing and insurance services.

- ***Corporate, Commercial and SME Banking.*** This business area focuses on, among other things, deposit taking (current and participation accounts), the granting of loans, cash management services, insurance products, other credit facilities and banking services to SMEs (those with an annual turnover of up to TRY10 million), commercial customers (those with an annual turnover of between TRY10 million and TRY75 million), and corporate customers (those with an annual turnover of at least TRY75 million including institutional customers) (see "*Description of Bank Asya—Corporate, Commercial and SME Banking*");
- ***Retail Banking.*** This business area focuses on, among other things, deposit taking (current and participation accounts), and making loans, credit card facilities, utility payment facilities, funds transfer facilities and insurance products available to individual customers (see "*Description of Bank Asya—Retail Banking*"); and
- ***International Banking and Treasury Services.*** This business area focuses on international banking services such as international borrowing and trade finance to Bank Asya's SME, commercial and corporate customers and the growth of Bank Asya's international network; and treasury services which are responsible for managing Bank Asya's liquidity and market risks (see "*Description of Bank Asya—International Banking and Treasury Services*").

Competitive Strengths

Bank Asya believes that it has a number of key competitive strengths including:

- ***Being the largest participation bank in a fast growing interest-free banking market.*** According to Turkstat, Turkey is a growing country with its GDP in 2011 having increased by 8.5 per cent. compared to 2010. The Turkish banking sector has been one of the fastest growing banking sectors in the Middle East and North Africa region in terms of loan growth. BRSA data indicates that the Turkish banking sector experienced a 21.0 per cent. and 20.7 per cent. increase in total banking assets, a 29.9 per cent. and 33.9 per cent. increase in loans and a 12.7 per cent. and 19.9 per cent. growth in deposits, respectively, for the years ended 31 December 2011 and 2010. Bank Asya believes that there is a growing demand for interest-free banking products in Turkey. According to BRSA data, Turkey's loan to GDP ratio in 2011 was 52.7 per cent. A considerable portion of the Turkish population therefore use limited or no banking services, which Bank Asya believes will provide additional opportunities to grow the customer base as the Turkish economy develops and banking services become more widespread amongst the population. Bank Asya's management believes that growth prospects of the Turkish banking market will benefit from the currently low levels of banking penetration and that as the largest participation bank (which continues to significantly expand), Bank Asya has the necessary resources, experience and breadth of current and future products and services to take advantage of this growth and continue to broaden its customer and asset base.

- ***A strong and well known Turkish franchise in a highly competitive industry.*** Bank Asya is Turkey's largest participation bank measured by total assets, customer deposits, loans and equity. Bank Asya's growing presence within the Turkish banking sector, in which the level of competition has markedly increased in the past several years, is exemplified by the increase in the number of credit cards it has issued from 1,758,741 as at 31 December 2010 to 2,023,703 as at 31 December 2012. As at 31 December 2012, Bank Asya had approximately 3.8 million retail customers; 170,000 SME customers; 35,000 commercial clients and 1,000 corporate clients, predominantly originating from Turkey, to which it provided retail, corporate, commercial, SME and international banking services through its wide branch network and alternative distribution channels such as online, telephone and mobile banking.

- ***Offering interest-free products and services through latest technology.*** Bank Asya aims to differentiate itself from its competitors by making extensive use of the latest technology to offer innovative products and services. For example, Bank Asya was the first participation bank in Turkey to issue contactless credit and pre-paid cards which allow customers to make payments at various contactless transaction points. In addition, in 2010, Bank Asya became the first participation bank in Turkey to introduce short range wireless radio transmission technology known as near field communication (NFC) technology, to its credit and pre-paid cards under the brand "DIT Mobil" which allows customers to make payments via cell phones (see "*Description of Bank Asya—Retail Banking—Retail Products*"). Bank Asya has also enhanced its distribution capabilities through the introduction of new technologies such as web and mobile branch applications and through the establishment of a full-service call centre. As at 31 December 2012, approximately 56 per cent. of all customer transactions processed were made through Bank Asya's alternative distribution network (such as through ATMs, mobile banking, online banking and AloAsya).

- ***Effective risk management***: Bank Asya has a prudent risk management strategy with a focus on a diversified asset base, and solid credit risk infrastructure, underwriting and monitoring systems. This is reflected in the fact that, as at 30 June 2012, Bank Asya had no single exposure greater than 2.36 per cent. of its loan portfolio, no single group exposure greater than 2.75 per cent. of its total loans and high collateral levels, with an average loan-to-value ratio of 59.70 per cent. In 1996, Bank Asya was the first participation bank in Turkey to be awarded the ISO 9001 Quality Management System certification from TÜV NORD and in 2011, Bank Asya received the Business Continuity Management Systems Certificate from the British Standards Institution, becoming the first Turkish organisation to receive such a certificate.

- ***Strong balance sheet and capitalisation***: As at 30 September 2012, Bank Asya had a consolidated capital adequacy ratio (**CAR**) (calculated by reference to the 30 September 2012 BRSA Accounts) of 13.74 per cent. and a leverage ratio (calculated as total assets divided by total equity) of 8.42 per cent. and shareholders' equity of TRY2.29 billion (excluding non-controlling interest). Bank Asya's CAR is lower than the sector average of 17.17 per cent. but higher than BRSA's regulatory requirement of 12 per cent. Supporting its capital structure, Bank Asya maintains strong liquidity, with a liquid asset ratio (being the total amount of cash, deposits with the CBT, the balances of Bank Asya's nostro accounts and statutory reserves divided by Bank Asya's total liabilities) of 18.86 per cent. and loan-to-deposit ratio of 109.08 per cent. (the loan balance does not include impairment for loan losses), in each case as at 30 September 2012. Bank Asya believes that its strong balance sheet has supported its ability to attract a substantial and stable deposit base during difficult market conditions with deposits having grown at a rate of 22.80 per cent. from TRY11.15 billion as at 30 June 2011 to TRY13.70 billion as at 30 June 2012.

Shareholders and Capital Structure

As at 31 December 2012, Bank Asya's market capitalisation stood at TRY1.980 billion (source: *BRSA*). Bank Asya's share capital consists of two different classes of shares: Group A shares and Group B shares. Group A shares and Group B shares cannot be converted into each other. Group A shareholders have the right to nominate candidates for the Board of Directors (the **Board**) and the Audit Committee. Group B shareholders do not have this right but, unlike Group A shares, have the option to have their shares traded on the ISE. In all other respects, the rights and obligations attaching to Group A and Group B shares are identical and have the same dividend and voting rights including the right to vote on the appointment of nominees for the Board and Audit Committee.

As at 31 December 2012, 53.36 per cent. of Bank Asya's shares are publicly held and traded on the ISE. The following table sets out certain information with respect to Bank Asya's shares.

Shares	**As at 31 December 2012** *(TRY Thousands)*	**Ratio to Capital**	**Nominal Value per Share in TRY**	**Exchange Traded or not**
Group A	360,000	40.00%	1	Not traded
Group B	59,759	6.64%	1	Not traded
Group B	480,241	53.36%	1	Traded on ISE
Total	**900,000**	**100.00%**		

Bank Asya's Group A shareholders are listed below.

As at 31 December 2012[(1)]	**Amount** *(TRY Thousands)*	**Share** *(%)*
Shareholder		
Ortadoğu Tekstil Tic. San. A.Ş.	44,022	12.23
Forum Inşaat Dekorasyon Turizm San. ve Tic. A.Ş.	34,668	9.63
BJ Tekstil Ticaret Ve San A.Ş	20,350	5.65
Adulkâdir Konukoğlu	20,088	5.58
Sürat Basim Yayin Reklacilik ve Eğitim Araçlari San. Tic. A.Ş.	17,936	4.98
Birim Birleşik Inşaatçilik Mumessilik San ve Tic. A.Ş.	17,783	4.94
Osman Can Pehlivan	15,300	4.25
Serra Turizm Ltd.	15,000	4.17
Hasan Sayin	13,573	3.77
Negiş Giyim imalat ve ihracat A.Ş.	13,142	3.65
Other	148,138	41.15
Total	**360,000**	**100.00**

(1) *Based on BRSA Accounts.*

At its incorporation, Bank Asya's initial share capital was TRY2 million. The following table sets out the capital increases which have been undertaken since 2005.

Date of registration	Capital (TRY)
15 December 2005	240,000,000
12 May 2006 (1)	300,000,000
30 June 2008	900,000,000

(1) *Increase as a result of Bank Asya's initial public offering in which 23 per cent. of its shares were floated on the ISE under the "ASYAB" ticker symbol.*

Strategy

Bank Asya's primary objectives are to continue to ensure that it retains its position as the largest participation bank in Turkey; to establish itself as one of "the most important brands in participation banking" within Turkey (and ultimately, globally); and to develop modern banking services for those seeking interest-free banking solutions. Unlike several of its competitors, Bank Asya has a broad-based shareholder structure and, accordingly, Bank Asya does not rely on any particular strategic investor. Bank Asya therefore believes that its strategy is not restricted by a small group of key shareholders. In addition, none of Bank Asya's founding shareholders have any additional rights or the ability to influence Bank Asya's strategy or direction other than those rights prescribed to Group A shareholders generally. Bank Asya's approach to achieving its primary objectives are as follows:

Focusing on sustainable growth in Turkey. Bank Asya is committed to a strategy of sound and sustainable growth in Turkey and has made it an integral part of its corporate operations. Bank Asya plans to continue focusing on and expanding its operations in Turkey, utilising its substantial local market knowledge. In addition, Bank Asya will continue to increase its operations and market share either through organic growth opportunities (including those resulting from increased consumer demand for interest-free banking services and products) or through strategic investments and international expansion where such investments and expansion have a strong link to the Turkish banking sector. In addition, Bank Asya believes that through continuous innovation, investments in technology and improvement of delivery channels to address changing customer needs, it will be able to achieve sustainable performance as a result of its strong focus on customer satisfaction.

Selective and quality loan growth focused on value generating segments and products. Bank Asya's management believes the participation banking sector is under serviced and under penetrated in terms of financial service products and therefore offers significant growth opportunities. Bank Asya believes that the Turkish SME and retail banking sector offer profitable opportunities in Turkey. Accordingly, Bank Asya intends to focus on the Turkish SME banking sector by expanding its relationship with existing SME customers through, among other things, increased cross-selling of deposit products, insurance products and payment services. Bank Asya also intends to further expand its retail customer base by focusing on customer segmentation and developing unique products and services aimed at addressing their particular needs through its expanding domestic network and alternative distribution channels.

Enhance product and service offerings. Bank Asya is focusing on enhancing its product and service offerings in the following ways:

- *Optimise branch network and multi-channel distribution*: Bank Asya aims to have over 300 branches by 2015 (with a targeted opening of 30 branches every year). Currently, the majority of Bank Asya's branches are located in commercial areas. Going forward, to help grow its retail banking business, Bank Asya intends to open smaller sized branches (of around eight employees per branch) in residential areas. Such an approach offers high growth opportunities especially for mortgage portfolio business. To compliment its wide branch network, Bank Asya has a full multi-channel business distribution network (including telephone banking, ATMs, internet and mobile banking) which helps Bank Asya achieve cost efficiency and helps maximise customer access. Over the next five years, Bank Asya seeks to utilise all of its distribution channels to achieve customer excellence and cost efficiencies. Although Bank Asya believes that branches will continue to be its most important channel in attracting new customers and meeting the needs of existing customers, the expansion of its multi-channel distribution network will support the growth of its retail, corporate, commercial and SME customer base by enhancing their banking experience.

- *Develop additional fee generating products and businesses*: Bank Asya aims to grow its market share by continuing to develop new interest-free products (such as derivative products) and adapt widely used conventional banking products into the interest-free banking system.
- *Maximise customer satisfaction*: Bank Asya launched its "Customer-Oriented Transformation Project" in 2010 which modified Bank Asya's internal organisational structure from a product focused organisational structure (where it was focused on the provision of services to customers based on various products) to a business activity focused organisational structure (and focused on business areas and the provision of products and services specific to that business area). Bank Asya intends to capitalise on the new organisational structure to increase cross-selling of its growing range of interest-free banking products and services.
- *Increasing market share in international trade business*: Bank Asya intends to expand its correspondent bank network by establishing new relationships with banks located in countries which are trade partners for Turkey, such as certain West African countries, India and Iraq.

Increase profit sharing income. Bank Asya plans to grow its loan business with a special focus on collateralised SME loans and mortgage loans (where the capital allocations are typically less and the returns are higher). Bank Asya believes that this strategy will increase its profitability and also have a positive effect on its CAR. Bank Asya also aims to increase its revenue generating activities by focusing on increasing fee and commission income, developing and enhancing its asset base and building a more diversified loan portfolio.

History

Bank Asya was incorporated with an initial paid up capital of TRY2 million in 1996 with the objective of providing interest-free banking products and services to a wide range of customers.

Between 1998 and 2005, Bank Asya introduced online and telephone banking services and joined an automated teller machine (**ATM**) sharing platform known as the "Ortak Nokta" of more than 2,400 ATMs located around Turkey.

In 2006, Bank Asya increased its paid-up capital to TRY300 million as a result of an initial public offering in which 23 per cent. of its shares were listed on the Istanbul Stock Exchange (**ISE**) and offered to the public (see "*Description of Bank Asya—Shareholders and Capital Structure*").

In 2008, Bank Asya launched new products that provided customers access to gold saving accounts and gold trading on selected gold exchanges (see "*Description of Bank Asya—Retail Banking—Retail Products*").

In 2009, Bank Asya signed a strategic partnership agreement with the Islamic Corporation for the Development of the Private Sector (**ICD**), a wholly owned subsidiary of the Islamic Development Bank (**IDB**), and acquired a 40 per cent. stake in Tamweel S.A., a Senegal-based company that engages in interest-free banking in West Africa (see "*Description of Bank Asya—Group Structure, Subsidiaries and Strategic Relationships—Key Affiliates*").

In 2010, Bank Asya signed an agreement with the Turkish Football Federation to extend its brand sponsorship of the 1st League until 2013. As part of its new generation SME banking concept, Bank Asya consolidated its services for small businesses and SME customers under its "Çobanyıldızı" brand (a dedicated brand established to service its SME customer base).

In 2011, Bank Asya established a pension fund company, Asya Emeklilik ve Hayat A.Ş. Bank Asya's branches act as agencies of Asya Emeklilik ve Hayat A.Ş., which commenced operations in July 2012 and had 256,684 customers as at 31 December 2012.

In November 2012, Bank Asya established an investment and portfolio management company, Asya Menkul Değerler A.Ş., a subsidiary focused primarily on offering brokerage and investment advisory services in Turkey (see "*Description of Bank Asya—Group Structure, Subsidiaries and Strategic Relationships—Key Subsidiaries*").

Core Business Areas

Corporate, Commercial and SME Banking

Overview

The Corporate, Commercial and SME Banking department designs and offers interest-free products and services to SMEs and large companies (operating primarily in the manufacturing, construction, wholesale and trade sectors) through dedicated teams and is organised into three divisions: the Corporate Banking Division, the Commercial Banking Division and the SME Banking Division.

In accordance with the principles underlying participation banking, Bank Asya extends finance to its customers for the purpose of "production support", a term particular to participation banking and refers to the acquisition of tangible assets used by a business in its operations and for the payment of relevant services, such as installation services, provided in connection with acquired tangible assets. Bank Asya does not provide finance to fund a business' general working capital if that business does not have any underlying assets. Instead, when finance is extended, the proceeds are paid directly to a vendor or service provider of the customer, rather than to the customer itself, such as via *murabaha* or *istisna'a* transactions. Unlike retail customers, Bank Asya's corporate, commercial and SME customers do not have the contractual option to pre-pay Bank Asya. In certain circumstances, however, Bank Asya may permit a commercial customer to make a pre-payment provided that a small percentage of the scheduled fixed mark-up is paid as a fee.

Bank Asya's Corporate, Commercial and SME Banking Divisions customers include Turkish companies in various sectors including construction, manufacturing, energy, food, textile, metals and machinery, transportation and tourism. Bank Asya has expanded and diversified its corporate customer base and focused its lending towards the energy, food and metals and machinery industries, thereby also helping to decrease risks relating to sector concentration. With respect to non-cash loans, a majority of Bank Asya's customers are large commercial companies.

The top 10 performing (excluding NPLs) customers of the Corporate, Commercial and SME Banking Divisions as at 30 June 2012 accounted for 11.95 per cent. of Bank Asya's total assets compared to 14.66 per cent. as at 30 June 2011 and as at 31 December 2011 accounted for 14.30 per cent. of Bank Asya's total assets compared to 15.36 per cent. for the same period in 2010.

The following table sets out Bank Asya's total income from financing activities for Corporate, Commercial and SME banking (based on BRSA Accounts).

Period ended	**Corporate, Commercial and SME banking**
	(Thousands of TRY)
30 June 2012	759,310
30 June 2011	608,865
31 December 2011	1,299,097
31 December 2010	1,236,951

As at 30 June 2012, Corporate, Commercial and SME Banking accounted for approximately 62.07 per cent. of Bank Asya's total assets and 24.22 per cent. of Bank Asya's total liabilities. As at 30 June 2011, Corporate, Commercial and SME banking accounted for approximately 64.17 per cent. of Bank Asya's total assets and 23.43 per cent. of Bank Asya's total liabilities. As at 31 December 2011, Corporate, Commercial and SME banking accounted for approximately 62.29 per cent. of Bank Asya's total assets and 23.29 per cent. of Bank Asya's total liabilities. As at 31 December 2010, Corporate, Commercial and SME banking accounted for approximately 64.12 per cent. of Bank Asya's total assets and 24.95 per cent. of Bank Asya's total liabilities.

Corporate Banking Division

The Corporate Banking Division is responsible for customers with annual turnover ranging between TRY75 million to over TRY500 million. The corporate branches are strategically supported by the Corporate Marketing Department (which, in addition to processes and approvals for credit utilisation and pricing, provides training to enhance the efficiency of the corporate branches) and Bank Asya's regional offices and offer leasing and insurance services through synergies created with Bank Asya's subsidiaries. This organisational structure enables Bank Asya to be closer to its clients' needs and to be able to review and resolve customer requests in a timely manner.

As at 30 September 2012, the Corporate Banking Division had approximately 1,000 corporate clients and a total of 42 regional managers (**RMs**). 101 companies out of the Istanbul Chamber of Industry's first "500 companies" are clients of Bank Asya's Corporate Banking Division. The Corporate Banking Division divides its customers into three types: manufacturing firms, whose turnover is above

TRY75 million; trading firms, whose turnover is above TRY150 million; and building contractors, whose turnover is above TRY500 million.

Six of Bank Asya's corporate branches are dedicated for use by only corporate customers: three in Istanbul and one in each of Ankara, Antalya and Izmir. The Corporate Banking Division, which comprises 84 specialists as well as 10 experts who are located in Bank Asya's head office, reports directly to the Chief Executive Officer (**CEO**) of Bank Asya and is responsible for Bank Asya's corporate branches. The Corporate Banking Division monitors the activities of the corporate branches and provides approvals for credit utilisation and pricing to the corporate branches. Each corporate branch consists of a branch manager and a number of RMs, depending on the corporate client base being served by the relevant branch.

Bank Asya's corporate customer deposits increased from TRY1.26 billion as at 30 June 2011 to TRY1.57 billion as at 30 June 2012, representing a 24.29 per cent. increase over the year. As at 30 June 2012, the total amount of deposits by Bank Asya's 20 biggest depositors was TRY1.38 billion compared to TRY1.17 billion as at 30 June 2011. Bank Asya's corporate customer deposits decreased from TRY1.11 billion as at 31 December 2010 to TRY1.10 billion as at 31 December 2011, representing a 0.27 per cent. decrease over the year as a result of management's strategy to diversify the corporate customer deposit base instead of relying on a limited number of corporate customers with significant deposits. As at 31 December 2011, the total amount of deposits by Bank Asya's 20 biggest depositors was TRY1.00 billion compared to TRY1.07 billion for the same period in 2010.

As at 30 June 2012, Bank Asya's cash loan portfolio for its corporate credit portfolio increased to TRY4.33 billion, which represents an increase of 6.66 per cent. from TRY4.06 billion as at 30 June 2011. Bank Asya's cash loan portfolio for its corporate credit portfolio increased to TRY4.33 billion as at 31 December 2011 which represents an increase of 15.45 per cent. from TRY3.75 billion as at 31 December 2010.

Non-cash loans to corporate customers decreased by 17.69 per cent. from TRY5.03 billion as at 30 June 2011 to TRY4.14 billion as at 30 June 2012. As a result, the Corporate Banking Division's total customer loan exposure declined by 6.82 per cent. as at 30 June 2012 to TRY8.47 billion from TRY9.09 billion for the same period in 2011. Non-cash loans also decreased from TRY4.93 billion as at 31 December 2010 to TRY4.76 billion and registered a 3.45 per cent. decline as at 31 December 2011. The Corporate Banking Division's total customer loan exposure increased by 4.72 per cent. as at 31 December 2011 to TRY9.10 billion from TRY8.69 billion as at 31 December 2010 as a result of management's strategy to reduce exposure to non-cash corporate loans.

Commercial Banking Division

The Commercial Banking Division is responsible for customers with an annual turnover of between TRY10 and TRY75 million. As at 31 December 2012, the Commercial Marketing Department had approximately 35,000 commercial clients and a total of 353 RMs for its Commercial Banking Division. The main industries that Bank Asya's commercial clients operate in include construction, textile, manufacturing, iron and steel and the food industry. Due to the number of commercial customers, its responsibilities are split into six marketing (by geographical location) and one reporting portfolios.

Bank Asya aims to capture a greater share of the amount spent by its commercial banking customers on commercial banking through the development of its product offerings targeted at commercial customers' requirements. By doing so, it aims to increase its market share and customer base in the long term. Bank Asya's commercial deposits remained the same for the six month period ended 30 June 2012 at TRY1.73 billion compared to TRY1.73 billion for the same period in 2011 and increased from TRY1.62 billion as at 31 December 2010 to TRY2.07 billion as at 31 December 2011, representing a 27.48 per cent. increase over the year. See "*Financial Review—Profit sharing and similar income*" for a general discussion of Bank Asya's deposits.

Bank Asya's cash loan portfolio for its commercial customers increased to TRY4.96 billion as at 30 June 2012, which represented an increase of 13.48 per cent. from the same period in 2011 of TRY4.37 billion and increased to TRY4.64 billion as at 31 December 2011, which represented an increase of 2.98 per cent. from the prior year's TRY4.50 billion. Non-cash loans also increased from TRY3.69 billion as at 30 June 2011 to TRY3.71 billion, and registered a 0.54 per cent. growth as at 30 June 2012 and increased from TRY3.70 billion as at 31 December 2010 to TRY3.85 billion, registering a 4.19 per cent. growth as at 31 December 2011. As a result, the Commercial Banking Division's total customer loan exposure rose by 7.56 per cent. as at 30 June 2012 to TRY8.67 billion for the same period in 2011 and rose by 3.53 per cent. as at 31 December 2011 to TRY8.49 billion from TRY8.20 billion as at 31 December 2010.

SME Banking Division

The SME Banking Division is responsible for those customers with up to TRY10 million in annual turnover. As at 31 December 2012, the SME Banking Division had approximately 170,000 SME clients and a total of 630 RMs. The main industries that Bank Asya's SME Banking clients operate in include food, agriculture, textile and transportation.

Since 2011, Bank Asya has increased its focus on SMEs and aims to capture greater share of the amount spent by its SME customers. As a result, Bank Asya's SME cash loans grew at a rate of approximately 105.42 per cent. over the year ended 31 December 2011 compared to the same period in 2010. Bank Asya is actively seeking to increase its SME lending business through focused marketing efforts and new product and service developments, combined with increased availability of funding to this sector. In particular, Bank Asya will focus on renewing existing financing packages and developing new financing solutions for its SME customers.

In line with its strategy to focus on the SME sector, Bank Asya has changed its business segmentation criteria to focus more closely and effectively on SMEs. Bank Asya's SME Banking Division is headed up by the SME Banking marketing division (**SME Marketing Division**). Bank Asya has four departments within the SME Marketing Division which are located in Bank Asya's head office: Portfolio Management; Project and Product Development; Cash Management and Product Marketing; and POS Service. There are 458 employees in the SME Marketing Division.

In addition, the SME Marketing Division is supported by nine regional headquarters of which three are in Istanbul and one in each of Ankara, Izmir, Konya, Gaziantep, Trabzon and Bursa.

Bank Asya's SME deposits decreased from TRY1.32 billion as at 30 June 2011 to TRY1.18 billion as at 30 June 2012, representing a decrease of 10.71 per cent., and increased from TRY831 million as at 31 December 2010 to TRY1.71 billion as at 31 December 2011, representing an increase of 105.42 per cent.

Bank Asya's cash loan portfolio for SME Banking increased to TRY1.66 billion as at 30 June 2012, which represented an increase of 51.55 per cent. from TRY1.09 billion as at 30 June 2011 and increased to TRY1.15 billion as at 31 December 2011, which represented an increase of 74.24 per cent. from TRY0.66 billion as at 31 December 2010. Non-cash loans also increased from TRY706 million as at 30 June 2011 to TRY734 million, and registered a 3.97 per cent. growth as at 30 June 2012 and increased by 22.37 per cent. from TRY0.60 billion as at 31 December 2010 to TRY0.73 billion as at 31 December 2011. As a result, the SME Banking Division's total loan exposure rose by 32.87 per cent. as at 30 June 2012 to TRY2.39 billion from TRY1.80 billion for the same period in 2011 and rose by 49.56 per cent. as at 31 December 2011 to TRY1.88 billion from TRY1.26 billion as at 31 December 2010.

Corporate, Commercial and SME Products

Bank Asya's Corporate Banking, Commercial and SME banking divisions provide customers with the following main categories of products:

Deposit taking services. These include current accounts and participation accounts.

Financing. Bank Asya provides a broad range of loans and leasing products, which it refers to as cash products, to its Corporate, Commercial and SME customers to meet their short-term or long-term financing requirements. Cash loan products consist principally of loans for production support. Through its leasing services, Bank Asya's commercial customers are able to obtain machinery, equipment and various other goods from both domestic and international vendors. Since conventional banks are not allowed under Turkish law to engage directly in leasing activities, Bank Asya can effect leasing transactions more efficiently for its customers than conventional banks who lease through their subsidiaries. Since 2003, Bank Asya has established strong relationships with Export Credit Agencies and Exim banks including but not limited to U.S. Exim Bank, CCC (GSM-102 programmes), SEP, EDC, Hermes, SERV, SACE, Finnvera and OND.

In respect of its Corporate Banking clients only, Bank Asya provides spot loan facilities (which are short terms loans of up to one month). For SME Banking customers, Bank Asya provides such customers with customised financing packages. In 2012, Bank Asya continued to take part in government-supported projects for its SME banking clients. Within the framework of its partnership with the Credit Guarantee Fund (**KGF**), Bank Asya continued to extend KGF-underwritten loans to firms that were experiencing difficulty posting collateral on their own. Bank Asya also joined a loan support programme offered by the Undersecretariat of the Treasury and an initiative that added maritime industry enterprises to the guarantee system. Furthermore, Bank Asya also participated in the SME Development and Support Administration (**KOSGEB**) programme, which provides loans for SMEs, artisans and craftsmen. To support these financing packages, the SME Banking Division provides its customers with cheque book services, POS devices, social security institutions (**SSI**) payment services, bill payment services, salary disbursement facilities and services, insurance services and online banking services.

Non-cash loans. Bank Asya provides non-cash facilities denominated in all major foreign currencies. These are products 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. Products include foreign trade services; finance services; international business and financing (see "*Description of Bank Asya—International Banking and Treasury Services—International Banking Department*"); project finance; and structured finance.

Bank Asya has a direct debiting system (**DDS**) which makes it possible for its customers to automatically receive payment for goods and services they sell to their regular customers. An alternative to DDS is a cash management product created by Bank Asya, known as the "Virtual Commercial Card", which allows direct payments and collections between a wholesaler/franchiser and a retailer/dealer. In addition, as part of Bank Asya's brand development efforts, a new cash management product called "Commercial Card" was created in the last quarter of 2010 for enterprises with large dealer networks.

Insurance services. Through its subsidiary Işık Sigorta A.Ş., Bank Asya provides a full range of non-life insurance products. Please see "*Description of Bank Asya—Group Structure, Subsidiaries and Strategic Relationships—Key Subsidiaries*" for a description of Bank Asya's insurance services. Bank Asya takes advantage of cross-selling opportunities between its commercial and retail banking businesses by offering its retail products and services, such as credit cards and payment services, to its commercial customers and their employees. As at 31 December 2012, Bank Asya has 238,809 payroll programme customers. Bank Asya is constantly monitoring market trends to identify high growth opportunities.

Consulting services. Bank Asya provides corporate clients with consultancy services with respect to corporate and commercial client's investments in foreign countries along with an information service for corporate client's investments in Turkey. Bank Asya extends specific consulting services to customers of SME Banking so that clients will refer to Bank Asya as their primary provider of financial services. Accordingly, in 2008 Bank Asya introduced "AsyaAssist" cards to provide support to businesses in unexpected/emergency situations when users require medical, legal and financial consultancy services. As at 31 December 2012, the AsyaAssist Card had 60,647 active users; a 47 per cent. increase from the previous year resulting in an annual income of TRY2 million as at 31 December 2012. Currently, there are three types of AsyaAssist Cards. Programmes include standard, platinum, and government incentive monitoring cards with annual fees of TRY100, TRY200 and TRY300, respectively. Standard features of AsyaAssist include consulting, medical assistance, travel assistance, arrangement services and vehicle and transport assistance.

All of Bank Asya's Corporate, Commercial and SME products are offered on the basis of stringent credit criteria (see "*Risk Management*" section for further details).

Retail Banking

Overview

The principles underlying participation banking products determine the ways in which the proceeds from Bank Asya's retail finance are transferred to the Bank's retail customers and how they may be used. Repayment of retail loans is effected in a similar way to a conventional bank, with a larger portion of initial payments applied to the mark up on the principal and an increasing portion of later payments applied to the principal itself. Turkish law requires all banks to permit retail loan customers to pre-pay amounts borrowed, in part or, in full. In the event that a retail customer pre-pays any loan amount, banks commit to making a reduction of the profit share and commission payable *pro rata* to the sums that are paid by its retail borrowers early. Bank Asya utilises the funds deposited by account holders, which are pooled together, to extend retail loans to its retail customers. Any profits earned from each respective pool are shared between the account holders and Bank Asya, in accordance with a pre-agreed ratio.

Bank Asya plans to increase its retail loan exposure and deposit base, thereby increasing the corresponding fee income by leveraging its branch network and alternative distribution channels to attract new customers and diversify its loan portfolio. In particular, Bank Asya aims to increase its market share in mortgage loans.

Following Bank Asya's strategy to have an increased focus on its retail banking business, the number of Bank Asya's retail customers increased by approximately 16 per cent. to 3.8 million retail customers for the year ended 31 December 2012 compared to the same period in 2011. Bank Asya employs five customer classifications: Diamond, Gold, Silver, Bronze and Entrepreneur.

The following table sets out the various qualification amounts for each type of retail account:

Account Segment	Amount required by accountholders for each Account Segment
Diamond	The aggregate amount of all deposits and loans in relation to a customer are equal to or greater than TRY100,000
Gold	The aggregate amount of all deposits and loans in relation to a customer are equal to or greater than TRY50,000 but less than TRY100,000
Silver	The aggregate amount of all deposits and loans in relation to a customer are equal to or greater than TRY15,000 but less than TRY50,000
Bronze	The aggregate amount of all deposits and loans in relation to a customer are less than TRY15,000
Entrepreneur	Individuals who own commercial enterprises*

**Note: No deposit and loan threshold applies for this segment.*

The following table sets out Bank Asya's total income from financing activities for Retail Banking (based on BRSA Accounts).

Period ended	Retail banking
	(Thousands of TRY)
30 June 2012	171,184
30 June 2011	107,660
31 December 2011	221,222
31 December 2010	195,756

As at 30 June 2012, Retail Banking accounted for approximately 16.81 per cent. of Bank Asya's total assets and 50.20 per cent. of Bank Asya's total liabilities compared to approximately 12.96 per cent. of Bank Asya's total assets and 49.97 per cent. of Bank Asya's total liabilities as at 30 June 2011. As at 31 December 2011, Retail Banking accounted for approximately 14.75 per cent. of Bank Asya's total assets and 49.80 per cent. of Bank Asya's total liabilities compared to approximately 11.05 per cent. of total assets, and 53.29 per cent. of total liabilities for the same period in 2010.

According to BRSA statistics, Bank Asya's share of the retail customer market increased over the last two years. As at 30 June 2012, consumer loans (including credit cards) to its retail banking customers represented 21.01 per cent. of Bank Asya's total loan portfolio compared to 17.66 per cent. as at 30 June 2011 and 19.14 per cent. as at 31 December 2011 compared to 15.74 per cent. as at 31 December 2010.

Bank Asya's retail client base provides a significant portion of Bank Asya's deposits and accounted for 65.44 per cent. of overall deposits as at 30 June 2012 and 55.75 per cent. of overall deposits as at 31 December 2011. According to BRSA statistics, Bank Asya's market share of the highly competitive credit card business in Turkey decreased from 3.80 per cent. as at 31 December 2010 to 3.74 per cent. as at 31 December 2011 and as at 30 June 2012 decreased by 8.23 per cent. compared to the same period in 2011.

The Retail Banking Division is organised into the Retail Banking Department and the Alternative Distribution Channel Department. The Retail Banking Department is subdivided into the Retail Product and Sales Marketing Department and the Cards & Payments System Marketing Department; and the Alternative Distribution Channel Department which is further subdivided into the Customer Contact and TeleSales Department and the Branchless Banking Department.

Retail Banking Department

Retail Product and Sales Marketing Department. This department is responsible for managing customer relationship activities in order to maximise new customer acquisitions and deepen existing customer relationships as well as increasing retail product sales through Bank Asya's branches and regional offices. It is also responsible for determining the objectives and policies of Bank Asya's Retail Banking products and services and promoting retail products and services in line with Bank Asya's marketing strategies. In order to increase awareness about Bank Asya's Retail Banking products and services, the Retail Product Management Department develops branding and campaign strategies. The Retail Product Management Department also develops new products and services and improves the features of existing Bank Asya products and services.

Cards & Payments System Marketing Department. In accordance with the marketing strategies of Bank Asya the Cards & Payments System Marketing Department is responsible for all card based payment system instruments. The department focuses on product development, product management, brand management, project management, relationship management and brand campaign management of all of Bank Asya's cards and card acceptance devices.

Retail Products

Deposits. Bank Asya provides retail customers two types of deposit accounts namely current account and participation accounts:

- Current Accounts. These accounts may be opened in TRY, U.S. dollars, Euro, British Pound (**GBP**), Swiss Franc (**CHF**), Saudi Riyals (**SAR**), Japanese Yen (**JPY**) or gold. Current accounts at Bank Asya offer customers services such as EFTs, bill payments, automatic payments, credit card and loan payments, school fees and cheque cashing and payment.
- Participation Accounts (Profit/Loss Accounts). These accounts may be opened in seven currencies (TRY, U.S. dollars, Euro, GBP, CHF, SAR and JPY). Participation account customers share in the profit or loss of Bank Asya's lending activities. The funds in participation accounts are used to extend loans according to the principles of interest-free banking. Bank Asya has four types of participation accounts:

  (a) *Participation Account*: A profit sharing account which is classified into five different maturity groups: up to one month, up to and including three months, up to and including six months, up to and including one year and more than one year, with a minimum of 31 days deposit requirement.

  (b) *Participation Account with Interim Payment*: A one year profit sharing account with one, three, six or 12 month payment options.

  (c) "*Özgür Hesap*": A profit sharing account with flexible maturity periods and the flexibility to withdraw at any time after the minimum 31 day deposit requirement.

  (d) "*Geleceğim Hesabı*": A profit sharing account with two and three year terms and one, three, six or 12 month payment options.

  At the time of maturity of the participation accounts, if Bank Asya is not advised otherwise by the customer, the account is automatically renewed in accordance with the customer's preceding nominated maturity length.

  In participation accounts, there are no guarantees on principal or on the rate of return; however the maximum loss that can be borne by any customer is limited to the principal amount of their initial deposit. Like all participation banks, Bank Asya announces indicative rates of return for each different type of account based on profits and losses available for distribution.

  In common with all participation banking customers, Bank Asya's customers agree, in theory, to share profits as well as losses on deposits. However, in practice, the participation bank may absorb more of the losses on their investments so as to meet market positioning targets and to comply with Turkish regulations. In addition, by virtue of having a diversified loan portfolio, any potential losses are offset by performing loans in the aggregate loan portfolio. As at the date of this Prospectus, Bank Asya provides its accountholders with approximately 70 per cent. of the revenues generated from their deposits, with the remaining 30 per cent. distributed in favour of Bank Asya.

Under Turkish law, participation banks must also withhold 5 per cent. of the total income of the profit/loss sharing accounts. This 5 per cent. constitutes a buffer for potential losses. Since Bank Asya commenced its operations it has not passed on any losses to customers.

- Gold Accounts. Gold accounts enable customers to invest in gold (buy or sell). This is an alternative product offered to customers who prefer to have physical gold rather than cash accounts. As part of the terms and conditions of opening gold accounts, a set fee is charged for each withdrawal of gold bullion. Through the gold account, customers are guaranteed by up to TRY50,000 per customer. Customers are able to withdraw gold bullion from their gold accounts at Bank Asya's branches.

Investment Securities. Bank Asya also operates agencies of Işık Sigorta A.Ş. and Bizim Menkul Değerler providing Bank Asya's customers with the ability to execute stock transactions and participate in public share offerings through Bank Asya's branches and website.

Personal Loans. Bank Asya offers its retail customers three types of personal loans: mortgage loans, car loans and consumer loans.

As at 31 December 2011, Bank Asya had an aggregate amount of TRY1.51 billion in outstanding mortgage loans, (which accounted for approximately 95.23 per cent. of Bank Asya's total consumer loan portfolio) with an average term of 58 months and an average Loan-to-Value (**LTV**) of 59.65 per cent. compared to TRY844.01 million as at 31 December 2010. As at 30 June 2012, Bank Asya had an aggregate amount of TRY1.74 billion in outstanding mortgage loans, (which accounted for approximately 93.73 per cent. of Bank Asya's total consumer loan portfolio) with an average term of 65 months and an average Loan-to-Value of 48.04 per cent. compared to TRY1.18 billion as at 30 June 2011 with an average term of 72 months. Car loans accounted for approximately 5.74 per cent. of Bank Asya's total consumer loan portfolio as at 30 June 2012 and amounted to TRY106.69 million as at 30 June 2012 compared to TRY97.60 million as at 30 June 2011. As at 31 December 2011, car loans accounted for approximately 4.37 per cent. of Bank Asya's total consumer loan portfolio and amounted to TRY110.56 million compared to TRY75 million as at 31 December 2010. General purpose and other consumer loans (excluding property finance and auto loans) have an average maturity of 19 months and amounted to TRY9.68 million as at 30 June 2012 compared to TRY18.95 million as at 30 June 2011. Personal financing accounted for approximately 0.52 per cent. of Bank Asya's total consumer loan portfolio as at 30 June 2012.

Insurance Services. Bank Asya provides insurance services to its customers such as automobile insurance, medical insurance and workplace insurance. In 2011, Bank Asya introduced new insurance products in line with its retail customers' needs. The main products created were related to home insurance, education plan insurance, child safety insurance and emergency health insurance. For the nine month period ended 30 September 2012, Bank Asya sold over 163,000 insurance policies and generated approximately TRY29 million in premiums. In the year ended 31 December 2011, Bank Asya sold 190,000 insurance policies which similarly generated approximately TRY29 million in premiums. Insurance services are provided to customers through Işık Sigorta A.Ş. and Bank Asya receives commission for each referral to Işık Sigorta A.Ş. For the year ended 31 December 2011 and the six month period ended 30 June 2012, Bank Asya generated TRY0.82 million and TRY0.87 million, respectively, in commission income from insurance services.

Cards. Bank Asya cards are categorised into three different categories: (i) credit cards (which are contactless cards or normal credit cards); (ii) pre-paid cards (which include allowance cards, campus cards, gift cards and Bank Asya's CityCard); and (iii) debit cards. As at 31 December 2012, the total number of credit cards issued was 2,023,703. As at 31 December 2011, the total number of credit cards, pre-paid cards and debit cards issued was 1,851,298, 323,232 and 2,424,211, respectively, compared to 1,758,741, 148,052 and 1,927,683, respectively, as at 31 December 2010.

Commission income from credit cards contributed over 16.13 per cent. of Bank Asya's total fees and commission income as at 31 December 2011, and accordingly Bank Asya considers credit cards to be one of its most profitable products across all of its business activities. As at 31 December 2012, there were 1,075,979 MasterCard® credit cards and 947,724 VISA® credit cards issued by Bank Asya in circulation. Bank Asya aims to increase the number of credit cards issued to 3 million by 2015. As at 30 June 2012, credit cards accounted for 8.97 per cent. of Bank Asya's cash loan portfolio, amounting to TRY1.32 billion compared to 6.80. per cent. and TRY807.78 million as at 30 June 2011.

In recent years, Bank Asya has made important investments in its credit card business in terms of technology, human resources and marketing expertise. Bank Asya has created innovative credit cards to retain its market share. In particular, Bank Asya introduced contactless cards, many of which were introduced as market firsts. For example, Bank Asya was the first participation bank in Europe to introduce contactless cards using Europay, MasterCard® and VISA® (**EMV**) contactless technology.

Bank Asya also undertakes various projects and marketing initiatives to increase credit cards and prepaid cards sales. In 2010, Bank Asya undertook a total of six mass transit/transportation projects with the municipalities of Kahramanmaraş, Balıkesir, Adıyaman, Karabük, Safranbolu, Karaman and Bolu. In addition, Bank Asya entered into AsyaCard DIT and DIT Pratik Card solution partnerships with the sea transit company TURYOL in Istanbul. Bank Asya has also developed and launched ticket applications for use as single-trip tickets on public transport, supplementing its AsyaCard DIT and DIT Pratik city card offerings.

Transportation projects have resulted in increased usage of Bank Asya cards. Bank Asya receives between 1 per cent. and 3 per cent. of the fare paid whenever the transport payment function on its cards is used. This operational commission is paid by the municipal authorities. As a result of the brand-oriented regional and national campaign implemented through branded vendor agreements, Bank Asya's member merchant network grew by 5.6 per cent. to reach 75,329 merchants for the year ended 31 December 2012.

Bank Asya earns various card related fees from Bank Asya's merchant partners. As an example, Bank Asya receives a commission from each transaction in which cards under the brand of its merchant partners are used (regardless of whether they are used by a customer of Bank Asya or not). These fees also depend on corporate cross selling opportunities to the member merchants. In addition, some rental and penalty fees are collected by Bank Asya.

As at 30 June 2012, the volume of transactions increased to TRY3.8 billion compared to TRY2.7 billion as at 30 June 2011 and increased to TRY5.9 billion as at 31 December 2011 from TRY4.9 billion as at 31 December 2010.

Acquiring Business. In addition to issuing cards, Bank Asya has also focused on the "acquiring" business. Acquiring business activity mainly involves the reimbursement of merchants for charges they have accepted on credit or debit cards. An "acquiring" bank (or "acquirer") is the bank that accepts credit and/or debit card payments for products or services on behalf of a merchant. According to the Turkish Interbank Card Centre, BKM's National Switch Centre for Card Payments monthly reports, as at 30 November 2012, Bank Asya had a 2.37 per cent. market share in terms of volume in the credit and debit card acquiring business and a 3.14 per cent. market share in terms of the number of POS terminals. Bank Asya has fostered partnerships with most of the major retailers in order to build its acquiring volumes further (and to promote acceptance of Bank Asya's issued cards and therefore increase the attractiveness to its customers of having a Bank Asya issued card). Providing acquiring services is important as Bank Asya is better able to serve its commercial customer base and can penetrate that market segment further.

Alternative Distribution Channels Department.

In addition to traditional branches, Bank Asya provides services to consumers through various alternative distribution channels under the "Branchless Banking" label. Alternative distribution channels are an important focus for Bank Asya to increase the efficiency of branches as well as to generate revenue and accordingly increase profitability. Bank Asya is enhancing the range of alternative distribution channels and products in order to move more banking transactions away from traditional branches and on to Bank Asya's alternative distribution channels.

Bank Asya's alternative distribution channels include online banking, telephone banking, interactive voice-response systems (**IVR**), mobile banking, ATM banking and SMS banking. As a result of the initiatives and the upgrades which are targeted at steering customers toward alternative distribution channels, seven out of every 10 transactions were conducted through non-branch channels during 2011. Transactions that can be performed at alternative distribution channels include cash withdrawals, cash deposits, balance inquiries, money transfers, mobile top-up transactions, FX and gold transactions, purchase and sale of stock, credit card payments, investment transactions, bill payments, SSI (SSK, Bağ-kur), traffic fine, tax, donation and personal loan payments.

Customer Contact and TeleSales Department. This department provides a 24-hour telephone centre service, seven days a week to Bank Asya's retail customers. The Customer Contact and TeleSales Department is responsible for the provision of account information and credit card statements, processing banking transactions (such as money transfers, electronic funds transfers (**EFTs**), automatic bill payments, card payments etc.). In addition, the Customer Contact and TeleSales Department provides support to the Alternative Distribution Channels Department with password generation, password changes and other customer queries. Any customer suggestions, requests and complaints are also dealt with by the Customer Contact and TeleSales Department.

Branchless Banking Department. This department is responsible for the product and content management of all electronic channels such as mobile and online banking (except the call centre) that offer banking services alternative to Bank Asya's physical branch network. The department carries out any work regarding the development of new channels and is responsible for developing and managing the use of new products and services by customers through the available channels.

Bank Asya delivers its Retail Banking products and services through its network of 250 retail branches via 630 retail marketing staff. Bank Asya has centralised its retail banking back-office functions, enabling Bank Asya's retail branches to focus on providing and marketing retail products and services to customers. Bank Asya is in the process of opening new regional offices to accelerate its credit allocations process and monitor customers more efficiently.

Alternative Distribution Channels

Mobile Banking. Bank Asya launched mobile banking services in October 2010. In September 2012, Bank Asya's market share of mobile banking users in Turkey reached 2.93 per cent. Customers can access Bank Asya's mobile banking services through cep.bankasya.com.tr, the Apple Store, the Blackberry Store, Google Play. Bank Asya's mobile platform allows customers to perform many transactions free of charge ranging from account activity viewing, money orders, EFTs, purchase or sell foreign exchange, or gold, card transactions, account transactions and mobile top ups. It also provides access to information relating to the stock exchange, products, nearest ATMs, branches and marketing campaigns. Bank Asya is in the process of providing customers with a quality WAP banking service in the form of applications for smart devices such as the iPhone, iPad, Android devices and other tablets. Bank Asya intends to have these applications ready for use by the end of 2013.

ATM Banking. Bank Asya's customers can execute various banking transactions and withdraw money 24 hours a day at Bank Asya ATMs. Bank Asya ATMs enable customers to deposit money in other customers' accounts and credit cards held with Bank Asya as well as between their own accounts and cards. In addition, customers are able to make bill payments, conduct money transfers and foreign exchange transactions. Bank Asya ATMs can also be used without cards (for cash deposit or bank transfers) or with cards such as the Asya Nalat Card, the AsyaCard and other prepaid cards. As at 31 December 2012, Bank Asya had 712 ATMs (compared to 492 ATMs as at 31 December 2011), located away from Bank Asya's branches. Bank Asya intends to increase the number of ATMs it has within Turkey to 1,000 as at 31 December 2013.

Telephone Banking. Approximately 3 million customers were contacted in 2012 by Bank Asya's telephone banking call centre (the **Call Centre**), which was launched in 2004. The number of transactions made through the Call Centre increased by 1 per cent. and reached 43,760 as at 31 December 2012 compared to the same period in 2011. Through the Call Centre, 843,356 banking products and 76,853 insurance policies were sold to Bank Asya's customers in 2011, generating over TRY21 million in premiums. The success ratio of the Credit Card Retention Unit (which refers to the percentage of credit card customers who had sought to cancel their credit cards but which were retained as credit card customers) was increased to 36.50 per cent. In 2012, customer satisfaction of the Call Centre was selected as the best in 2012 among Turkish competitors by ContactCenterWorld (which is the global association for contact centre best practices and networking) Awards. Bank Asya became the first bank in Europe to receive both the ISO 10002 certification for Customer Satisfaction Management and the EN 15838 Customer Contact Center Quality Management Certificate (an international standard for call centres with certain specified conditions) for its Call Centre at the same time.

On 23 January 2012, Bank Asya established its second Call Centre with IVR utilising functions such as automatic calling system (or auto-dialer) and real-time workforce response monitoring which helps increase Call Centre operational efficiency.

SMS Banking. Bank Asya offers a variety of services via SMS, ranging from PIN transactions and account inquiry to credit card applications and statement information. The number of SMS banking transactions increased from 417,791 in 2010 to 671,098 during 2011, corresponding to a 60 per cent. increase from 2010.

Online Banking. Visitors to Bank Asya's website totalled 16,721,444 (according to Webtrends) for the year ended 31 December 2011 and 20,846,132 (according to Google Analytics) for the year ended 31 December 2012. Bank Asya's online banking facility enables its customers to carry out banking services without the need to visit its branches. Bank Asya had 660,000 registered online banking users as at 31 December 2011 which increased to 794,000 as at 31 December 2012. In 2012, the online banking platform processed approximately 361,000 transactions a day. In addition, 55,953 credit card applications were received via SMS and online channels in 2012.

International Banking and Treasury Services

Overview

Bank Asya's international banking activities consist primarily of trade finance, international borrowing and export credit lending. Bank Asya issues letters of credit to finance the import activities of its customers. Bank Asya also issues letters of guarantee in favour of both domestic and foreign companies in the form of bid bonds, advance payments and performance bonds for international projects and payment guarantees for the purchase of goods. In addition, Bank Asya performs an intermediary role in foreign currency remittances from abroad as well as within Turkey. In 2011, Bank Asya transitioned from a branch-based to a transaction-based portfolio structure resulting in improvements in the speed, reliability and standard compliance in its foreign exchange transactions resulting in it receiving the STP Award from Citibank in that year.

Bank Asya is focused on gaining a larger market share in the trade finance business in Turkey. It also intends to expand its correspondent bank network by establishing new relationships with banks located in countries which are business and trade partners for Turkey.

Although Bank Asya's strategic plan is to primarily focus on organic growth opportunities domestically (including those resulting from the increased consumer demand for interest-free banking services and products), since the beginning of 2009, Bank Asya has supplemented its domestic growth through international expansion and geographic-specific strategic associations. This approach is illustrated by its strategic partnership agreement with the ICD, the establishment of a representative office in Mumbai, India and a foreign branch office in Erbil, Northern Iraq. Bank Asya is also in the process of identifying new opportunities to potentially expand its operations further and Bank Asya's strategy in the short to medium term will be to seek international expansion opportunities in the Balkan Region and the Commonwealth of Independent States countries. Bank Asya's strategy for international expansion focuses on locations where Bank Asya's customers have direct foreign trade and business relationships and which are key financial and industrial locations for Turkish businesses. Such an approach is aimed at capturing trade finance opportunities.

The following table sets out Bank Asya's total income from financing activities for International Banking and Treasury Services (based on BRSA Accounts).

Period ended	International Banking and Treasury Services
	(Thousands of TRY)
30 June 2012	31,697
30 June 2011	25,466
31 December 2011	62,088
31 December 2010	55,653

Bank Asya's foreign trade transaction volume for the period ended 30 June 2012 totalled U.S.$12.622 billion which comprises U.S.$2.131 billion in imports, U.S.$1.457 billion in exports, U.S.$8.857 billion in other transfers and U.S.$177 million in guarantees. Foreign trade transaction volume for the period ended 30 June 2011 reached U.S.$10.695 billion comprising U.S.$2.275 billion in imports, U.S.$1.404 billion in exports, U.S.$6.675 billion by other transfers and U.S.$341 million in guarantees. Bank Asya's foreign trade transaction volume in 2011 totalled U.S.$21.111 billion which comprises U.S.$4.097 billion in imports, U.S.$2.947 billion in exports, U.S.$13.497 billion in other transfers and U.S.$570 million in guarantees. In addition, foreign trade transaction volume in 2012 reached U.S.$25.810 billion comprising U.S.$4.199 billion in imports, U.S.$3.123 billion in exports, U.S.$18.110 billion by other transfers and U.S.$378 million in guarantees.

International Banking Department

The International Banking Department manages Bank Asya's foreign trade finance, international fund raising activities and correspondent banking relationships. The department also sets Bank Asya's credit limits for transacting with other financial institutions. The department offers complementary services that support the clients' international trade and business activities. To achieve this, the department plans to expand relationships between Bank Asya and financial institutions and corporates worldwide, strengthen the market share of Bank Asya in foreign trade business and closely monitor the global economic recovery.

In addition to serving public institutions and large-scale companies, Bank Asya offers various loan facilities to smaller companies in an effort to diversify Bank Asya's loan portfolio and support smaller companies seeking access to international markets.

To cater for the worldwide needs of both its corporate, commercial and SME customers, Bank Asya's International Banking Department offers customers a wide range of services, including international payments, international documentary credits, letters of guarantee and other services involving international counterparties. To help provide these services, Bank Asya had established relationships with more than 1,400 correspondent banks in 110 countries as at 31 December 2011. Bank Asya also has affiliate banks in Senegal, Niger, Guinea and Mauritania, a foreign branch in Erbil, Northern Iraq and a representative office in Mumbai, India (see "*Description of Bank Asya—Group Structure, Subsidiaries and Strategic Relationships*").

After a period of significantly increasing the number of correspondent banks, Bank Asya's primary goal is to leverage and strengthen those relationships as well as adding new correspondent banks in regions where it believes it can capture trade flows and leverage Bank Asya's trade finance experience. Bank Asya's international correspondent banks include several of the largest global financial institutions and almost all local banks in the Gulf Cooperation Council.

In addition to financing through structured finance transactions, syndicated loans and bilateral loans from institutional banks, the International Banking Department has been able to secure long-term financing to support companies, SMEs as well as various projects through export credit agencies such as Finnvera Group, The Office national du ducroire/Nationale Delcrederedienst (ONDD) and The Export-Import Bank of the United States (US Ex-Im). The department also offers trade finance related foreign exchange and Turkish lira clearing services.

Furthermore, Bank Asya offers Turkish corporates and SMEs instruments originated by IDB (such as lines of financing and two step *murabaha* facilities) which are distributed through Bank Asya's branches to its corporate and SME customers in Turkey.

Treasury Department

The Treasury Department is responsible for managing Bank Asya's funding and liquidity requirements based on the decisions made in the Assets and Liabilities Committee (**ALCO**) meetings. The department also manages Bank Asya's risk profile, asset or liability maturity mismatches and foreign exchange trading.

The Treasury Department's main activity is money market and currency trading. It closely monitors the Turkish economy and Turkey's monetary and fiscal policies as well as developments in the global economy and emerging markets. All developments are presented to the ALCO on a daily basis as well as via weekly, monthly and annual reports. In addition, the Treasury Department carries out limited proprietary trading activities in currencies as well as gold through intra-day and overnight positions. Bank Asya is active in pricing U.S. dollar/Turkish lira and Euro/U.S. dollar exchange rates. For the year ended 31 December 2011, Bank Asya's total foreign exchange trade volume was U.S.$39.8 billion and U.S.$32.5 billion for the six month period ended 30 June 2012.

The Treasury Department is also responsible for the marketing of treasury products that Bank Asya offers to its customers; including currency spot trading and precious metals trading. Bank Asya has also entered into a number of *murabaha*-based agreements with international counterparties. For the year ended 31 December 2011, Bank Asya's total *murabaha* transactions volume amounted to U.S.$1.100 billion and U.S.$503 million for the six month period ended 30 June 2012. Bank Asya's total foreign exchange transactions increased by 6 per cent. in 2011.

Bank Asya's Treasury Department has also increased its treasury marketing activities by offering its customers the use of electronic foreign exchange trading systems. As a result, the volume of foreign exchange transactions increased, resulting in increased profitability from foreign exchange transactions for Bank Asya.

By increasing its gold deposits and gold transactions in response to surging customer demand, Bank Asya recorded significant income growth from transactions involving gold. For the year ended 31 December 2011, Bank Asya received TRY0.264 billion from gold transactions compared to TRY1.310 billion for the year ended 31 December 2012 and received TRY1.140 billion for the six month period ended 30 June 2012 compared to TRY0.952 billion for the six month period ended 30 June 2011. Bank Asya's gold account reserves increased to 9,948 kilograms as at 31 December 2011 from 1,745 kilograms as at 31 December 2010 (a 470 per cent. increase).

Group Structure, Subsidiaries and Strategic Relationships

Bank Asya is headquartered in Istanbul, Turkey. Bank Asya is the parent company of the group, which as at 30 September 2012, consists of eight majority-owned operating subsidiaries, one non-operating company and strategic stakes in affiliated companies. The following table sets out Bank Asya's subsidiaries and affiliates, location and Bank Asya's ownership as at 30 September 2012.

Company Name (Year of incorporation)	Affiliated Company / Subsidiary	Field of Activity	Paid-up Capital	Address (City/ Country)	Bank Asya's Ownership Share (%)
Asya Emeklilik ve Hayat A.Ş. (2011)...	Subsidiary	Private Pension Plans and Insurance Operations	TRY20,000,000	Istanbul / Turkey	97.99
Asya Kart Teknoloji Hizmetleri A.Ş. (2007)...	Subsidiary	All types of Chip Cards and Magnetic / Optic reader Card Systems	TRY100,000	Istanbul / Turkey	99.75
Nil Yönetim Hizmetleri Emlak Turizm Sanayi ve Ticaret A.Ş. (1997)..........	Subsidiary	Real Estate Management	TRY55,500,000	Ankara / Turkey	99.93
Asyafin Sigorta Ara. Ltd. Şti. (1997)....	Subsidiary	Insurance / Brokerage	TRY10,000	Istanbul / Turkey	95.00
Işık Sigorta A.Ş. (1996)	Subsidiary	Insurance	TRY60,000,000	Istanbul / Turkey	67.52
Tamweel Africa Holdings S.A. (2009)[1]	Affiliate	Financial Services	EUR21,707,902	Dakar / Senegal	40.00
Tuna Gayrimenkul Yatırım Ortaklığı A.Ş. (1999)......................................	Subsidiary	Real Estate and Project Development	TRY100,000,000	Istanbul / Turkey	22.94
Yeni Mağazacılık A.Ş. (2008)..............	Affiliate	Retail Store	TRY104,000,000	Istanbul / Turkey	21.84
Landmark Supply Holding A.Ş. (2008)	Affiliate	Retail Store	TRY22,565,000	Istanbul / Turkey	21.84
Kredi Garanti Fonu A.Ş. (1991)	Affiliate	Fund Allocation to the SME's for Loan Guarantee Purposes	TRY240,000,000	Ankara / Turkey	1.67
Asya Menkul Değerler A.Ş. (2012).......	Subsidiary	Brokerage / Investment Advisory	TRY10,000,000	Istanbul / Turkey	100
Asya Varlık Kiralama A.Ş. (2012)	Subsidiary	Sukuk Issuance	TRY50,000	Istanbul / Turkey	100

(1) *Bank Asya made a payment of TRY21.55 million on 4 February 2010 and became a 40 per cent. shareholder in Tamweel Africa Holdings S.A. Bank Asya participated in capital increases on 8 June 2010, 3 October 2011 and 8 March 2012 with contributions of TRY9.08 million, TRY4.90 million and TRY10.88 million, respectively. As at the date of this Prospectus, the capital registry processes have not yet been finalised.*

Key Subsidiaries

Işık Sigorta A.Ş.

Işık Sigorta A.Ş. (**Işık Sigorta**) was incorporated in 1996 as a joint stock company under the Turkish Commercial Code and its registered address is Saray Mahallesi Dr. Adnan Büyükdeniz Caddesi No: 10 34768 Ümraniye, Istanbul, Turkey. Işık Sigorta operates in various insurance and reinsurance sectors (including motor vehicle insurance, insurance for premises, marine cargo insurance, travel insurance etc.) excluding life insurance. Işık Sigorta was one of the first Turkish insurance companies to set up an online system to connect directly with its agents. This system allows the company to underwrite transactions. In line with Bank Asya's strategy, Işık Sigorta has adopted a customer focused organisational structure that makes use of an advanced data processing network and an experienced workforce in order to provide better insurance consultancy services to its customers.

In terms of reinsurance, the company's reinsurance capacities are obtained through automatic reinsurance agreements with reinsurance companies certified by international rating agencies and with whom Işık Sigorta has established relationships. In particular, Işık Sigorta works closely with Milli Reinsurance, which is the biggest reinsurance company in Turkey. These reinsurance companies provide annual reinsurance capacity for fire, cargo, engineering, general accident, motor vehicle damage, compulsory and voluntary third party liability, financial risks and various other types of liability coverage.

Işık Sigorta conducts its operations through its regional departments located in Marmara, Ankara, Izmir, Adana, and Antalya, regional representative offices in Bursa and Trabzon, more than 400 authorised agents across the country, and the branches of Bank Asya, Albaraka Türk and Türkiye Finans. As at 31 December 2011, the company had 155 personnel.

Işık Sigorta's net profit for the year ended 31 December 2011 was TRY5.79 million which accounted for 3.01 per cent. of Bank Asya's consolidated financial statements for the same period. As at the date of this Prospectus, Bank Asya holds 67.52 per cent. of Işık Sigorta and the remaining 32.48 per cent. is held by a number of individuals.

Key Affiliates

Kredi Garanti Fonu A.Ş.

Kredi Garanti Fonu A.Ş. (**KGF**) was established in 1991 and signed a cooperation agreement with Bank Asya in February 2006. As at 31 December 2011, Bank Asya held 1.67 per cent. of shares in KGF and 1.75 per cent. as at 31 December 2012. The main objective of KGF is supporting SMEs by providing a guarantee for their financing and consequently increasing their general credit usage.

Tamweel S.A.

Tamweel S.A. was established on 9 June 2009 by the ICD and is registered in Senegal. Its office is headquartered in 66 rue Carnot, 5ème Etage Résidence Diouma Léna, Dakar. In October 2009 the ICD and Bank Asya entered into a strategic cooperation agreement whereby Bank Asya acquired 40 per cent. of Tamweel S.A. (at a value of 15 million Euros) with the remaining 60 per cent. of the company's shares owned by the ICD. The investment in Tamweel S.A. is key to Bank Asya's international operations as it will provide further international business growth opportunities to Bank Asya. As at 30 September 2012, Tamweel S.A had the following interests in the financial institutions set out below:

Name	Holding by Tamweel S.A.	Bank Asya's indirect holding
Islamic Bank of Niger	50.05%	20.02%
Islamic Bank of Senegal	68.77%	27.50%
Islamic Bank of Guinea	50.01%	20.00%
Islamic Bank of Mauritania	99.99%	39.99%

Competition

The BRSA divides private commercial banks in Turkey into three groups: large private banks (with a bank-only asset size of more than TRY20 billion), medium sized private banks (with a bank-only asset size between TRY1 billion and TRY20 billion) and small private banks (with a bank-only asset size less than TRY1 billion).

As at 30 November 2012, and according to data published by the BRSA, Bank Asya's total assets accounted for approximately a third of the Turkish participation banking sector's total assets. The Turkish participation banking sector's total assets constituted 5.2 per cent. of total Turkish banking sector assets as of 30 November 2012 (source: *BRSA*). Bank Asya ranked 13th among all banks (conventional and participation) in Turkey in terms of bank-only assets (with a market share of 1.5 per cent.) and 12th in terms of cash loans (with a market share of 2 per cent.), 10th in terms of non-cash loans (with a market share of 3.5 per cent.) and 11th in terms of depositors (with a market share of 1.89 per cent.) as at 30 September 2012.

Bank Asya faces competition primarily from large and medium-sized private banks operating in Turkey. Although these banks are not participation banks, Bank Asya, which has a market share in assets of approximately 1.6 per cent., considers its main competitors to be Garanti Bank, Yapı Kredi and Denizbank each of which, as at 30 June 2012 and according to BRSA data, has a market share in assets of 12.0 per cent., 11.0 per cent. and 2.9 per cent., respectively, on the basis that these banks provide similar products to those of Bank Asya. The principal basis for such competition is the focus of each of these banks on corporate and SME banking activities and trade finance. In addition, although Bank Asya provides innovative interest-free solutions to general products offered by it, there is competition in Turkey for housing loans and the granting of credit cards.

Although the banking industry in Turkey is highly competitive, Bank Asya believes that it is well positioned to compete due to its market position as the largest participation bank in Turkey's growing interest-free banking market and its focus on branch network and customer deposit expansion.

Information Technology

Bank Asya IT group is made up of five departments:

1. *System Development Department*: which is responsible for system analyses and software testing.
2. *Software Development Department*: which is responsible for developing banking software and all other in-house information technology applications as well as systems integration with the third party applications.
3. *System Operations Department*: which is responsible for management of network and hardware infrastructure as well as day to day IT operations and IT helpdesk.
4. *Information Technology Project Management Department*: which is responsible for project management, IT risk management and information security management.
5. *Card Technologies Department*: which is responsible for development of card and ATM applications.

Bank Asya has established an Information Technologies Strategy and Steering Committee which meets periodically to develop IT strategies in order to align plans in line with business targets. The Committee is also responsible for preparing IT budgets and monitoring IT activities and implementations. The committee is made up of the heads of each of the five divisions, the Executive Vice President for IT and the CEO.

Bank Asya focuses its IT investments on infrastructure initiatives, process improvements, alternative distribution channels enhancements, and launches of innovative products in card-based payment systems. The Information Technologies Group ensures quick and error-free management of company operations with more than 250 specialist employees while contributing to Bank Asya's vision and profitability with its innovative initiatives.

The overall budget for IT in 2012 was TRY40 million.

Bank Asya's capabilities for developing and using technology have been instrumental for its business growth in the recent years. Bank Asya has created a new IT Business Model called "IT Factory" which is an alternative business model which was recognised by Hewlett-Packard as the best business optimisation project in the Middle East, Mediterranean and Africa region in 2010. The CIO of Bank Asya was named one of the Best CIOs of 2010 by CIO Magazine.

Bank Asya's IT production environment, which is located in Istanbul, is supported by a disaster recovery system in a disaster recovery centre managed by IBM, located in Izmir, approximately 400 kilometres from Istanbul. In a disaster recovery situation, the disaster recovery system would serve as Bank Asya's production system, using the latest available data through digital lines. System tests and banking application tests at the disaster recovery centre are carried out at least once a year. There has been no reported attack to the main system (including identity theft) in the last three years. Bank Asya is the first Turkish company to have been certified for "BS 25999 Business Continuity Management System" by the British Standards Institute.

An IT audit based on Control Objectives for Information and related Technology (**COBIT**) control objectives is carried out every two years. The purpose of this audit is to make sure that Bank Asya's IT processes have appropriate controls to fulfil requirements of COBIT control objectives. These audits are required by the BRSA and audit results are reported to the BRSA by the independent auditing firm.

Intellectual Property

Bank Asya's operations are not, to any significant extent (other than for the purposes of brand recognition and value), dependent on any specific intellectual property rights. Bank Asya 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. Bank Asya owns a number of trademarks in Turkey, including those relating to the "AsyaCard", "Mobil Dit", "Dit Pratik", "Coban Yildizi", "AsyaAssist", "Asya Nakit" and "AsyaCard DIT" brands. In addition, Bank Asya licences the "Visa®" mark from Visa International Service Association and the "MasterCard®", "Maestro®" and "Cirrus®" marks from MasterCard International Incorporated.

Insurance

Bank Asya maintains adequate 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. Bank Asya'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 professional liability insurance cover employees in co-ordination with the Risk Management Department. Bank Asya maintains earthquake insurance as part of its property insurance. Real estate, mortgages and other credit collateral are insured as well as Bank Asya's assets. As at the date of this Prospectus, Bank Asya has no material insurance claims with its insurance companies which are outstanding. Bank Asya has also not experienced any material disputes with its insurance companies in respect of insurance claims which Bank Asya has made.

Employees

As at 31 December 2012, Bank Asya employed 5,064 full-time employees. As at 31 December 2012, the average age of Bank Asya's employees was approximately 31 years and approximately 74 per cent. of Bank Asya's professional staff were university graduates.

The following table sets forth the average number of employees of Bank Asya and under each subsidiary for the periods indicated.

	As at 31 December		
	2012	**2011**	**2010**
Bank Asya	5,064	4,542	4,266
Işık Sigorta A.Ş.	153	162	177
Tuna Gayrimenkul Yatırım Ortaklığı A.Ş.	23	18	8
Asyafin Sigorta Aracılık Hizmetleri Ltd. Şti	—	—	—
Asya Emeklilik ve Hayat A.Ş.	77	24	—
Total	**5,317**	**4,746**	**4,451**

Training

Bank Asya believes that its interests are aligned with the interests of its employees in terms of training and career development. Accordingly, Bank Asya established a training programme in 2008 aimed at enhancing Bank Asya's service quality, business processes, competitive strengths and financial performance by improving the knowledge and skill levels of its employees. The fundamental goals of Bank Asya's training process are to increase employee productivity, increase professional and personal development, and equip employees with the knowledge and skills to advance their careers further at Bank Asya. Bank Asya's training and career development strategy for its personnel takes into account its growth plans and its requirements for new qualified employees.

Compensation

Bank Asya's strategy is to offer its employees a comprehensive and competitive compensation package. Bank Asya's compensation and health benefits unit (**Compensation and Health Benefits Unit**) is responsible for handling matters pertaining to employee salaries and benefits (described below). In 2008 the Compensation and Health Benefits Unit undertook a review of Bank Asya's compensation packages and accordingly Bank Asya introduced a salary scale system based on and linked to established job descriptions. In addition to their base salaries, Bank Asya may also pay employees quarterly bonuses based on the amount of the salary and a one-time performance bonus at the end of the year. To promote the learning of a foreign language and increase productivity in the workplace, Bank Asya gives a foreign language bonus to those employees who can speak English, French, or German. More than one bonus applies to those that can speak more than one of these languages.

In addition, Bank Asya offers its employees a selection of other benefits based on their seniority, including car allowances, cell phone allowances, clothing, education, and other social contributions relating to health, marriage, birth and death. Bank Asya also provides lunch to all its employees and transportation for employees at its main offices. Transportation and lunch costs are covered for those employees that work at branch locations.

Loan Portfolio

Credit Approval Policies and Procedures

Bank Asya operates a comprehensive centralised approach in relation to credit applications, with the ultimate approval authorities resting with credit committees and the Board. Authority for extending new loans is delegated across different hierarchical levels within Bank Asya and is dependent upon a number of factors including the internal rating of the customer, the amount of the proposed loan and the type of collateral available. Every retail and corporate credit product is supported by defined policy guidelines, credit appraisal, approval, monitoring and administration and other credit risk management processes. Bank Asya's approval process is based on the Banking Law and internal procedures established and approved by the Board. The main objectives of Bank Asya's lending policies are:

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

In accordance with the Banking Law and Bank Asya's internal policy, Bank Asya has implemented a defined process of delegation of lending powers duly approved by the Board. Bank Asya believes this tiered hierarchy of delegated approval assists in effectively controlling its credit exposure to individual counterparties or groups of counterparties. 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.

Retail Loans Allocation Department

The Retail Loans Allocation Department (**RLAD**) is responsible for the credit approval process of Bank Asya's retail credits. If the credit limit of applicants exceeds the branch's authority or conflicts with Bank Asya's retail credit policy, applications are sent to the RLAD. After the RLAD finalises the credit evaluation process, any credit files over TRY200,000 are presented to the relevant committee to assess credit limits.

Branches are authorised to grant home loans and car loans (only for new cars) where the customer has a high application score and the financing amount is not more than TRY200,000 (in the case of home loans) and TRY50,000 (in the case of car loans).

The table below sets out the maximum limits in Turkish lira allocated to each score distribution and product types.

	Branch's Retail Authorisation (TRY)(1)		
	Individuals		
Score Distribution	Home Loans	Car Loans	Consumer Loans(2)
0-770(2)	—	—	—
770-high	200,000	50,000	—

(1) *The maximum limit that can be granted for loans.*

(2) *Branches have no authority and must revert to the RLAD for approvals.*

Each application is reviewed in the first instance by the branch receiving the relevant application. Applications are automatically assessed by the Asyanet decision support model. The system calculates the applicant's credit score using an application scorecard model, collects data from the CBT; 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 five years of the applicants' credit history; and SABAS (the centralised fraud information system).

As part of the review process, Bank Asya 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, Bank Asya 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 SSK system. Finally, applications pass through a decision tree model. The decision tree model, including scorecard cut-off values, returns approve, decline or review suggestions in line with Bank Asya's policies.

For both mortgages and car loans, Bank Asya requests full security over the relevant asset being financed. Consumer loans have a maximum maturity of 36 months, with an average maturity of 18 months. For consumer credits granted in 2011, the average limit was approximately TRY9 million.

For mortgages, Bank Asya imposes a credit limit of 75 per cent. of the value of the asset being mortgaged. The average LTV for mortgages for loans granted in 2010 and 2011 was 75 per cent. and 59.65 per cent., respectively. Bank Asya imposes no limit on credit value and the total size of Bank Asya's mortgages as at 31 December 2011 was TRY1.51 billion.

For car loans, although Bank Asya imposes a credit limit of 80 per cent. of the value of the vehicle, the LTV is allowed to reach 100 per cent. in limited circumstances. The average LTV for car loans granted in 2010 and 2011 was 80 per cent. and 80 per cent., respectively. There is no limit to the credit value and the total size of Bank Asya's car loans in 2011 was TRY110.56 million.

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

Credit Cards

The Credit Cards Approval Division is responsible for the assessment of credit card applications by individuals. Credit card applications are made either through the branch or alternative channels, such as the internet. Information about the applicant's identity is checked by the KPS (identity sharing) system. Verification of the information is carried out by Bank Asya's Inquiry Group at Bank Asya's centralised operation centre and the relevant data is then entered into an automated evaluation system. Applications are subject to automatic evaluation by the decision support model (in Asyanet). If the applicant is an existing Bank Asya customer, the delinquency status of his or her credit products (such as credit cards and loans) are checked. For all applicants, a KKB inquiry is made to check the applicant's credit card, individual loan products usage and payment performance with other banks. An application score is then calculated using the credit card scoring model. If the score is above a certain threshold, applications pass through to the next stage of the decision process. Otherwise applications are rejected by the system. In addition, if an applicant is above the second threshold, they can be approved automatically. In some cases the decision process requires verification of the applicant's occupation, length of employment and monthly net income by the Credit Card Operations Group. The decision process returns automatic approval or decline decisions and sends the remaining applications for final manual evaluation by the Credit Card Approval Group.

Corporate and Commercial Loans Allocation Department

The Corporate and Commercial Loans Allocation Department (**CCLD**) consists of five teams which are responsible for assessing credit applications submitted by corporate and commercial branches: the Financial Analysis Department, the District Office, the Credit Allocation Department, the Marketing Departments and Credit Committees, which are all involved in the credit approval process. Within the current policies of Bank Asya, credit limits are classified in three main categories: Branch Limits, District Limits and Authorised Limits (Head Office Limits). Procedures are determined based on the amount of the credit requested by the customer. If the total amount requested exceeds the Branch Limit and the District Limit then the credit is subject to Authorised Limits which are reviewed at the head office.

All applications for commercial and corporate credits are initially submitted to a local Bank Asya branch. The branches make the preliminary examination and determine reliability of the client. Relevant documents are obtained from the client and the client is defined in Bank Asya's database.

In addition, a credit file is prepared for each client which is completed by the branch marketing personnel and assesses the overall risks related to the project, the borrower and the related industry. This credit file is sent to the Financial Analysis Department at the head office for review.

The Financial Analysis Department prepares a detailed report, which indicates the financial position and the main weaknesses and strengths of the client. Internal rating results are also attached to the report with the analysts' comments and sent back to the branch. The branch evaluates the report and decides whether to commence the credit process or not. If the branch's decision is positive, it follows the standard credit approval process. In case of a credit proposal that is subject to Authorised Limits the process continues with the approval of the head office marketing department and the proposal is submitted to the Head Office Credit Allocation Department. The Credit Allocation Department analyses and submits the credit file proposal to the Head Office Sub-Credit Committee (all credit proposals are discussed at the Head Office Sub-Credit Committee). If the decision is positive, the proposal is submitted to the related credit committee and that committee notifies the branch about the status of the proposal when the decision is made. The majority of branches are under the authority of district head offices. These branches firstly submit proposals to the relevant district offices depending on the amount requested.

All credit limits and conditions are established by the Board. Authorisation limits for branch and district managers are summarised in the table below.

Branch Limits	**(TRY)**
For cash and non-cash	200,000

District Limits	**(TRY)**
For cash loans	5,000,000
For non-cash loans	5,000,000

SME Loans Allocation Department

The SME Loans Allocation Department (**SLAD**) is responsible for the credit allocation and monitoring functions for SMEs. The credit application process begins at the branch level, similar to the corporate and commercial loans approval process. However the process continues to different levels depending on the authorisation limit.

For SME loans, Bank Asya utilises an automated system called "Auto-Reject" where applications within branch limits are first refined. If an application is not rejected by Auto Reject the application is then evaluated in terms of firm operations and collateral to be received or currently held by the branch and final acceptance or rejection is given by the branch. If an application is rejected by Auto Reject and the branch still wishes to continue the process, it sends the relevant documents to SLAD for consideration. Otherwise the process is terminated and the application rejected.

If a credit application is not within the branch authorisation limits, then a financial analysis report is prepared by branch and an intelligence report is prepared by the regional department or head office depending on the authorisation limit and the proposed collateral. The final credit decision is given by regional department or the SME loans department.

The authorisation limits for the branch, regional department and SME loans department are summarised below:

a) Cash Loans Authorisation limits (TRY) based on collateral taken

	Collateral(1)			
	Group I	**Group II**	**Group III**	**Group IV**
Branch authorisation	150,000	150,000(2)	—	—
Regional authorisation department	5,000,000(3)	5,000,000(3)	5,000,000(3)	5,000,000(3)

(1) *Collateral groups are defined on page 109.*

(2) *Valid only if pledge is present.*

(3) *Bailment is possible up to TRY250,000*

b) Non-Cash Loans Authorisation limits (TRY) based on collateral taken

	Collateral[(1)]			
	Group I	Group II	Group III	Group IV
Branch authorisation..........	150,000	150,000	—	—
Regional authorisation department.....................	5,000,000[(1)]	5,000,000[(1)]	5,000,000[(1)]	5,000,000[(1)]

(1) *Bailment is possible up to TRY500,000*

Loan Provisions

NPLs, as a percentage of total cash loans, decreased to 4.95 per cent. as at 31 December 2011 compared to 5.86 per cent. as at 31 December 2010. NPLs, as a percentage of total cash loans, were 5.44 per cent. as at 30 June 2012 compared to 5.35 per cent. as at 30 June 2011. NPLs, as a percentage of total cash and non cash loans, were 3.73 per cent. as at 30 June 2012 compared to 3.27 per cent. as at 30 June 2011. NPLs, as a percentage of total cash and non cash loans, were 3.20 per cent. as at 31 December 2011 compared to 3.41 per cent. as at 31 December 2010.

The table below sets out an analysis of Bank Asya's provisions for cash loans in arrears for the periods indicated.

	As at 31 December		As at 30 June	
	2011	2010	2012	2011
	(TRY thousands, except ratios)			
Balance at the beginning of year..........................	640,751	524,444	640,724	640,751
Additions in the current year	210,756	260,853	174,498	38,116
Recoveries..	(44,326)	(80,968)	(42,646)	(23,873)
Write-offs..	(166,457)	(63,578)	(60,982)	(75,474)
Impairment allowance	640,724	640,751	711,594	579,520
NPL ratio	4.95%	5.86%	5.44%	5.35%

The quality of Bank Asya's loan portfolio in each of its business divisions is set forth below.

	As at 31 December 2011 *(Thousands of TRY)*				As at 31 December 2010 *(Thousands of TRY)*			
	Neither past due nor impaired	Past due, not impaired[(1)(3)]	Individually impaired	Total	Neither past due nor impaired	Past due, not impaired[(2)(3)]	Individually impaired	Total
Loans								
Corporate and Commercial lending	5,488,048	345,072	317,612	6,150,732	4,794,743	347,573	259,516	5,401,832
SME lending........	3,881,933	487,785	261,975	4,631,693	3,467,710	298,383	282,945	4,049,038
Consumer lending	1,616,278	13,240	7,009	1,636,527	913,669	16,660	6,790	937,119
Credit cards	929,635	7,700	57,778	995,113	723,690	30,147	97,174	851,011
Leasing.................	296,367	1,384	36,352	334,103	105,151	320	19,412	124,883
Total........................	12,212,261	855,181	680,726	13,748,168	10,004,963	693,083	665,837	11,363,883

(1) *The Group has allocated loans amounting to TRY600,393 thousand to the close monitoring category based on a conservative approach even though no delay in repayment has occurred (Finance Leasing: TRY1,384 thousand).*

(2) *The Group has allocated loans amounting to TRY404,037 thousand to the close monitoring category based on a conservative approach even though no delay in repayment has occurred (Finance Leasing: TRY39 thousand).*

(3) *The "past due, not impaired" column indicates loans and lease receivables which are less than 90 days overdue*

	As at 30 June 2012 (Thousands of TRY)				As at 30 June 2011 (Thousands of TRY)			
	Neither past due nor impaired	Past due, not impaired(1)(3)	Individually impaired	Total	Neither past due nor impaired	Past due, not impaired(2)(3)	Individually impaired	Total
Loans								
Corporate and Commercial lending	6,153,412	524,852	364,563	7,042,827	4,779,771	423,014	268,087	5,470,872
SME lending........	4,112,955	326,507	405,786	4,845,248	3,880,020	477,946	287,457	4,645,423
Consumer lending	1,839,543	17,657	6,717	1,863,917	1,275,486	16,950	8,426	1,300,862
Credit cards	1,309,200	9,809	55,721	1,374,730	795,354	12,427	91,671	899,452
Leasing................	283,240	2,021	5,144	290,405	131,846	1,763	10,792	144,401
Total	13,698,350	880,846	837,931	15,417,127	10,862,477	932,100	666,433	12,461,010

(1) *The Group has allocated loans amounting to TRY234,378 thousand to the close monitoring category based on a conservative approach even though no delay in repayment has occurred as at the balance sheet date (Finance Leasing: TRY1,935 thousand).*

(2) *The Group has allocated loans amounting to TRY702,155 thousand to the close monitoring category based on a conservative approach even though no delay in repayment has occurred (Finance Leasing: TRY1,011 thousand).*

(3) The "past due, not impaired" column indicates loans and lease receivables which are less than 90 days overdue.

As at 31 December 2011, loans past due but not impaired amounted to TRY855.18 million compared to TRY693.08 million as at 31 December 2010. As at 30 June 2012, the total amount of loans past due but not impaired was TRY880.85 million compared to TRY932.10 million over the same period in 2011. Bank Asya does not recognise these as individual impairment on the basis that there is no substantial risk regarding the recoverability as most of Bank Asya's loan portfolio is collateralised.

The table below further sets out the aging analysis of the portfolio of loans remaining less than 90 days overdue.

	As at 31 December 2011 (Thousands of TRY)				As at 31 December 2010 (Thousands of TRY)			
	Less than 30 days	31-61 days	61-90 days	Total	Less than 30 days	31-60 days	61-90 days	Total
Loans and Leasing receivables								
Corporate and Commercial lending	263,760	60,907	20,405	345,072	251,538	31,473	64,562	347,573
SME lending........	363,869	49,104	74,812	487,785	162,992	42,757	92,634	298,383
Consumer lending	2,126	6,729	4,385	13,240	914	9,352	6,394	16,660
Credit cards	1,730	5,970	—	7,700	405	21,263	8,479	30,147
Leasing................	1,384	—	—	1,384	33	2	285	320
Total	632,869	122,710	99,602	855,181	415,882	104,847	172,354	693,083

	As at 30 June 2012 (Thousands of TRY)				As at 30 June 2011 (Thousands of TRY)			
	Less than 30 days	31-61 days	61-90 days	Total	Less than 30 days	31-60 days	61-90 days	Total
Loans and Leasing receivables								
Corporate and Commercial lending	388,986	66,691	69,175	524,852	367,886	26,718	28,410	423,014
SME lending........	229,622	102,743	(5,858)	326,507	331,740	37,450	108,756	477,946
Consumer lending	2,961	10,623	4,073	17,657	2,402	10,134	4,414	16,950
Credit cards	1,334	8,475	—	9,809	—	4,600	7,827	12,427
Leasing................	566	543	912	2,021	1,011	16	736	1,763
Total	623,469	189,075	68,301	880,845	703,039	78,918	150,143	932,100

Collateral

The following table sets out the type of collateral, which is classified into four separate groups by the BRSA, typically taken by the Group:

	Group I	Group II	Group III	Group IV
Collateral	● Cash ● Treasury bonds ● Letters of guarantee ● Gold pledge ● Bank guaranteed policies	● Assignment ● Real estate pledge ● Confirmed assignment of letter of credit (**L/C**) ● Stock (IMKB30) index[(1)] ● Private sector bonds ● Bailment of credit guarantee fund	● Export documents based on bill of lading ● Customer cheques ● Customer bonds ● Taxi pledge-this is a licence plate pledge taken from customers who have commercial taxis	● Car pledge ● Enterprise pledge ● L/C (unloaded) ● Not accounted assignment ● Mine pledge ● Commodity pledge ● Stock (not issued on ISE) ● Brand pledge ● Other export documents ● Maritime pledge ● Aircraft pledge ● Commercial bus line and plate pledge

(1) *The index consists of 30 stocks which are selected among the stocks of companies listed on the National Market and the stocks of real estate investment trusts and venture capital investment trusts listed on the Corporate Products Market.*

The following table sets out the amount of collateral taken, measured by its fair value, by Bank Asya as at 31 December 2011 for each of the groups:

Classification-Group	Amount in TRY (thousands)
Group I	310,676
Group II	7,173,653
Group III	915,062
Group IV	10,377,179

In 2010 a new collateral rating system (using an analytical hierarchical method) was implemented for all companies with risk exposure equal to or greater than TRY2 million and also based on the companies' ratings. Bank Asya's credit policy provides guidelines to credit officers in respect of the appropriate level of collateral to support credit exposure, the ratio of collateral value to the loan to be granted and the threshold levels for top-up of collateral security. Collateral where expert reports are required (such as for real estate) is controlled by the Credit Operations Department. Bank Asya obtains insurance against collateral (at the borrower's cost) which is undertaken by branches under the control of the Credit Operations Department (the department responsible for, amongst other things, the payment of loans). For any collateral taken, Bank Asya works with independent appraisers who have been accredited and are licensed from the Capital Market Board of Turkey to obtain appraisals.

Bank Asya generally has a first charge over collateral in 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 and personal guarantees and similar items. Bank Asya may consider other forms of collateral on a case-by-case basis when supported by acceptable business reasons. Bank Asya generally obtains security with a minimum value of 100 per cent. of the approved credit facility. Collateral exceptions are reviewed and sanctioned by the Board or the relevant credit committee in exceptional cases with respect to clients who have high creditworthiness.

Enforcement procedures with respect to collateral taken by Bank Asya can on average take between two to six months to be realised by Bank Asya depending on the type of collateral taken and the enforcement procedures necessary under applicable law.

As at 31 December 2011, Bank Asya's total exposure on its cash loans was TRY13.11 billion and on its non-cash loans was TRY13.56 billion, totalling TRY26.67 billion. As at 31 December 2010, Bank Asya's total exposure on its cash loans was TRY10.72 billion and on its non-cash loans was TRY11.99 billion, totalling TRY22.71 billion. As at 30 June 2012, Bank Asya's total exposure on its cash loans was TRY14.71 billion and on its non-cash loans was TRY13.29 billion, totalling

TRY28.00 billion. As at 30 June 2011, Bank Asya's total exposure on its cash loans was TRY11.88 billion and on its non-cash loans was TRY9.43 billion, totalling TRY21.31 billion.

Approximately all of its exposure was, however, collateralised with the quality of the underlying collateral periodically monitored and assessed.

Credit Classification and Provisioning Policy

Bank Asya's Senior Management is responsible for establishing allowances and provisions in relation to Bank Asya's credit portfolio. In order to establish adequate allowances and provisions, Bank Asya classifies credits by their perceived risk criteria in accordance with BRSA requirements and the provisioning guidelines under the Banking Law as follows:

- **Group I—Loans of a Standard Nature and Other Receivables (Group I Loans):** this group includes loans and other receivables showing no signs of weakness or deterioration.
- **Group II—Loans and Other Receivables Under Close Monitoring (Watchlist) (Group II Loans)**: this group includes loans and other receivables which do not presently show any problems in terms of principal and/or profit payments but which require close monitoring, for example because of negative trends in the debtor's payment capability or cash flow positions or where repayment is highly likely but capital and/or interest payments are delayed for more than 30 days. Bank Asya's current policy is more conservative than BRSA requirements in this respect and Bank Asya puts loans on watch when payment of principal and/or interest is overdue for more than five days for Corporate, Commercial and SME loans and 15 days for Retail Loans.
- **Group III—Loans and Other Receivables with Limited Recovery (Group III Loans)**: this group includes loans and other receivables with limited potential for total recovery of payments due thereunder either because the debtor's equity or guarantee is considered inadequate to cover payment or because payment is likely to be delayed by more than 90 days due to various reasons, such as problems encountered by the debtor over its operating capital, financing or ability to create additional liquidity.
- **Group IV—Loans and Other Receivables with Suspicious Recovery (Group IV Loans)**: this group includes loans and other receivables for which repayment is considered unlikely or for which the delay of recovery of principal and/or interest exceeds 180 days but does not exceed one year.
- **Group V—Loans and Other Receivables Having the Nature of Loss (Group V Loans)**: this group includes loans and other receivables for which repayment is considered impossible or for which the delay of recovery of principal and/or interest exceeds one year.

Loans in Group III and below are classified as NPLs. In the event that a customer has more than one loan extended by Bank Asya, all loans advanced by Bank Asya to the particular customer are classified as NPLs after the 90 day period from the initial default in accordance with BRSA regulations. If a loan payment is considered doubtful or if a loan is otherwise classified as a NPL, its mark-up is placed on a non-accrual status.

The table below sets out an analysis of Bank Asya's cash loans for each of the Group classifications (based on BRSA Principles) for the periods indicated.

	As at 31 December *(Thousands of TRY)*	
	2011	**2010**
Group I	11,924,836	9,903,626
Group II	918,793	907,635
Group III	211,276	42,035
Group IV	146,824	90,907
Group V	257,630	314,209

Provisioning Guidelines

In accordance with applicable BRSA regulations, Bank Asya makes an allowance for possible credit losses. This allowance must be increased proportionally every three months so that the allowance reaches a ceiling level of between 20 per cent. and 100 per cent. of the particular NPL, depending on the type of collateral securing such NPL.

According to BRSA regulations, general provisions are allocated for loans and other receivables classified under Group I and Group II credits and special provisions are allocated for NPLs and other receivables. For cash loans classified under Group I the general provision rate is 1 per cent. and for non-cash loans the general provision rate is 0.02 per cent. These rates are doubled for both cash and non-cash loans classified under Group II. As at 31 December 2011, Bank Asya's general provision amount for its credit risk was TRY131.07 million compared to TRY117.20 million as at 31 December 2010. As at 30 June 2012, Bank Asya's general provision amount for its credit risk was TRY152.29 million compared to TRY125.36 million for the same period in 2011.

Bank Asya allocates specific provisions for the loans which are classified as NPLs taking into consideration the guarantees and the delay time in payment. 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).

The creditworthiness of loan customers is monitored annually and regularly reviewed by the Risk Monitoring Department of Bank Asya in accordance with the Communiqué on "*Determining the Nature of Loan and Other Receivable Provisions Allocated by Banks and Procedures and Principles of Allocating Provisions*" issued by the BRSA.

Following the global financial crisis there was an increase in the NPL ratio of Turkish banks generally, which increased to 5.2 per cent. as at 31 December 2009. The quality of these bank's assets however improved during 2010 and in the first quarter of 2011 due to strong recovery measures and lower NPL formation. As a consequence, the NPL ratio of Turkish banks stood at 2.66 per cent. as at 30 June 2012. The NPL trend at Bank Asya is similar to that of the average of the Turkish banking sector. As at 30 June 2012, Bank Asya's NPL ratio was 5.44 per cent.

Bank Asya believes that the requirement for monthly repayments for all receivables facilitates the detection of problem loans early as opposed to loans with conventional banks which may have quarterly or semi-annual interest payments and bullet principal payment at the end of maturity.

Systems for Monitoring and Identifying NPLs

Bank Asya regularly updates its credit monitoring and system infrastructure with respect to its lending process and pays strict attention to the timeliness of loan repayments. Immediate action is taken by the appropriate departments having responsibility for supervising and monitoring loan repayments if any principal or accrued profit repayment issues arise. Any overall deterioration in the quality of Bank Asya's loan portfolio is brought to the attention of the Board. Bank Asya has the following departments which are responsible for monitoring credits and also a separate department for collections:

Credit Monitoring Department

The Credit Monitoring Group consists of four departments (the Corporate Loans Monitoring Department, Commercial Loans Monitoring I and II Departments and the Retail Loans Monitoring Department) with a total of 80 employees responsible for monitoring loans provided to corporate, commercial, SME and retail customers in accordance with BRSA regulations and Bank Asya's internal credit policy. Broadly, overdue loans between 30 to 90 days fall under the responsibility of the Credit Monitoring Group and the customer is closely monitored during this time. Defaulting customers are detected by an early warning system which provides warnings to the Credit Monitoring Departments of potential issues. The Credit Monitoring Department then tries to find solutions for these problematic loans and focuses on the possibility of collection. If any amounts have not been repaid by the defaulting customer, an immediate action plan is set to manage the risk. For example, the Credit Monitoring Department has the power to block the customer's credit line and ask for additional collateral. Once a payment is 90 days overdue, the file is transferred to the Legal Department.

Legal Department

The Legal Department is responsible for, among other things, the recovery of loans where repayments have been overdue for 90 days or more. The Legal Department initiates necessary legal proceedings including foreclosure and enforcement of any collateral securing relevant loans, either through in-house or external lawyers where appropriate, until the recovery of the NPL or a certificate of insolvency from the execution offices with regard to such NPL is obtained. The Legal Department comprises 40 personnel who work with approximately 90 external lawyers.

Write-offs

Generally, Bank Asya writes off loan balances when it has exhausted all possible efforts for collection and determines that the loans are no longer collectible. Such loans are only written off with the approval of the Board. Before considering a write-off proposal, Bank Asya must adhere to the following minimum guidelines:

- that all collateral and security held by Bank Asya has been realised and the sale process thereof has been appropriated towards the adjustment of the outstanding amount of principal; and
- confirmation by the concerned office that the borrower or his guarantor has no means of repayment in the form of an official certificate of insolvency or similar document.

The largest financing provision write-offs for the years ended 31 December 2011 and 2010 were TRY166.46 million and TRY63.58 million, respectively.

Restructurings

Under current Turkish regulations, loans and other receivables classified in Group II that require restructuring can only be restructured up to a maximum of two times. Loans and other receivables subject to restructuring may be classified as Group I loans provided that at least 10 per cent. of the receivables have been repaid.

Bank Asya has pursued a conservative strategy for restructuring loans and the maximum level of restructured loans allowed is TRY965 million. Bank Asya, however, expects that a major part of these restructured loans will be classified as Group I loans and only a very small part will be classified as NPLs.

The financial position and business operations of customers whose loans have been restructured are analysed systematically and principal and profit payments based on the restructured payment plans are monitored by the corresponding departments. The total restructured loans amounted to TRY464.51 million as at 30 June 2012, TRY667.84 million as at 30 June 2011, TRY627.69 million as at 31 December 2011 and TRY505.12 million as at 31 December 2010.

IFRS/BRSA Provisioning

The provisioning policy used in the preparation of Bank Asya's IFRS Accounts differs from that required by the Banking Law. Under BRSA Principles, provisioning is based on the length of the period of default as discussed above whereas, under IFRS, provisioning is based on an evaluation of incurred losses at the date of the balance sheet made by management.

Under IFRS, management estimates the total credit risk provision that it believes is adequate to cover uncollectible amounts in Bank Asya's credit and lease portfolio and losses under guarantees and commitments. Bank Asya reviews its financial assets at each balance sheet date to determine whether there is objective evidence of impairment. If there is objective evidence that Bank Asya will not be able to collect all amounts due (principal and mark-up) according to the original contractual term of the cash loans, such cash loans are considered impaired and classified as "funds in arrears" in Bank Asya's IFRS Accounts. For non-collateralised cash loans 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 effective mark-up rate of the credit or lease, as the case may be. For collateralised cash loans, the allowance is measured as the difference between the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

These allowances involve significant estimates and are regularly evaluated by Bank Asya for adequacy. The allowances are based on Bank Asya's own loss experience and management's judgment of the level of losses that will most likely be recognised from assets in each credit risk category by reference to the debt service capability and repayment history of the borrower. The allowances for possible cash loan losses in Bank Asya's IFRS Accounts have been determined on the basis of existing economic and political conditions at the time.

Funding

Bank Asya's funding strategy includes maintaining a substantial percentage of its liabilities in the form of customer deposits. Although customer deposits in Turkey are typically short-term (with durations of less than 90 days), the average maturity of Bank Asya's deposits is 136 days as many deposits have typically been rolled over by customers. Bank Asya also benefits from certain advantages inherent in the participation banking model. For example, the profit sharing principles underlying Bank Asya's customer accounts mean that there is no promised rate of return to accountholders. Instead, the return paid on the accounts is linked to the performance of Bank Asya's investment pools. In this context, revenues are derived primarily from the income generated through utilisation of funds for various interest-free financing products, trade finance and service charges. Due to the short term nature of the deposits it collects, Bank Asya has generally opted for short term lending instruments to overcome the potential of a maturity mismatch. In addition, the monthly principal repayment structure of its credits gives Bank Asya the opportunity to have a more predictable month-to-month cash inflow than conventional banks. As part of its liquidity management policies, Bank Asya places some of its idle 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 business strategies, Bank Asya prefers to maintain a square position in its foreign currency treasury transactions. Therefore Bank Asya tends to be less exposed to foreign currency risk than some conventional banks since its policy is to match foreign currency deposits and foreign currency credits.

Bank Asya's funding base includes: (i) customer deposits, specifically deposits placed in current accounts and participation accounts; (ii) borrowings from banks and other international financial institutions; (iii) repurchase agreements; and (iv) shareholders' equity. As at 30 June 2012, Bank Asya held TRY298 million in local currency reserves and TRY1.26 billion in foreign currency reserves. The following table sets out Bank Asya's sources of funding at the dates indicated:

	As at 31 December				**As at 30 June**			
	2011	**%**	**2010**	**%**	**2012**	**%**	**2011**	**%**
	(TRY in millions)				*(TRY in millions)*			
Customers current and profit sharing accounts	12,259	72.09	11,012	77.10	13,695	73.50	11,152	72.49
Borrowings	1,486	8.74	651	4.56	1,708	9.17	1,078	7.01
Obligations under repurchase agreements	279	1.64	—	—	—	—	263	1.71
Total shareholders' equity	2,093	12.31	1,918	13.43	2,182	11.71	2,016	13.10
Other liabilities[(1)]	887	5.22	702	4.91	1,048	5.62	876	5.69
Total	17,004	100.00	14,283	100.00	18,633	100.00	15,385	100.00

(1) *"Other liabilities" includes derivative financial instruments, income tax payable and liabilities directly associated with assets classified as held for sale.*

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 from other banks (see "*Risks Relating to Bank Asya—Liquidity Risk*").

Customer deposits

Customers' current and participation accounts

Customer deposit accounts constitute Bank Asya's single largest balance sheet liability. These relate to current account deposits in Turkish lira and foreign currency (which are classified as on-demand) and deposits in participation accounts (profit sharing accounts) in Turkish lira and foreign currency (which are classified as time deposits). The majority of time deposits have maturity periods of less than six months.

Customer deposits were the major source of funding for Bank Asya for the year ended 31 December 2011. As at 31 December 2011, the share of deposits in Bank Asya's total liabilities was 72.09 per cent. which was higher than the sector average (which was 57.38 per cent.). As at 31 December 2011, deposits increased by 11.32 per cent. to TRY12.26 billion from TRY11.01 billion as at 31 December 2010. Bank Asya has a broad and diversified spread of depositors with 27.84 per cent. of its total deposits coming from retail depositors and 31.34 per cent. of the total depositors having placed less than TRY1 million. The average maturity of Bank Asya's deposits as at 31 December 2011 was 136 days for TRY deposits which again was longer than market average of 60 days. As at 31 December 2011, approximately 36.04 per cent. of total deposits have a remaining maturity longer than one year and most of Bank Asya's deposits are typically rolled over on maturity.

As at 30 June 2012, retail deposits remained the major source of funding for Bank Asya and accounted for 73.50 per cent. of total liabilities which is higher than the sector average (which was 42.46 per cent.). As at 30 June 2012, the average maturity of Bank Asya's Turkish lira deposits was 195 days.

The table below sets out a breakdown of customer's current and profit sharing accounts in TRY and in foreign currency.

	Demand	**Time**	**31 December 2011 Total**	**31 December 2010 Total**
TRY savings accounts	560,652	4,928,139	5,488,791	5,378,500
Foreign currency saving accounts*	236,574	1,749,082	1,985,656	2,037,342
TRY public, commercial and other enterprises	949,113	1,255,514	2,204,627	2,155,100
Foreign currency public, commercial and other enterprises*	378,614	1,131,781	1,510,395	1,305,114
TRY interbank accounts	165	—	165	973
Foreign currency interbank accounts*	41,637	75,757	117,394	11,943
Foreign currency precious metal accounts*	951,984	—	951,984	123,372
Total	**3,118,739**	**9,140,273**	**12,259,012**	**11,012,344**

* *Applying the following exchange rates:*
31 December 2011:
U.S.$1 = TRY1.9065
1 Euro = TRY2.4626
31 December 2010:
U.S.$1 = TRY1.5460
1 Euro = TRY2.0498

	Demand	**Time**	**30 June 2012 Total**	**30 June 2011 Total**
TRY savings accounts	563,700	5,249,447	5,813,147	5,623,799
Foreign currency saving accounts*	230,549	2,122,137	2,352,686	1,770,101
TRY public, commercial and other enterprises	832,547	1,125,328	1,957,875	2,017,828
Foreign currency public, commercial and other enterprises*	444,410	1,888,219	2,332,629	1,409,419
TRY interbank accounts	226	2	228	59
Foreign currency interbank accounts*	20,289	78,333	98,622	67,652
Foreign currency precious metal accounts*	898,915	241,345	1,140,260	263,618
Total	**2,990,636**	**10,704,811**	**13,695,447**	**11,152,476**

* *Applying the following exchange rates:*
30 June 2012:
U.S.$1 = TRY1.8153
1 Euro = TRY2.2548
30 June 2011:
U.S.$1 = TRY1.63020
1 Euro = TRY2.33999

Despite a low interest rate environment in Turkey, Bank Asya was able to grow its total customer deposits by 11.32 per cent. from TRY11.01 billion as at 31 December 2010 to TRY12.26 billion as at 31 December 2011. Total customer deposits increased by 22.80 per cent. to TRY13.70 billion as at 30 June 2012 from TRY11.15 billion as at 30 June 2011.

Borrowings from banks and other financial institutions

Bank Asya has a number of utilised borrowing facilities with both domestic and international banks in Turkish lira and foreign currencies. These accounts are denominated predominantly in Euro and in U.S. dollars.

Bank Asya's current borrowings are as follows:

	As at 31 December		As at 30 June	
	2011	2010	2012	2011
	(Thousands of TRY)		*(Thousands of TRY)*	
Domestic banks –Turkish lira	28,421	28,880	23,479	28,553
Banks abroad – Foreign currencies	1,457,830	622,237	1,684,118	1,049,513
	1,486,251	651,117	1,707,597	1,078,066

Bank Asya's total Turkish lira borrowings as at 31 December 2011 were TRY28.42 million and its total foreign currency borrowings were equivalent to TRY1.46 billion. Bank Asya's total Turkish lira borrowings as at 31 December 2010 were TRY28.88 million and its total foreign currency borrowings were equivalent to TRY622.24 million. Bank Asya's Turkish lira borrowing as at 31 December 2011 was 1.91 per cent. of its total borrowing. As at 30 June 2012, Bank Asya's total Turkish lira borrowing amounted to TRY23.48 million, or 1.37 per cent. of its total borrowing. Bank Asya's foreign currency borrowing amounted to TRY1.68 billion as at 30 June 2012.

The maturity of the current borrowings is as follows:

	As at 31 December		As at 30 June	
	2011	2010	2012	2011
Within one year	1,202,746	571,869	574,154	806,355
Over 1 year	283,505	79,248	1,133,443	271,711
	1,486,251	651,117	1,707,597	1,078,066

As at 31 December 2011, 80.92 per cent. of Bank Asya's total borrowing has a scheduled maturity of less than one year. As at 30 June 2012, this proportion was 33.62 per cent.

Bank Asya also aims to secure longer-term sources of funding in order to further improve the management of the liability side of its balance sheet and increase the average maturity of its Turkish lira funding facilities, which at 198 days as at 30 June 2012 was longer than the sector average (which was 50 days) (source: *BRSA and Banking Association of Turkey*).

Bank Asya also uses international short and mid-term borrowing as a source of funds. In April 2010, Bank Asya raised funds from a one-year two tranche syndicated *murabaha* facility of U.S.$121.5 million and Euro 99 million. This was the largest *murabaha* syndication loan ever for a participation bank in Turkey at the time and the facility was used to provide financing to the real sector, with an emphasis on export finance. In April 2011, Bank Asya entered into a new syndicated *murabaha* facility and raised over U.S.$300 million in funds. In April 2012, Bank Asya entered into a one-year U.S.$201 million and a Euro 96.5 million *murabaha* syndication facility from a consortium of 28 international banks. In addition Bank Asya also plans to diversify its funding sources by using new instruments such as *sukuk* as well as *murabaha* borrowing with local banks.

Legal Proceedings

Although Bank Asya is subject to various ongoing legal proceedings, Bank Asya's management does not believe that such proceedings, individually or taken together, are likely to have a material adverse effect on Bank Asya's business, financial condition, results of operations and prospectus.

RISK MANAGEMENT

Overview

Bank Asya believes that its assessment and control of risk is an essential component of its performance. Bank Asya's risk management philosophy is focused on identifying, measuring, monitoring, mitigating and managing various dimensions of risk arising from its operations. It also aims to ensure that asset values and income streams are protected such that the interests of Bank Asya's depositors are taken into account while maximising returns for the shareholders. Bank Asya continues to maintain and develop its risk management systems, both to meet Bank Asya's on-going internal risk management needs and to comply with all legal and regulatory requirements in the banking sector, including Basel II criteria and the BRSA regulations. Bank Asya has identified the following key risks inherent in the business:

- credit risk;
- funding and liquidity risk;
- interest rate risk (in its banking book);
- market risk (including pricing, foreign exchange and interest rate risk in its trading books); and
- operational risk (including strategic and reputation risks).

The objective of Bank Asya's asset and liability management and use of financial instruments is to limit Bank Asya's exposure to its inherent risks, whilst ensuring that Bank Asya has sufficient capital adequacy and is using its capital to maximise profitability. In order to achieve this objective, Bank Asya monitors and manages the mismatch of maturities, the size and degree of its profit rate and exchange rate exposure and its counterparty credit quality. Bank Asya's system of risk control and risk management is fully integrated into its internal systems for planning, management and control.

The Board is responsible for Bank Asya's fundamental approach to risk, risk principles and the determination of risk capacity. 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. Bank Asya'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, Bank Asya's risk management function includes providing risk management training to all employees and increasing their awareness of inherent risks and the importance of risk controls.

Risk Management Structure

Bank Asya's risk management function acts independently of the commercial business lines, but at the same time is integrated into Bank Asya's business processes. Bank Asya's risk management structure is headed by its Board and is organised as set out below:

Risk Committees

Asset and Liability Committee

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

In order to achieve the primary objective of Bank Asya's asset and liability management, the ALCO manages the various departments of Bank Asya where risk limits apply to ensure that such limits are adhered to. It also monitors Bank Asya's profit rate on accounts and financings, liquidity risks, position on interest sensitive assets and liabilities and maturity gaps, as well as developments in foreign currency and financial markets. The ALCO's responsibilities include developing investment, pricing and funding strategies, making decisions on day to-day liquidity management and implementing Bank Asya's asset and liability management strategy.

The ALCO meets on a weekly basis to review the strategies and the latest data on Bank Asya's liquidity position, interest rate risk exposures, credit exposures and developments in the macroeconomic environment. The ALCO has 11 members, including Bank Asya's CEO and nine Executive Vice Presidents of Bank Asya, and is led by the Head of the Risk Management Department.

Audit Committee

In 2006, Bank Asya established an Audit Committee which reports to the Board through two non-executive Board Members exclusively assigned to this task.

The Audit Committee was established to assist the Board in the performance of its audit and supervision functions. The Audit Committee is responsible for Bank Asya's accounting system, the accuracy of the financial information and its public disclosure of financial information relating to Bank Asya. Further, the Audit Committee ensures that all necessary measures are taken regarding oversight of the operation and effectiveness of internal audit, internal control and risk management systems.

The Internal Audit Department, Internal Control Department and Risk Management Department report directly to the Audit Committee, which closely monitors the activities of these departments.

Internal Control Department

The Internal Control (**IC**) Department designs Bank Asya's internal control systems, ensures that all control activities are performed and takes the necessary measures to improve the control system and the operation of internal control activities. The internal control system, which encompasses every employee of Bank Asya, seeks to ensure that the protection of Bank Asya's assets, the effectiveness and productivity of its activities, the reliability of its accounting and financial reporting system, and the conduct of all Bank Asya's activities are in compliance with internal policies and external regulatory requirements.

The IC Department reports directly to the Audit Committee.

Internal Audit Department

The purpose of the Internal Audit Department (**IAD**) is to provide assurance that Bank Asya's activities are conducted in accordance with applicable law and regulations and with its internal strategies, policies, principles and targets and that the internal control and risk management systems are effective and adequate. In this regard IAD conducts audits of head office units, branches and consolidated subsidiaries in accordance with an annual audit plan that is approved by the Board.

In order to perform its activities effectively, the IAD has divided its activities into the following categories: onsite audits, centralised audits, investigations and examinations, and IT audits, and has arranged its structure accordingly. 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 Bank Asya. Members of the IAD audit the branches' corporate and retail credits, accounting methods, international operations, banking services, payment systems and alternative distribution channels. The scope and frequency of audits are determined based on risk assessments performed by the IAD, the resources and priorities of the department and in accordance with the targets and strategies of Bank Asya. In addition, previous audit results are used as an input to plan subsequent audits.

Bank Asya's various departments within head office are also subject to periodic audits by the IAD and close attention is paid 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 Bank Asya's Senior Management and the Audit Committee. Activity reports are presented to the Board and the 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 Bank Asya's IT systems are also reported to the Board and the BRSA in annual activity reports. IAD has 50 employees.

IAD and Bank Asya's external auditors share information and work in coordination. In all audits, the findings are reported to the related units and a follow up process is carried out in order to eliminate the identified risks.

Risk Management Department

The Risk Management Department is responsible for the deployment of the risk management system that Bank Asya has set up to detect all risks arising from Bank Asya's activities and for ensuring that these risks are managed in compliance with the requirements of applicable laws and regulations. The Risk Management Department is also responsible for developing risk management systems and infrastructure, analysing results, and reporting on the management and integration of the risks. Additionally, the Risk Management Department has responsibility for ongoing work within the framework of compliance with Basel II and Basel III and for handling Bank Asya's relationships with the Turkish regulatory authorities, principally the BRSA and the CBT.

Bank Asya's internal control system units are supported with qualified personnel in order to meet the increased need for auditing arising from the rapid change in and growth of its banking activities and to achieve a function based risk management and internal auditing system. Bank Asya conducts its risk management activities within the framework of credit risk, market risk, liquidity risk, operational risk, reputation risk, and strategy risk management policies that it has established in accordance with the requirements of applicable laws, rules and regulations. These policies facilitate management of the identifying, defining, measuring, monitoring, controlling and reporting phases for the risks that Bank Asya is exposed to or is likely to be exposed to, as well as the mitigation of risks by a variety of measures and techniques and the re-allocation of resources from low-risk to high-risk areas. The Risk Management Department has nine employees.

Credit Risk

Credit risk refers to the potential risk of financial loss if any Bank Asya customer or counterparty fails to meet its commitments in accordance with the terms of its agreements with Bank Asya. Bank Asya is exposed to credit risk through its lending, trading, treasury and investing activities and when it acts as an intermediary on behalf of its customers or third parties or issues guarantees. Bank Asya's exposure to credit risk is concentrated in Turkey, where the majority of Bank Asya's activities are carried out.

Credit risk is monitored by reference to internal credit risk ratings and managed by limiting the aggregate risk to any individual counterparty, group of companies and industry. Credit risks are determined for each individual customer, enterprise and economic group separately. Credit risk is generally diversified due to the large number of entities comprising the customer base across the Retail, Corporate, Commercial and SME banking areas, and their diversification across different industries and geographic areas and by size.

On the basis of risk return balances, collateral worthiness, and bank asset quality, a determination is made as to whether the provisions set aside for loans in the IFRS Accounts are adequate or not. Scenario analyses are developed in order to more proactively manage credit risk exposure. Volatilities in credit risk and their impact on Bank Asya's financial indicators are regularly reported to relevant senior managers at Bank Asya.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed by obtaining collateral, corporate and personal guarantees and other security where appropriate.

Bank Asya makes use of an internal rating system (which takes into consideration financial and non-financial criteria) for corporate, commercial and SME loans and scorecards for retail customers, in its lending decision mechanisms which it uses internally to improve its loan evaluation and underwriting process. This system is structured so as to facilitate integration with statistical models that allow credit risk to be quantified and managed. The rating system has been made particularly sensitive to existing and potential impairments in a loan's structure. Financial situation analyses of borrowers whose loans have become subject to legal action or are placed under close watch are carried out in coordination with all relevant units. Bank Asya monitors early warning signals and ultimate credit risk limits for its corporate and commercial loan clients daily and actively uses this information in lending decisions. Bank Asya uses scorecard models developed by an international firm in order to manage the risks arising from Bank Asya's retail lending and credit card portfolio. The performance of the rating models is reviewed annually.

Bank Asya uses the CreditRisk+ method as a measurement of corporate and commercial customers' credit risk internally. During the analysis stage of the credit risk model, Bank Asya's credit exposures are assessed with respect to the external probability default rates of Standard & Poor's Ratings Services. Where a customer is not rated, the CreditRisk+ method is not applied and a decision is made based on Bank Asya's internal credit procedures. Additionally, Bank Asya collects its own probability of default data in order to perform effective statistical measurement and to fulfil regulatory requirements.

Relatively more sensitive credit risk measurement has begun with the "Standardised Approach" indicated in the Basel II Accord. The Bank has performed an assessment with respect to the "Standardised Approach" and has complied with its legal obligation of reporting the results to the BRSA since July 2012.

As at 30 September 2012, credit risk was 68.78 per cent. of total risk weighted assets calculated by reference to the 30 September 2012 BRSA Accounts.

Portfolio Concentrations

Bank Asya's credit policies are structured to ensure that Bank Asya is not over-exposed to a given client, industry or geographic area through diversification of financing and investment activities. Accordingly, Bank Asya actively tries to reduce the credit risk caused by customer concentration by expanding its customer base of SMEs and broadening its industry diversification. Recently, Bank Asya has focused its efforts primarily on SMEs.

Concentration of risk is managed by counterparty and by industry sector. The maximum cash loan exposure to any counterparty other than the CBT as at 31 December 2011 was TRY357.46 million compared to TRY232.51 million as at 31 December 2010 and the maximum non-cash loan exposure to any counterparty other than the CBT as at 31 December 2011 was TRY323.59 million compared to TRY416.77 million as at 31 December 2010 before taking account of collateral or other credit enhancements. As at 30 June 2012, the maximum cash loan exposure to any counterparty other than the CBT was TRY347.45 million and the maximum non-cash loan exposure to any counterparty other than the CBT was TRY279.86 million.

For the industry sector analysis of Bank Asya's maximum exposure to credit risk, before taking into account collateral held or other credit enhancements, please see page 43 of Bank Asya's consolidated IFRS Accounts for the six month period ended 30 June 2012.

Market Risk

Market risk is the risk of loss to future earnings, to fair values of assets and liabilities or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change 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, in Bank Asya's case, credits, deposits and borrowings. The primary market risks that Bank Asya faces are the indirect effects of interest rate fluctuations and the direct effects of exchange rate fluctuations.

The Risk Management Department measures and monitors the market risk exposure to the value of the financial instruments held by Bank Asya that may result from any number of market pressures. To measure market risk, Bank Asya has adopted generally accepted and implemented risk management techniques. Bank Asya 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 is measured and assessed using procedures that comply with applicable laws and with Bank Asya's "Market Risk Management Policy." Bank Asya uses the internationally accepted "Value at Risk" (**VaR**) method, which is a risk measure used in relation to market risk and conforms to Bank Asya's own market activities. Bank Asya uses VaR to measure the potential loss in value of a particular asset or portfolio from adverse market movements over a specified period for a given confidence interval. Bank Asya's VaR model has been developed in-house and is employed simultaneously and in conjunction with the "Standardised Approach", whose use is prescribed by public authorities. The amount of market risk that Bank Asya is exposed to based on these calculations is reported daily to the Senior Management as are the results of back tests that are also performed on a daily basis to assess the model's reliability. By means of scenario analyses and stress tests that are performed using reverse changes in Bank Asya's own portfolio and in the market prices that are taken into account, the value of Bank Asya's portfolio is reconsidered under existing and potential market conditions. The effects that the results of the scenario analyses and stress tests may have on Bank Asya's capital adequacy ratio are also separately analysed and reported. Bank Asya has used VaR methodology to evaluate its market risk since 2007. Market risk information is reported to the Board in a timely and detailed fashion. In addition, in accordance with the "Historical Simulation Method", Bank Asya has established early warning and final market risk limits based on VaR calculations assuming a 10-day holding period and a 98 per cent. (corresponding to 99% with respect to the expected shortfall approach) confidence interval. Compliance with these risk limits is monitored daily and any violation of these limits is immediately reported to the ALCO, the Audit Committee and the Board.

Market risk also includes price risks. Bank Asya manages price risks relating to foreign currency by utilising position limits. The Risk Management Department coordinates the monitoring of the limits. Foreign currency transactions both with customers and as part of Bank Asya's proprietary trading usually generate foreign currency positions. Bank Asya hedges these positions within set intra-day and/or overnight limits and executes transactions only in major convertible foreign currencies.

As at 30 September 2012, market risk was 0.23 per cent. of total risk weighted assets calculated by reference to the 30 September 2012 BRSA Accounts.

Funding and Liquidity Risk

Bank Asya's funding and liquidity management is supervised by both Treasury and the Risk Management Department. Bank Asya's policy is to ensure that, even in adverse conditions, Bank Asya maintains sufficient funds available 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 at a reasonable price. The risk arises in the general funding of Bank Asya's financing activities and in the management of its positions.

To meet its funding needs in the past, Bank Asya has principally relied on current accounts and participation accounts. Historically, when growth in cash loans has been greater than Bank Asya's growth in participation accounts, it has bridged most of this gap through the use of some current accounts and shareholders' equity and by increasing capital or retaining profits. Bank Asya also utilises a syndicated interest-free commodity *murabaha* facility which it obtained in 2010 (and renewed in 2012), and enters into repurchase agreements with the CBT under which it sells investments to the CBT against a commitment to repurchase substantially identical investments at a certain date in the future at a fixed price in order to balance its liquidity needs.

In order to manage funding and liquidity risk, reports which have been prepared in line with the applicable provisions of the "Regulations on the Measurement and Assessment of the Banks' Liquidity Adequacy" published by the BRSA are examined by the Risk Management Department, the Treasury Department and Senior Management. Measures are taken as needed by the ALCO to ensure that the ratios which are reported in this way remain within legally prescribed limits. Maturity mismatches of Bank Asya's assets and liabilities and the percentages based on maturity segments are monitored by means of day-to-day liquidity gap analyses. As part of Bank Asya's evaluation of ways to further enhance its liquidity, a core deposits study was conducted and early warning and final liquidity risk limits were established based on the results of the gap analyses. Bank Asya has formulated a "Liquidity Emergency Action Plan" (revised in 2012) whose aim is to resolve liquidity shortages that it may suffer in the face of potential adverse developments such as impairment of asset quality, an increase in non-performing loans, or unexpected withdrawals of deposits. The Board determines a standard for the liquidity ratios, and applies the standard on a regular basis.

Bank Asya complies with the following new policies submitted within the scope of Basel II:

- Residual Risk
- Counterparty Credit Risk
- Country Risk
- Concentration Risk
- Internal Capital Adequacy

The following table sets out certain information as to Bank Asya's liquidity as at the dates indicated:

	As at 31 December		As at 30 June	
	2011	2010	2012	2011
Net cash loans/assets	77%	75%	79%	77%
Net cash loans/deposits	107%	97%	107%	107%
Net cash loans/shareholder's equity	626%	559%	674%	589%
Liquid assets[(1)]/total assets	12%	17%	10%	14%
Liquid assets[(1)]/deposits[(2)]	15%	20%	13%	20%

(1) *Liquid assets comprise cash and cash equivalents, precious metal, unrestricted balance within CBT (not including Bank Asya's reserves within the CBT) and available for sale assets.*

(2) *Includes funds borrowed.*

Bank Asya's maturity analysis as at 30 June 2012 and 31 December 2011 and other information regarding Bank Asya's funding and liquidity risk is summarised on pages 68 to 72 of Bank Asya's consolidated IFRS Accounts for the six month period ended 30 June 2012.

The performance of, and return on, Bank Asya's customers' participation accounts is directly tied to the performance of, and return on, Bank Asya's credit portfolio, thus limiting negative liquidity effects during periods of market fluctuations. Moreover, because of the monthly principal repayment schedule for commercial credits (Bank Asya does not offer the equivalent of interest only or "balloon" credits), it has more stable month-to-month cash inflows. Bank Asya believes that this gives it additional flexibility in managing funding and liquidity risk exposure. Bank Asya 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 Bank Asya'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 Bank Asya'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 loans are considerably less than the amount of the commitment.

Because Bank Asya 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—Risks Relating to Bank Asya—Bank Asya'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*".

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and information technology systems, work flows (including new product design and implementation risk) or from external events. This definition includes legal risk but excludes strategic and reputational risk.

Bank Asya began reporting its operational risk exposure using the "Basic Indicator Approach" as at 1 June 2007. Bank Asya takes into consideration the impact of operational risk exposure on the Capital Adequacy Standard Ratio by means of scenario analyses that forecast the changes in exposure to operational risk for subsequent years. The amounts exposed to operational risk are also calculated using the Standard and Alternative Standard Approaches stipulated by the BRSA; this data is duly reported to Bank Asya's Senior Management. It is expected that these methods will also be used in Bank Asya's statutorily mandated reports once changes in the regulatory framework have been made.

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 Risk Management Department. 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. Bank Asya also maintains an operational loss database in order to quantify and monitor operational risks.

Bank Asya's operational risk issues are actively managed by regular monitoring of Bank Asya's activities. This allows Bank Asya to quickly detect and correct deficiencies in its policies, processes and procedures for managing operational risks. By promptly detecting and addressing these deficiencies, Bank Asya can substantially reduce the potential frequency or severity of a loss event. The Risk Management Department makes specific proposals to the head of the Audit Committee whenever it determines that existing operational risks warrant changes to Bank Asya's existing Internal Systems Regulations and Risk Management Policies. The operational risk reports are periodically submitted to Bank Asya's Senior Management.

Bank Asya accumulates its potential operational risk losses in a format that complies with a "risk catalogue" that is based on event classifications. Data about actual losses is used as the basis for creating advanced statistical models that are being planned. Action plans are also being formulated to prevent the recurrence of instances of operational risk whose financial impact is extraordinarily severe. Business Continuity Management is an integrated management process that identifies critical situations that Bank Asya may encounter and their potential impact on business activities should they actually occur. Bank Asya's Business Continuity and Disaster Plan was put into effect in 2007 as a result of a project undertaken jointly with a consulting firm that specialises in such matters. The existing plan was revised in 2010 in response to new regulations and evolving needs.

Operational risk is managed by a dedicated two-member team within Bank Asya. 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. Bank Asya'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.

As at 30 September 2012, operational risk was 8.73 per cent. of total risk weighted assets calculated by reference to the 30 September 2012 BRSA Accounts.

Legal Risk

Bank Asya 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. Bank Asya 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. In addition, in 2010, Bank Asya initiated the first phase in creating an electronic legal proceedings monitoring system to track the status of legal actions. This is intended to increase Bank Asya's NPL recovery capability.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of Bank Asya'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 Bank Asya does not have financial assets that are sensitive to interest rate movements (such as government bonds) and because Bank Asya does not guarantee depositors a fixed rate of return, Bank Asya believes that it has lower interest rate risk than conventional banks. The principal objective of Bank Asya'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. Bank Asya monitors interest rate sensitivity by analysing the composition of its assets and liabilities and off-balance sheet financial instruments.

Foreign Exchange Rate Risk

Foreign currency risk indicates the probability of loss that banks are subject to due to variations in market exchange rates. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of Bank Asya are taken into consideration and value at risk is calculated by using the position evaluated with respect to the standard method described in the

"Communiqué on Measurement and Assessment of Banks' Capital Adequacy" published in the Official Gazette No. 28337 dated 28 June 2012" (the **Standard Method**).

As a participation bank, Bank Asya believes its foreign currency risks are lower than many conventional banks, because its foreign currency participation and investment accounts are generally matched directly to its foreign currency credits. Bank Asya 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 Bank Asya's income and expenses in line with the magnitude of such changes and the current volume of its foreign exchange position. The Risk Management Department monitors relevant foreign exchange rates on a daily basis and ensures that cash and non-cash foreign currency commitments can be covered by foreign currency denominated assets to the extent possible. Bank Asya also uses FX swaps and forwards to manage risks. Bank Asya seeks to maintain a square foreign exchange position policy to minimise its currency risk. From time to time, however, Bank Asya experiences net short positions in foreign currencies, which may require it to convert Turkish lira at times at unfavourable exchange rates.

The Standard Method is used to measure the currency risk of Bank Asya. The risk measurements within the context of the Standard Method are performed on a monthly basis.

Interest Rate Risk (Banking book)

Bank Asya measures and manages its interest rate risk in its banking book by implementing its cash flows from the positions in interest sensitive banking accounts and applying negative and positive standard shocks to its net position. These differences in the net position are limited by 20 per cent. of the capital.

Capital Adequacy

Bank Asya currently satisfies the capital requirements of the BRSA, which correspond to the guidelines adopted by the Basel Committee on Banking Regulations and Supervision Practices of the Bank for International Settlements (the **Basel Guidelines**).

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, the consolidated capital adequacy ratio of Bank Asya as at 30 September 2012 was 13.74 per cent. compared to 13.48 per cent. as at 31 December 2011 and 13.46 per cent. as at 31 December 2010 based on BRSA Accounts. Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", which was published on 1 November 2006 in the Official Gazette No: 26333.

The BRSA also maintains a policy of requiring a higher capital adequacy ratio for banks that are seeking to open new branches in Turkey, and the rate currently being applied to the banking sector is 12 per cent. The Basel Guidelines require a bank to have a ratio of capital to assets and certain off balance sheet items, determined on a risk weighted basis, of at least 8 per cent. As at 31 December 2010 and 2011, Bank Asya's total risk based capital ratio (consisting principally of Tier 1 capital) was 13.46 per cent. and 13.48 per cent., respectively, based on its consolidated BRSA Accounts. Bank Asya intends to maintain capital ratios in excess of those required by Turkish law and the Basel Guidelines. See Section Four of the 30 September 2012 BRSA Accounts.

The Basel Committee has recently adopted further revisions under the Basel III regime. The BRSA issued a press release on 1 February 2013 stating that the regulations implementing Basel III are expected to be passed between 2013 and 2019 in accordance with the transition period provided for by the Basel Committee. The BRSA also published two new draft regulations, (i) the Regulation on Equity of Banks and (ii) the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks.

The BRSA consultation period for these draft regulations ends on 1 March 2013 following which the BRSA does not propose to have any further discussions regarding the proposed implementation date and nature of these changes.

Anti-Money Laundering Policies

Bank Asya is committed to the highest standards of anti-money laundering and counter-terrorist financing compliance and requires management and employees to adhere to these standards to prevent use of Bank Asya's products and services for money laundering or terrorist financing purposes.

Under Bank Asya's compliance programme, Bank Asya's subsidiaries and foreign branches have adopted policies and procedures designed to comply with, among others, applicable anti-money laundering (**AML**), counter-terrorist financing (**CTF**) and KYC laws in Turkey, particularly Law No. 5549 on Prevention of Laundering Proceeds of Crime dated 18 October 2006, together with the recommendations of Financial Action Task Force (**FATF**), albeit the temporary suspension of Turkey's membership in October 2012. All branches, representatives, commercial representatives and similar affiliated units of Bank Asya are subject to the compliance programme. Bank Asya continues to seek new methods of improving its anti-money laundering standards. Please see "*Overview of the Turkish Banking Sector and Regulations—Anti Money Laundering Policies*" for further details.

A compliance officer ensures Bank Asya's compliance with the compliance programme. The Legislation and Compliance Department is directly attached to the compliance officer and is responsible for the execution of the compliance programme. In addition, the Audit Committee audits Bank Asya's compliance programme annually to ensure compliance to the applicable policies and procedures under the programme. In addition to an internal audit, Bank Asya is also subject to governmental audit.

MANAGEMENT

Board of Directors

As at the date of this Prospectus, the Board comprised of nine directors (each a **Director** and collectively the **Directors**) under the chairmanship of Prof. Dr. Erhan Birgili. All members of the Board are appointed by a vote of all classes of Bank Asya's shareholders. Bank Asya's general manager 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 a minimum four times annually, however, the Board generally meets four times a month. The business address of each member of the Board is Saray Mahallesi. Dr. Adnan Büyükdeniz Caddesi. No:10 34768 Ümraniye, Istanbul, Turkey. No member of the Board has any actual or potential conflict of interest between his duties to Bank Asya 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. Accordingly, the chairman and members of the Board own 1.33 per cent. of Bank Asya's paid-up share capital.

The Board Members of Bank Asya are:

Name	Year of birth	Position	Year first elected to position
Erhan Birgili	1955	Chairman	2012
Mustafa Talat Katircioğlu	1957	Vice Chairman	2013
Ahmet Beyaz	1975	Board Member	2013
Zafer Ertan	1972	Board Member	2013
Ali Çelik	1957	Board Member	2012
Ercüment Güler	1959	Board Member	2012
Mehmet Uruç	1957	Board Member	2012
Mehmet Gozütok	1960	Board Member	2012
Recep Koçak	1970	Board Member	2012

Erhan Birgili—Chairman

Professor Dr. Birgili graduated from Ege University Faculty of Business Administration, Marketing Department and received his Master's degree and Doctorate in General Business Administration from Dokuz Eylül University. Dr. Birgili worked as Assistant Manager, Co-Head of Department, Head of Department and Assistant Dean at various universities and institutes. Dr. Birgili is Faculty Board Member, Faculty Council Member and Professor Doctor at Sakarya University, Faculty of Business Administration. Dr. Birgili is a member of the working group at İstanbul Finance Center Project carried out by YÖK (The Council of Higher Education). Dr. Birgili joined Bank Asya as an Auditor in April 2012 and has been the Chairman since November 2012.

Mustafa Talat Katircioğlu—Vice Chairman

Mr. Katırcıoğlu graduated from İstanbul Technical University, the Faculty of Mechanical Engineering and began his career in 1993. Mr. Katırcıoğlu is the Chairman of Board of Directors at Akasya Yapı, Kaynak Kağıt, Işık Yayıncılık, Akasya Madencilik, Akasya Alçı Maden Üretim and Forum İnşaat, and Board Member at Aksan Ak İnşaat, Elbruz Enerji Elektrik Üretim, Atlaslar Eğitim Hizmetleri, Akdeniz Madencilik ve Toprak, Kaynak Holding, Sürat Kargo Lojistik ve Dağıtım and Özgün İnşaat. Mr. Katırcıoğlu joined Bank Asya as the Vice Chairman in 2012 and has been a Board Member since December 2012.

Ahmet Beyaz—Board Member

Mr. Beyaz graduated from Ankara University, Department of Public Finance and received his Master's degrees in Financial Law from Yeditepe University and in Business from University of Illinois. Mr. Beyaz commenced his professional career in 2001 and worked as Sworn Bank Auditor and Chief Sworn Bank Auditor following which Mr. Beyaz joined Bank Asya as Executive Vice President responsible for finance, budget and financial reporting and affiliates in 2011. Mr. Beyaz was a Managing Member and the Vice Chairman of the Board at Bank Asya from December 2012 to January 2013 after which he was appointed as President and CEO.

Zafer Ertan—Board Member

Mr. Ertan graduated from Dokuz Eylül University, the School of Economics and Administrative Sciences, the Department of Public Administration in 1995. He received his MBA degree from Fatih University, the Institute of Social Sciences in 2008. He began his banking career at Bank Asya in 1997. He held various positions at the Department of Loan Utilizations and Operations from 1997 to 2000 and the Directorate of Loan Tracking from 2000 to 2008. He was appointed as the manager of the Department of Non-Performing Loans in 2008. Mr. Ertan has been the Executive Vice President responsible for the Department of Non-Performing Loans and the Legal Consultancy at Bank Asya since May 2011.

Ali Çelik—Board Member

Mr. Çelik began his career as a contractor in 1980 and founded Çelikeller in 1983, Birim İnşaat in 1987 and Yapı Yatırım in 2000. He is the Chairman of Board of Directors at Samanyolu Yayın Holding, STV/Burç FM, Yumurcak TV, Dünya Radyo, Işık Medya Planlama, Merkür Yayıncılık, Hamle Oto Kiralama, Yapı Yatırım, Sema Sağlık Hizmetleri, Özel Sema A.Ş. and Boğazdan Turizm, Shareholder and Manager at Çelikeller Yapı, and a Board Member at Hisar Güvenlik, Burç Özel Güvenlik and Hisar Hizmet. He has been a Board Member since January 2012.

Ercüment Güler—Board Member

Mr. Güler graduated from Ankara University, Department of Public Finance and received his Master's degree in Banking from İstanbul University and his Doctorate in Banking and Insurance from Marmara University. His professional life commenced in 1995. After Mr. Güler worked as supervisor, branch manager and head of departments at various banks, he joined Bank Asya as Executive Vice President responsible for retail banking in 2011. Mr. Güler is a Board Member at Asya Emeklilik ve Hayat and Tuna Gayrimenkul Yatırım Ortaklığı, an Auditor at Işık Sigorta and the Vice President of Board of Members at Asya Kart Teknoloji Hizmetleri. Mr. Güler has been a Member of Board of Directors at Bank Asya since March 2012.

Mehmet Uruç—Board Member

Mr. Uruç graduated from İstanbul University, the Faculty of Law. Having worked as a self-employed lawyer for a short time he began to serve as a lawyer at Türkiye Vakıflar Bankası in 1990. Mr. Uruç worked as Legal Affairs Manager in Malatya, Adana and Bursa. Mr. Uruç is the President of Board of Members at Asya Kart Teknoloji Hizmetleri. Mr. Uruç joined Bank Asya as Chief Legal Counsel in 2011 and has been a Board Member since March 2012.

Mehmet Gozütok—Board Member

Mr. Gozütok graduated from İstanbul Atatürk Education Sciences Institute and began his career in 1978. Mr. Gozütok worked as a Member of Council at Maltepe Municipality and İstanbul Metropolitan Municipality between 1994 and 1999. Mr. Gozütok is the Chairman of Board of Directors at the forestry products-building and construction and foreign trade companies of the Gözütoklar Group and Tuna Gayrimenkul Yatırım Ortaklığı, the Vice Chairman of Board of Directors at Samanyolu Yayın Holding and Samanyolu Yayıncılık, and a Board Member at Özel Sema Sağlık Hizmetleri and Sema Eğitim Öğretim Hizmetleri. Mr. Gozütok has been a Board Member at Bank Asya since 2012.

Recep Koçak—Board Member

Mr. Koçak graduated from İstanbul University's Department of Economics and began his career as Assistant Supervisor at Insurance Auditing Board in Undersecretariat of Treasury in 1993. Mr. Koçak lectured on Insurance Accounting at Marmara University's Banking and Insurance Faculty. Mr. Koçak is Board Member and President at Işık Sigorta, Chairman of the Board of Directors at Türkiye Sigorta ve Reasürans Şirketleri Birliği and Member of Supervisory Board at Tarım Sigortaları Havuz İşletmesi. Mr. Koçak joined Bank Asya as a Board Member.

Senior Management

Bank Asya's Senior Management is responsible for the day-to-day management of Bank Asya in accordance with the instructions, policies and operating guidelines set by the Board.

The business address of each member of Bank Asya's Senior Management is Saray Mahallesi. Dr. Adnan Büyükdeniz Caddesi. No: 10 34768 Ümraniye, Istanbul Turkey. No officer or senior manager of Bank Asya has any actual or potential conflict of interest between his duties to Bank Asya and his private interests and/or other duties.

The name and title of each member of Bank Asya's Senior Management is set out in the table below.

Name	Year of birth	Position	Year first elected to position
Ahmet Beyaz	1975	Board Member, President and CEO	2013
Feyzullah Egriboyun	1971	Executive Vice President	2011
Fahrettin Soylu	1971	Executive Vice President	2010
Ahmet Akar	1972	Executive Vice President	2011
Talha Salih Yayla	1975	Executive Vice President	2013
Ali Tuğlu	1969	Executive Vice President	2008
Murat Demir	1977	Executive Vice President	2012
Mahmut Yalçin	1977	Executive Vice President	2012
Hakan Fatih Büyükadali	1975	Executive Vice President	2012

Ahmet Beyaz—Board Member – President and CEO

Please see "*Management—Board of Directors—Ahmet Beyaz*" for further details of Mr. Beyaz's profile.

Feyzullah Egriboyun—Executive Vice President

Mr. Egriboyun graduated from Bogazici University, the Departments of Electrical and Electronics Engineering and Mathematics in 1993. He received his Master's degree in Applied Mathematics in 1995 and his PhD degree in Mathematical Finance in 2000 from Carnegie Mellon University in the United States.

Mr. Egriboyun worked as a financial engineer, a strategist and a trader at Treasury Department of CSFB (Credit Suisse First Boston) between 1997 and 2002, with BNP Paribas between 2002 and 2005 and UBS Investment Bank between 2005 and 2007 in New York City. After working as a structured products trader in the Department of Emerging Markets of Deutsche Bank in New York City, London and Istanbul between 2007 and 2009, he served as a member of the Finance Faculty at Sabanci University in 2009. From 2009 until 2011 he worked at the Department of Treasury of BNP Paribas in London. Mr. Eıriboyun has been the Executive Vice President responsible for the departments of Treasury, Financial Institutions and Investor Relations at Bank Asya since July 2011.

Fahrettin Soylu—Executive Vice President

Mr. Soylu graduated from Ankara University (Faculty of Political Sciences, Department of Business Administration) in 1993. Mr. Soylu has held the position of Executive Vice President at Bank Asya since May 2010. Mr. Soylu began his professional career in 1994 as assistant sworn bank auditor at the Undersecretariat of the Treasury; he worked there as a sworn bank auditor until August 2000. After its establishment, Mr. Soylu served on the BRSA in a variety of roles including sworn bank auditor, chief sworn bank auditor, deputy head of the Board of Sworn Bank Auditors, head of Supervision Group, head of Supervision Department III, head of Risk Management Department and head of Supervision Department II. In addition, he attended the Standards Implementation Group of the Basel Committee on Banking Supervision as a member on behalf of the BRSA. Mr. Soylu received his Master's degree in Business Administration from the University of Illinois in the United States in 2005 and is currently working toward obtaining his Ph.D. at Marmara University's Institute of Banking and Insurance, Department of Banking.

Ahmet Akar—Executive Vice President

Mr. Akar graduated from Ankara University, the Faculty of Political Sciences, the Department of Public Administration in 1994. Mr. Akar began his banking career as an assistant inspector at Vakıfbank in 1995. He was appointed as inspector in 1998. He worked at the Department of Loan Tracking from 2000 to 2002. He held the position of branch manager at Körfez, Izmit branch, İmes, Istanbul branch, Gebze, Izmit branch and Altunizade, Istanbul branch of Vakıfbank between 2002 and 2011. Mr. Akar has been the Executive Vice President responsible for the departments of Personal Loans, SME Loans, Commercial Loans and Regional Loan Allocations at Bank Asya since May 2011.

Talha Salih Yayla—Executive Vice President

Mr. Yayla graduated from Ankara University, Faculty of Law and received his Master's degree in Business Law from Bilgi University. Mr. Yayla began his professional life at the Department of Non-Performing Loans in Türkiye İş Bankası in 2000. Mr. Yayla joined Bank Asya as Legal Consultant responsible for international affairs. He is currently also a Board Member of Tamweel S.A., Bank of Moritania and United Bank of Albania. Mr. Yayla has been the Executive Vice President responsible for the Departments of Corporate Loans Tracking, Commercial Loans Tracking, Personal Loans Tracking, and Legal Consultancy and Legal Proceedings since January 2013.

Ali Tuğlu—Executive Vice President

Mr. Tuğlu is a graduate of Istanbul Technical University (Department of Computer Engineering) and earned a Master's degree in Computer Science from Virginia Tech in 1995. Mr. Tuğlu joined Bank Asya in March 2008 and currently serves as Executive Vice President of the Information Technologies Group. He began his career as an instructor at Virginia Tech where he worked from 1993 to 1995.

Mr. Tuğlu then served as a software project engineer for CGN Consulting in the United States from 1995 to 1996 and as the software group manager at Minerva Software from 1997 to 1998. From 1998 to 2008, he served in a variety of positions in the national and regional organisations of Hewlett Packard in Turkey, eventually becoming the consulting segment manager for HP's Middle East, Africa and Mediterranean region.

Murat Demir—Executive Vice President

Mr. Demir graduated from Hacettepe University, Faculty of Economics and Administrative Sciences in 2000. He began his professional life at İş Bankası in 2001. After holding various positions at İş Bankası until 2005, Mr. Demir joined Garanti Bankası as the portfolio director responsible for SMEs. Mr. Demir was the branch manager at Garanti Bank and Albaraka Türk Katılım Bankası between 2008 and 2011. Mr. Demir joined Bank Asya as the manager of the Bursa Branch in 2011 and was appointed as the manager of SME Banking in 2012. Mr. Demir works as the executive vice-president responsible for Commercial-SME Marketing at Bank Asya.

Mahmut Yalçin—Executive Vice President

Mr. Yalçın graduated from Ankara University, Faculty of Political Science in 1999 and received his Master's degree in Human Resources Management from Yıldız Technical University in 2006. Mr. Yalçın began his professional life as an inspector at Türk Ticaret Bankası in 1999. After working as an internal control inspector at Family Finans between 2004 and 2006 and as Vice President of the internal control center at Türkiye Finans between 2006 and 2007, Mr. Yalçın joined Bank Asya as the Vice President of its internal control center in 2007. After working as president of the internal control center from 2009 and 2012, Mr. Yalçın was appointed as the Executive Vice President responsible for financial affairs in 2012.

Hakan Fatih Büyükadali—Executive Vice President

Mr. Büyükadali graduated from İstanbul University, Department of Business Administration in 1997. Mr. Büyükadali commenced his professional career as an assistant specialist at the Treasury Department of İş Bankası in 1998. Mr. Büyükadali also worked as an inspector at the Supervisory Board of İş Bankası between 2004 and 2006 and as the assistant manager at the Human Resources Department of İş Bankası between 2007 and 2012. Mr. Büyükadali joined Bank Asya as the President of the Supervisory Board in 2012 and was appointed as the Executive Vice President responsible for Human Resources in 2012.

Board and Management Committees

Bank Asya has established several management committees responsible for various aspects of operations. The committees are the Credit Committee (*see* "*Risk Management—Credit Risk*"), Corporate Governance Committee, Audit Committee (see "*Risk Management—Risk Committees—Audit Committee*"), Information Security Management Committee, ALCO (see "*Risk Management—Risk Committees—Asset and Liability Committee*"), Information Technologies Strategy and Steering Committee, Project Finance Credit Committee, Compensation Committee, Expense Management Committee and the Discipline Committee.

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 Bank Asya 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 Bank Asya, ensuring that transactions are carried out in compliance with interest-free banking principles.

The current members of the Advisory Board are Professor Dr. Hayrettin Karaman, Professor Dr. Hamdi Döndüren, Professor Dr. Hamza Aktan and Assoc Dr. İshak Emin Aktepe.

OVERVIEW OF THE TURKISH BANKING SECTOR AND REGULATIONS

Summary

The Turkish banking legislation has changed substantially 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 on 1 November 2005. The Banking Law governs the activities conducted by commercial banks as well as participation banks. For further details please see "*Types of Banks in Turkey*" below.

Regulatory Environment

The regulatory responsibility in the Turkish banking sector is split between the BRSA, the CBT and the Savings Deposit and Insurance Fund (**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. For further details please see "*Regulatory Environment—The Role of the BRSA*". The CBT is the entity responsible for the Government's fiscal and monetary policies. For further details please see "*Regulatory Environment—The Role of the CBT*". 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. For further details please see "*Regulatory Environment— The Role of the SDIF*".

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. 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 to ensure it effectively monitors and regulates the Turkish banking sector and is the sole regulatory and supervisory authority for the Turkish banking sector.

The BRSA conducts on-site and off-site supervision of banks' internal controls, internal audit systems, risk management systems and banks' general financial integrity.

The BRSA's on-site supervision is conducted through a team of sworn bank auditors and other experts who are part of 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.

Pursuant to the Regulation regarding the Internal Systems of Banks, as issued by the BRSA and published in the Official Gazette dated 28 June 2012 and numbered 28337, banks in Turkey are required to establish, manage and develop (for themselves, all 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. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties.

The Role of the CBT

The CBT was founded in 1930 in order to provide financing mainly for the Government and public sector agencies. The CBT exercises its powers independently 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 the 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 and is empowered to determine the inflation target together with the government. 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 Turkey's Treasury (the **Treasury**).

The CBT has responsibility for all banks operating in Turkey, including foreign banks. The CBT sets mandatory reserve levels. In addition, each bank must provide the CBT, on a current basis, information adequate to permit off-site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis depending upon the nature of the information to be reported.

The Banks Association of Turkey and Participation Banks Association of Turkey

Finally, the Turkish Banks Association acts as an organisation with limited supervision and coordination. According 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 Participation Banks Association of Turkey. Both of the Banks Association of Turkey and the Participation Banks Association of Turkey 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 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. It is able to complement these measures provided the management and control of the bank has been transferred to the SDIF in accordance with Article 71 of the Banking Law.

During the financial crisis in 2001, all private commercial banks were either found to be in compliance with the 8 per cent. minimum capital requirement of the BRSA, transferred to the SDIF or directed to increase their capital levels. 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. The establishment of an independent supervisory and regulatory framework and new disclosure requirements are intended to improve the transparency with which the SDIF operates.

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 20/1,000 (twenty per thousand) 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 published in the Official Gazette dated 7 November 2006 numbered 26339, the insurance premium rate to be paid by Bank Asya as of the date of this Prospectus is TRY18 million of the deposits and participation funds subject to insurance. The SDIF may apply to the Treasury to borrow funds and/or securities from the Treasury in circumstances where SDIF deems it necessary to make such application. 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.

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.

As at the date of this Prospectus, Birleşik Fon Bankası (**BFB**) is the only bank under the supervision and administration of the SDIF. BFB has been incorporated by the SDIF by merging the assets of Etibank A.Ş., Iktisat 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 Birleşik Fon Bankası A.Ş.

In the event of bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Law No. 2004, executing the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

The owners of deposits and participation funds are treated as privileged creditors with respect to the part of their accounts not subject to insurance, pursuant to Article 206, line 3 of the Execution and

Bankruptcy Law No. 2004, and receive their receivables after the payment of the receivables of the SIDF and the claims of the state and social security organizations covered by Law No. 6183 in the case of the bankruptcy of credit institutions.

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 30 September 2012 (the latest date for which such figures are available) under BRSA accounting principles.

	Public Sector Banks	Private Sector Banks	Foreign Banks	Development and Investment Banks	Participation Banks	Total
			(TRY in thousands)			
Total assets	362,426,459	728,404,274	161,309,209	16,907,523	65,171,981	1,334,219,446
Total loans, net	198,312,998	421,216,427	106,905,000	10,070,357	48,529,000	785,033,782
Total deposits	249,955,732	411,124,017	96,148,691	65,362	46,148,000	803,441,802
Total equity	38,017,558	87,692,843	19,056,908	2,963,929	6,912,000	155,093,238
Net income	4,848,915	9,193,686	1,550,936	320,917	718,000	16,632,636
Number of branches	3,058	5,045	1,965	42	781	10,891
Number of employees	50,914	90,289	38,053	4,851	14,920	199,027
Number of banks	3	11	16	13	4	48

Source: *The Banks Association of Turkey, BRSA, Consolidated Financial Statements.*

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 Iş Bankasi, Akbank, Garanti Bankasi and Yapi Kredi Bankasi. 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 liberatisation 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. For example, BNP Paribas acquired 50.0 per cent. of the shares of TEB Mali Yatrimlar A.Ş. which owns 84.3 per cent. of the shares of TEB A.Ş. in February 2005. In September 2005, Koç Finansal Hizmetler A.Ş., 50.0 per cent. of which is owned by UniCredito Italiano, acquired 57.4 per cent. of Yapi ve. Kredi Bankasi. In July 2005, Fortis Bank acquired 83.9 per cent. of Türk Diş Ticaret Bankasi A.Ş. In August 2005, General Electric Financial Services purchased 25.5 per cent. of Garanti Bankasi. In September 2005, Bank Hapoalim BM acquired Bank Pozitif ve Kalkinma Bankasi for U.S.$113.0 million. In May 2006, Tekfenbank was acquired by EFG Eurobank Ergasias SA for U.S.$182.0 million. In June 2006, TuranAlem Securities of Kazakhstan, a wholly owned subsidiary of BTA Bank, acquired 34.0 per cent. of Şekerbank's shares. NBG acquired from Fiba Holding and affiliates a 46.0 per cent. stake in the ordinary shares of Finansbank and 100 per cent. of the founder shares for a total consideration of U.S.$2.8 billion in August 2006. In January 2007, NBG acquired a further 43.4 per cent. of Finansbank's publicly held outstanding ordinary shares, and Citi Group acquired a 20 per cent. equity stake in Akbank. In July 2007, Turkishbank was acquired by National Bank of Kuwait for U.S.$160 million. ING acquired Oyakbank for U.S.$2.7 billion in 2007. In November 2010, General Electric Co. agreed to sell its 18.6 per cent. stake in Garanti Bank to Banco Bilbao Vizcaya Argentaria S.A. for U.S.$3.8 billion, and Doğuş Holding A.Ş. agreed to sell its 6.3 per cent. stake in the bank for U.S.$2 billion. In December 2010, Credit Europe Bank NV acquired a 95 per cent. stake in Turkey-based Millennium Bank A.Ş., a subsidiary of Banco Comercial Portugues SA, for a total adjusted price of EUR 58.9 million. In early

2011 Türk Ekonomi Bankası A. Ş. acquired by merger Fortis Bank A.Ş. Denizbank was acquired in September 2012 from Dexia by Sberbank of Russia for approximately U.S.$3.87 billion.

In October 2011, the BRSA issued a decision allowing Audi Saradar Group of Lebanon to incorporate a new bank with a deposit taking licence following a 12 year period during which all the applications were rejected for the purpose of consolidating the market. Audi Saradar Group and its affiliates incorporated Odea Bank A.Ş. and it became operational as of September 2012. In December 2012, the BRSA issued another decision in relation to the approval granted to The Bank of Tokyo-Mitsubishi UFJ, Ltd. again for incorporation of a bank with a deposit taking licence.

Development banks are funded by international banks and institutions such as the World Bank and the European Bank for Reconstruction and Development. 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.

The Banking Law permits commercial banks to engage in all areas of financial activities including deposit taking, corporate and consumer lending, 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, each of which is 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 as at 30 September 2012 under BRSA Principles (the latest date for which such figures are available).

Bank	Specialisation	Total Assets	Number of branches
		(U.S.$ in millions)	
T.C. Ziraat Bankası A.Ş.	Agriculture	86,705	1,510
Türkiye Halk Bankası A.Ş.	General	57,185	807
Türkiye Vakıflar Bankası T.A.O.	Retail	55,034	741

Source: The Banks Association of Turkey Consolidated Financial Statements.

According to the Banks Association of Turkey, total loans provided by these banks as at 30 September 2012 (the latest date for which such figures are available) were approximately TRY198.312 billion. Through their broad branch networks and ownership structures, these banks have traditionally been able to collect deposits and thereby access cost-efficient funding sources.

T.C. Ziraat Bankası and Türkiye Halk Bankası are jointly managed by a single board of directors and have been restructured with the intention of ultimately privatising these banks. In addition, Pamukbank, a bank that was under the control of the SDIF, was merged with Türkiye Halk Bankası at the end of 2004.

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 as at 30 September 2012 (the latest date for which such figures are available), under BRSA Principles.

Bank	Ownership	Total Assets	Number of branches
		(U.S.$ in millions)	
Türkiye Iş Bankası A.Ş.	Bank Pension Fund; Treasury; RPP	93,487	1,234
Türkiye Garanti Bankası A.Ş.	Doğuş Group and BBVA	86,597	928
Akbank T.A.Ş.	Sabanci Group and Citibank	84,183	963
Yapı ve Kredi Bankası A.Ş.	Koç Financial Services	66,240	922
Türk Ekonomi Bankası A.Ş.	TEB Mali Yatırımlar A.Ş. and BNP Paribas	23,816	510

Source: The Banks Association of Turkey Consolidated Financial Statements.

The following table ranks the small branch network private sector commercial banks by asset size as at 30 September 2012 (the latest date for which such figures are available).

Bank	Ownership	Total Assets	Number of branches
		(U.S.$ in millions)	
Şekerbank T.A.Ş.	Employee Pension Funds and BTA	8,212	272
Alternatif Bank A.Ş.	Anadolu Endüstri Group	4,429	63
Anadolubank A.Ş.	Habaş Group	4,045	88
Tekstil Bankası A.Ş.	GSD Holding	1,962	44
Turkish Bank A.Ş.	Özyol Group	469	20
Adabank A.Ş.	Saving & Deposit Insurance Fund	28	1

Source: The Banks Association of Turkey Consolidated Financial Statements.

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.

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, 11 of which are locally incorporated banks and six of which are branches of foreign banks.

The table below indicates certain information regarding foreign commercial banks in Turkey, together with their asset size, under BRSA Principles as at 30 September 2012 (the latest date for which such figures are available).

Bank	Ownership	Total Assets	Number of branches
		(U.S.$ in millions)	
Local Incorporated Banks			
Finansbank A.Ş.	NBG Group	27,961	530
Denizbank A.Ş.	Sberbank of Russia	22,669	600
ING Bank A.Ş.	ING	12,990	320
HSBC Bank A.Ş.	HSBC	14,454	331
Citibank A.Ş.	Citi Group	4,417	37
Eurobank Tekfen A.Ş.	Burgan Bank S.A.K	2,395	60
Arap Türk Bankası A.Ş.	İs Bankasi; T.C. Ziraat Bankasi; Libyan Foreign Bank	1,203	7

Bank	Ownership	Total Assets	Number of branches
		(U.S.$ in millions)	
Deutsche Bank A.Ş.	DBAG	1,920	1
Turkland Bank A.Ş.	Arab Bank; Arab Bank Suisse, BankMed	1,485	27
Fibabanka A.Ş.	Fiba Holding	1,748	27
Branches of Foreign Bank			
Bank Mellat	Iran	409	3
JP Morgan Chase Bank N.A.	United States	465	1
The Royal Bank of Scotland N.V.	Scotland	1,541	3
Portigon AG	Germany	156	1
Société Générale (SA)	France	816	16
Habib Bank Limited	Pakistan	45	1

Source: The Banks Association of Turkey Consolidated Financial Statements.

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 three state-owned, six privately-owned and four foreign development and investment banks in Turkey. The following table indicates these banks and their assets and number of branches as at 30 September 2012 (the latest date for which such figures are available).

Bank	Total Assets	Number of branches
	(U.S.$ in millions)	
State-owned Development Banks		
İller Bankası A.Ş.	6,897	19
Türk Eximbank	8,250	2
Türkiye Kalkınma Bankası A.Ş.	1,486	1
Privately-owned Development and Investment Banks		
Türkiye Sınayi Kalkınma Bankası A.Ş.	5,564	4
İMKB Takas ve Saklama Bankası A.Ş.	2,010	1
Aktif Yatırım Bankası A.Ş.	1,679	7
Nurol Yatırım Bankası A.Ş.	127	2
GSD Yatırım Bankası A.Ş.	60	1
Diler Yatırım Bankası A.Ş.	61	1
Foreign Development and Investment Banks		
BankPozitif Kredi ve Kalkınma Bankası A.Ş.	1,002	1
Merrill Lynch Yatırım Bankası A.Ş.	1,063	1
Credit Agricole Yatırım Bankası Türk A.Ş.	40	1
Taib Yatırım Bankası A.Ş.	10	1

Source: The Banks Association of Turkey Consolidated Financial Statements.

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 were four participation banks, and each of these participation banks is a member of The Participation Banks Association of Turkey, a cooperative organisation of Turkish participation banks.

The table below sets out the four participation banks in Turkey, ranked by size of assets as at 30 September 2012 under BRSA Principles (the latest date for which such figures are available).

Bank	Total Assets	Number of branches
	(TRY in thousands)	
Bank Asya	20,161,981	232
Türkiye Finans	15,787,000	193
Kuveyt Türk	17,500,000	219
Al Baraka Türk	11,542,465	136

Source: Banks' Financial Statements.

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).

According to Article 7 of the Regulation on the Principles and Procedures for Accepting Withdrawal of Deposits and Participation Funds published in the Official Gazette dated 1 November 2006 numbered 26333, participation banks may designate special fund pools exclusively for the financing of pre-determined 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 three months 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 disposition of such shares by a person if the total number of shares held by such person increases above or falls below 10 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital of a bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the thresholds above, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee, or the issuance of new shares with such privileges, 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).

The board of directors of a bank is responsible for ensuring that shareholders attending general assemblies have obtained the applicable authorisations from the BRSA. If the BRSA determines that a shareholder has exercised voting or other shareholders' rights (other than the right to collect dividends) without due authorisation as described in the preceding paragraph, then it is authorised to direct the board of directors of the applicable bank to cancel any applicable general assembly resolutions. If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without BRSA authorisation. Unless and until a shareholder obtains the necessary share transfer approvals from the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

In the context of implementation of Article 48 of the Banking Law, cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank and undertakings having the same qualifications, purchased bonds and similar capital market instruments, loans lent by depositing or otherwise, receivables arising from the future sales of assets, overdue cash credits, interests accrued but not collected, amounts of non-cash credits converted into cash and futures and opinion contracts and other similar contracts, partnership interest and shareholding interest are considered as a credit irrespective of the account through which they are traded.

Turkish law sets out certain limits on the asset profile of banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties), which limits are summarised below:

- Credits that are directly or indirectly extended in the amounts of 10 per cent. or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity. In this context, "credits" include cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, endorsements and acceptances extended by a bank, bonds and similar capital market instruments purchased by it, loans (whether deposits or other), receivables arising from the future sales of assets, overdue cash credits, accrued but not collected interest, amounts of non-cash credits converted into cash and futures and options and other similar contracts, partnership interests and shareholding interests.

- 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 risk group (risk groups include an individual, his or her spouse and children, and partnerships in which any one of such persons is a member of the board of directors or a general manager or partnerships that are directly or indirectly controlled by any one of such persons or a legal person either individually or jointly with third parties or partnerships in which any one of such persons participate with unlimited liability) directly or indirectly to 25 per cent. of its equity. Furthermore, the total financial exposure that a bank may have for the risk group, which includes the bank and its qualified shareholders, members of the board of directors and general manager or the partnerships in which such persons, together or individually, directly or indirectly, have control or participate with unlimited liability, or of which such person is a member of the board of directors or general manager, cannot exceed 20 per cent. of its equity. Banks are obliged to regularly report to the BRSA the 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. Loans made available to a bank's shareholders holding more than 1 per cent. of the share capital of the bank, as well as individuals who would constitute risk groups together with such shareholders may not exceed 50 per cent. of the bank's equity.

- Loans made available to a bank's controlling shareholders or registered shareholders holding 1 per cent or more of the share capital of the bank and their risk groups may not exceed 50 per cent. of the bank's capital equity.

The BRSA determines the permissible ratio of non-cash loans, futures and options, other similar transactions, guarantees and sureties, transactions entered into with, or bills of exchange, bonds and other similar capital markets instruments issued or guaranteed by credit and other financial establishments, governments, CBTs and banks of the countries accredited with the BRSA for the purpose of calculation of loan limits.

Pursuant to Article 55 of the Banking Law, the following transactions are exempt from the above-mentioned lending limits:

- transactions against cash, cash-like assets and accounts and precious metals;

- transactions carried out with the Undersecretariat of 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, valuations prompted by the changes in currency rates in credits denominated or indexed to foreign currencies, and interests, profit shares and other such issues accrued on overdue credits;
- 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" in the shareholders' equity account; and
- other transactions to be determined by the board of the BRSA (the **BRSB**).

Loan Loss Reserves

The Banking Law stipulates that all banks must implement and regularly review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and other receivables. In addition, such policies must address issues such as monitoring the loans, follow-up procedures and the repayment of overdue loans.

Procedures relating to loan loss reserves for non-performing loans are set out in regulations issued by the BRSA. Pursuant to the Regulation on the Principles and Procedures Related to the Determination of Qualifications of the Loans and other Receivables and the Provisions to be Set Aside by Banks published in the Official Gazette dated 1 November 2006 numbered 26333 (the **BRSA Regulation on Loans and Provisions), banks are required to classify their loans and receivables into one of the following groups:**

I. *Standard Loans and Other Receivables*: This group involves loans and other receivables:

(1) that have been disbursed to natural persons and legal entities with financial creditworthiness;

(2) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor;

(3) the reimbursement of which has been made within specified periods, for which no reimbursement problems are expected in the future and that can be fully collected; and

(4) for which no weakening of the creditworthiness of the debtor has been found.

The terms of a bank's loans and receivables monitored in this group may be modified if such loans and receivables continue to have the conditions envisaged for this group. However, in the event that such modification is related to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than five times the sum of 1 per cent. of the cash loan portfolio plus 0.2 per cent. of the non-cash loan portfolio (such as letters of guarantee, acceptance credits, letters of credit undertakings and endorsements) is required to be set aside and such modification is required to be disclosed under the financial reports to be disclosed to the public. This ratio is required to be at least 2.5 times the Consumer Loans Provisions (as defined below) for amended consumer loan agreements (other than auto and housing loans). As an exception to this rule, short-term, low-risk loans with a proven record of interest payments are not required to set aside additional reserves if their terms are renewed, provided that this does not lead to additional cost to the bank and the principal is repaid within a year.

II. *Closely Monitored Loans and Other Receivables*: This group involves loans and other receivables:

(1) 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;

(2) whose principal and interest payments according to the conditions of the loan agreement are not likely to be repaid according to the terms of the loan agreement and where the persistence of such problems might result in partial or full non-reimbursement risk;

(3) that are very likely to be repaid but where the collection of principal and interest has not been made for justifiable reasons and is delayed for more than 30 days; however, which cannot be considered as loans or other receivables with limited recovery as grouped in group III below; or

(4) although the standing of the debtor has not weakened, there is a high likelihood of weakening due to the debtor's irregular and unmanageable cash flow.

If a bank has made several loans to a customer and any of these loans is included in this group, then all of the bank's loans to such customer will be classified in this group even though some of the bank's loans to such customer would otherwise have been included in group I above. The terms of a bank's loans and receivables monitored in this group may be modified if such loans and receivables continue to have the conditions envisaged for this group. However, in the event that such modification is related to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than 2.5 times the sum of 2 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 under the financial reports to be disclosed to the public. This ratio is required to be at least 1.25 times the Consumer Loans Provisions for amended consumer loan agreements (other than auto and housing loans). As an exception to this rule, short-term, low-risk loans with a proven record of interest payments are not required to set aside additional reserves if their terms are renewed, provided that this does not lead to additional cost to the bank and the principal is repaid within a year.

III. *Loans and Other Receivables with Limited Collection Ability*: This group involves loans and other receivables:

(1) with limited collectability due to the resources of, or the securities furnished by, the debtor being found insufficient to meet the debt on the due date, and where if the problems observed are not eliminated, they are likely to give rise to loss;

(2) the credibility of whose debtor has weakened and where the loan is deemed to have weakened;

(3) 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

(4) in connection with which the bank is of the opinion that collection of the principal or interest of the loan or both will be delayed for more than 90 days from the due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity.

IV. *Loans and Other Receivables with Remote Collection Ability*: This group involves loans and other receivables:

(1) that seem unlikely to be repaid or liquidated under existing conditions;

(2) in connection with which there is a strong likelihood that the bank will not be able to collect the full loan amount that has become due or payable under the terms stated in the loan agreement;

(3) whose debtor's creditworthiness is deemed to have significantly weakened but which are not considered as an actual loss due to such factors as a merger, the possibility of finding new financing or a capital increase and improvement in the debtor's creditworthiness and collectability of loans; or

(4) there is a delay of more than 180 days but not more than one year from the due date in the collection of the principal or interest or both.

V. *Loans and Other Receivables Considered as Losses*: This group involves loans and other receivables:

(1) that are deemed to be uncollectible;

(2) collection of whose principal or interest or both has been delayed by one year or more from the due date; or

(3) for which, although carrying the characteristics stated in groups III and IV, the bank is of the opinion that they have become weakened and that the debtor has lost 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 one year.

Pursuant to Article 53 of the Banking Law, banks must calculate the losses that have arisen, or are likely to arise, in connection with loans and other receivables. Such calculations must be regularly reviewed. A bank must also reserve adequate provisions against depreciation or impairment of other assets, qualify and classify assets, receive guarantees and security and measure the reliability and the value of such guarantees and security. In addition, banks must monitor loans under review, monitor the repayment of overdue loans and establish and operate systems to perform these functions. All provisions set aside for loans and other receivables in accordance with this article are considered expenditures deductible from the corporate tax base in the year they are set aside.

Pursuant to the amendment dated 21 September 2012 to the BRSA Regulation on Loans and Provisions, banks are required to reserve adequate provisions for loans and other receivables until the end of the month during which the payment of such loans and receivables has been delayed.

General Provisions

Turkish law also requires Turkish banks to provide a general reserve calculated at 1 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, a reserve calculated at 25 per cent. of the applicable rate of the rates above will be required to be provided for each cheque that remains uncollected for a period of five years after issuance. Pursuant to the amendment dated 21 September 2012 to the BRSA Regulation on Loans and Provisions, at least 40 per cent., 60 per cent., 80 per cent., and 100 per cent. of the reserve amount calculated according to the above mentioned ratios shall be set aside until 31 December 2013, 31 December 2014, and 31 December 2015, respectively.

Banks with consumer loan ratios greater than 20 per cent. of their total loans and banks with non-performing consumer loan (classified as frozen receivables as defined below (excluding auto and housing loans)) ratios greater than 8 per cent. of their total consumer loans (excluding auto and housing loans) (pursuant to the unconsolidated financial data prepared as at the general reserve calculation period) are required to set aside a 4 per cent. general provision for outstanding (but not yet due) consumer loans (excluding auto and housing loans) under group I above, and an 8 per cent. general provision for outstanding (but not yet due) consumer loans (excluding auto and housing loans) under group II above ("**Consumer Loans Provisions**").

If the sum of the letters of guarantee, acceptance credits, letters of credit undertakings, endorsements, purchase guarantees in security issuances, factoring guarantees or other guarantees and sureties and pre-financing loans without letters of guarantee of a bank is higher than ten times its equity calculated pursuant to 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.

Specific Provisions

Turkish banks are also required to set aside general provisions for the amounts monitored under the accounts of "*Receivables from Derivative Financial Instruments*" on the basis of the sums to be computed by multiplying them by the rates of conversion into credit indicated in Article 12 of the BRSA Regulation on Loans and Provisions by applying the general provision rate applicable for cash loans. In addition to the general provisions, specific provisions must be set aside for the loans and receivables in groups III, IV and V described above in the amounts of 20 per cent., 50 per cent. and 100 per cent., respectively. 75 per cent. less specific provisions is set aside for each cheque slip of customers who have loans under groups III, IV and V, which cheque slips were delivered by the bank at least five years ago. However, if a bank sets aside specific provisions at a rate of 100 per cent. for non-performing loans, then it does not have to set aside specific provisions for cheque slips that were delivered by such bank at least two years ago.

Pursuant to the BRSA Regulation on Loans and Provisions, all loans and receivables in groups III, IV and V above, irrespective of whether any interest or other similar obligations of the debtor are applicable on the principal or whether the loans or receivables have been refinanced, are defined as "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 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 the amendment dated 21 September 2012 to the BRSA Regulation on Loans and Provisions, the BRSA is entitled to increase the provision rates taking into account the sector and country risk status of the borrowers.

Banks must also monitor the following types of security based upon their classification:

Category I Collateral

Cash, deposits, profit sharing 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 Privatization Administration and B-type investment profit sharing funds; member firm receivables arising out of credit cards and gold reserved within the applicable bank; securities issued directly or guaranteed by the central governments or CBTs of countries that are members of the OECD and securities issued directly or guaranteed by the European Central Bank; transactions made with the Treasury, the CBT, the Mass Housing Administration or the Privatization Administration or transactions that are guaranteed by securities issued directly or guaranteed by such institutions; guarantees issued by banks operating in OECD member countries; sureties and letters of guarantee issued by banks operating in Turkey in compliance with their maximum lending limits; and promissory notes and debenture bonds issued by banks in Turkey.

Category II Collateral

Precious metals other than gold; shares quoted on a stock exchange; A-type investment profit sharing funds; asset-backed securities and private sector bonds except ones issued by the borrower; credit derivatives providing protection against credit risk; the assignment or pledge of accrued entitlements of persons from public agencies; liquid securities, negotiable instruments representing commodities, other types of commodities and movables pledged at 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 appurtenant to bill of lading or carrier's receipt and negotiable instruments obtained from real or legal persons based upon actual commercial relationships.

Category III Collateral

Commercial enterprise pledges, other export documents, vehicle pledges including pledges of commercial vehicle lines and plate, mortgages on aircraft or ships, suretyships of real persons or legal entities whose creditworthiness is higher than the borrower and other promissory notes of real or legal persons.

Category IV Collateral

Any other security not otherwise included in categories I, II or III.

Assets owned by banks and leased to third parties under financial leasing agreements must also be classified in accordance with the above mentioned categories.

While calculating the specific provision requirements for non-performing loans, the value of collateral received from the borrower will be deducted from the frozen receivables in groups III, IV and V above in the following proportions in order to determine the amount that will be subject to specific provisioning:

Category	**Discount Rate**
Category I collateral	100%
Category II collateral	75%
Category III collateral	50%
Category IV collateral	25%

In case the value of the collateral exceeds the amount of the 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.

According to Article 11 of the BRSA Regulation on Loans and Provisions, in the event of a borrower's failure to repay loans or any other receivables, including deferred interests due to a temporary lack of liquidity that the borrower is facing, a bank is allowed to refinance the borrower with additional funding in order to strengthen the borrower's liquidity position or to structure a new repayment plan. Despite such refinancing or new repayment plan, such loans and other receivables are required to be monitored in their current loan groups (whether III, IV or V) for at least the following six-month period and to be provided against in line with the relevant loan group provisioning level. After this six-month period, if total collections reach at least 15 per cent. of the total receivables for restructured loans, then the remaining receivables may be reclassified as "Refinanced/ Restructured Loans and Receivables". The bank may refinance the borrower for a second time if the borrower fails to repay the refinanced loan; provided that at least 20 per cent. of the principal and other receivables are collected on a yearly basis.

The Regulation on Provisions and Classification of Loans and Receivables was amended on 9 April 2011. According to Provisional Article 5 of the regulation, which will be effective until 31 December 2013 in accordance with the amendment made on 25 December 2012, debt classified as group II receivables granted to real persons or legal entities residing in Libya or in connection with their activities relating to Libya can be restructured twice. Furthermore, such restructured debt may be classified as group I receivables, provided that at least 10 per cent. of the total debt has been repaid. Any such debt classified under group I that is reclassified as group II debt or that is restructured or is continued to be monitored under group II debt as the agreed conditions for reclassification were not adhered to and are restructured once again may be reclassified as group I debt, provided that at least 15 per cent. of the total debt has been repaid. If such debt becomes subject to a redemption plan for a second time as a result of new loans having been utilised, then such debt shall be classified as group III debt until 5 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 this group, it is in the bank's discretion to set aside special provisions for such loans and receivables.

In addition, pursuant to Provisional Article 5 described above, if real persons or legal entities residing in Libya or having business activity relating to Libya (other than those described in the preceding paragraph) incur other debt that is classified under group III, IV or V, then the debt relating to Libya will be reclassified in the same group as such debt. However, setting aside special provisions in the ratio foreseen by the related group for these loans is in the discretion of the bank. So long as the classification methods as set out in the regulation are complied with, if a borrower fails to repay such debt due to a temporary lack of liquidity, then a bank is allowed to refinance the borrower with additional funding in order to strengthen its liquidity position or to structure a new repayment plan up to three times.

Any debt restructured pursuant to the paragraph above may be reclassified as "Loans Renewed and Having a New Redemption Plan" if:

- at least 5 per cent. of the total debt in the first restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of at least three months;
- at least 10 per cent. of the total debt in the second restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of six months;
- at least 15 per cent. of the total debt in the third restructuring has been repaid and the restructured loans have been monitored under their respective group(s) for a period of one year; and
- the payments foreseen in the payment plan are not delayed.

Pursuant to Provisional Article 5, details of such restructuring and the amended conditions, shall be disclosed in their annual or interim financial reports to be disclosed to the public.

The BRSA Regulation on Loans and Provisions was amended on 30 December 2011. According to Provisional Article 6 of the regulation, which will be effective until 31 December 2013 in accordance with the amendment made on 25 December 2012, debt classified as group II receivables granted by the banks to be used in maritime sector can be restructured twice. Furthermore, such restructured debt may be classified as group I receivables, provided that at least 10 per cent. of the total debt has been repaid. Any such debt classified under group I that is reclassified as group II debt or that is restructured or is continued to be monitored under group II debt as the agreed conditions for reclassification were not adhered to and are restructured once again may be reclassified as group I debt, provided that at least 15 per cent. of the total debt has been repaid. If such debt becomes subject to a redemption plan for a second time as a result of new loans having been utilised, then such debt shall be classified as group III debt until 5 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 this group, it is in the bank's discretion to set aside special provisions for such loans and receivables.

In addition, pursuant to such Provisional Article 6 described above, if there are loans or other receivables classified under group III, IV or V excluding loans granted to be used for maritime sector as well as other receivables, such debt shall be reclassified in the same group as the debt relating to maritime sector as described in the preceding paragraph. However, setting aside specific 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 the borrower fails to repay such debt due to a temporary lack of liquidity, then the bank is allowed to refinance the borrower with additional funding in order to strengthen its liquidity position or to structure a new repayment plan up to three times.

Any debt restructured pursuant to the preceding paragraph may be transferred to the "Renewed/ Restructured Loans Account" if:

- at least 5 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.

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

Pursuant to Provisional Article 6, any such modifications made on the loans mentioned above shall be disclosed under the financial reports to be disclosed to the public.

The BRSA Regulation on Loans and Provisions was amended on 21 September 2012. According to Provisional Article 7 of the regulation, which will be effective until 31 December 2013, restructured debts classified as group II 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 as group I receivables; provided that at least 10 per cent. of the total debt has been repaid. Any such debt classified under group I that is reclassified as group II or that is restructured or is continued to be monitored under group II as the agreed conditions for reclassification were not adhered to and is restructured again may be classified as group I; 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 III 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 III, it is in the bank's discretion to set aside special provisions for such loans and receivables.

In addition, pursuant to Provisional Article 7 described above, if 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 III, IV or V, 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 in the discretion of the banks. So long as the classification methods as set out in the regulation are complied with, if a borrower fails to repay such debt due to a temporary lack of liquidity, then a bank is allowed to refinance the borrower with additional funding in order to strengthen its liquidity position or to structure a new repayment plan up to three times.

Any debt restructured pursuant to the preceding paragraph may be transferred to the "Renewed/Restructured Loans Account" if:

- at least 5 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.
- Banks must provide information on the loans and receivables defined above that are subject to the terms of a new contract or restricted in their year-end and interim financial reports to be disclosed to the public.

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 published in the Official Gazette dated 1 November 2006 numbered 26333 (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 as provided by the Calculation Regulation. 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

The CBT observes the recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision (**Basel II**). Basel II refers to revised regulations on bank supervision and contains rules purporting to protect the equity positions of financial service institutions. Basel II was made binding in corresponding EU directives (bank directive 2006/48/EC and the capital adequacy directive 2006/49/EC) for EU member states as of 2007.

Basel II accord members are representatives of CBTs and supervisory authorities from over 25 countries, including the CBT. Basel II introduces stricter capital requirements for financial institutions and rests on three pillars, namely (i) minimum capital requirements (**Pillar 1**); (ii) examination procedures of risk assessment (**Pillar 2**); and (iii) disclosure obligations (**Pillar 3**). Pillar 1 introduces rules for determining minimum equity requirements to manage bank default risks. Pillar 2 deals with the examination of bank credit-assessment procedure and contains corresponding rules on the auditing process of bank supervision. Pillar 3 imposes disclosure obligations on banks not only on the capital necessary for risk provisioning but also on the quality of bank investment, credit portfolios and bank systems for risk measurement and management.

Bank Asya underwent transition in 2007 to meet Basel II standards which included technology implementation to meet risk management requirements (for more on Bank Asya and Basel II, see "*Business Description of Bank Asya—Funding and Liquidity Risk—Capital Adequacy*").

Pursuant to the Regulation on Measurement and Assessment of Capital Adequacy of Banks which was published in the Official Gazette No. 26333 in November 2006, as well as Article 45 of the Banking Law, banks are required to maintain and report a minimum capital adequacy ratio of 8 per cent. (both on a consolidated and unconsolidated basis) whereas banks that have off-shore branches were required in 2009 to maintain a 12 per cent. capital adequacy ratio at minimum.

The BRSB is authorised to increase the minimum capital adequacy ratio and the minimum consolidated capital adequacy ratio, to set different ratios for each bank and to revise the risk weights of assets that are based upon participation accounts, but must consider each bank's internal systems as well as its asset and financial structures. Both the minimum local capital adequacy ratio and the minimum consolidated capital adequacy ratio as required by the BRSA is 8 per cent.

Tier II Rules under Turkish Law

Secondary subordinated debts are regulated under the BRSA Regulation on Equities of Banks (published in the Official Gazette dated 1 November 2006 and numbered 26333), as amended (the **BRSA Regulation**). According to this 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 (that is, **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". 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) 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 BRSA 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 notarised 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:

(a) 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;

(b) 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;

(c) 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;

(d) 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;

(e) it must be utilised as one single drawdown if utilised in the form of a loan and it must be wholly collected in cash if in the form of a debt instrument; and

(f) 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 authorise 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 utilisation), 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 order for BRSA to give its approval for repayment of debts similar to secondary capital instruments earlier than their terms, the following conditions should be met:

(i) the bank holds an adequate level of its own funds to meet its risks or the bank provides a similar element of capital that would compensate for any losses which would occur in relation to its own funds; and

(ii) the bank shall have adequate liquidity to meet its liabilities with its assets or to ensure resources to compensate the loss to occur in liquidity.

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 (that is, 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.

Basel II

The BRSA has published regulations regarding the implementation of Basel II in Turkey, which regulations took full effect during the second half of 2012. These regulations as contained in the "Turkish National Discretions" (Turkish modification of Basel II) were implemented on a bank-only basis starting from I July 2011, and on a consolidated basis starting from 1 January 2012. This reporting period was a "parallel run", since banks continued to report their risk-weighted assets under both Basel I and Basel II requirements until 30 June 2012. Since 30 June 2012, only Basel II standard approach requirements are permitted in the credit risk report for minimum capital calculations.

The most significant difference between the capital adequacy regulations in place before 1 July 2012 and the new Basel II regulations is on the calculation of risk-weighted assets related to credit risk. The new regulations seek to align more closely the minimum capital requirement of a bank with its borrowers' credit risk profile. The impact of the new regulations on capital adequacy levels of Turkish banks will largely stem from exposures to the Turkish government, principally through the holding of Turkish government bonds. While the previous rules provided a 0 per cent. risk weight for exposures to the Turkish sovereign and the CBT, the rules of Basel II require that claims on sovereign entities and their CBTs be risk-weighted according to their credit assessment, which currently results in a 100 per cent. risk weighting for Turkey; however, the Turkish law implementing Basel II principles in Turkey (Turkish National Discretion) revises this general rule by providing that all Turkish lira-denominated claims on sovereign entities in Turkey and all foreign exchange-denominated claims on the CBT will also have a 0 per cent. risk weight. As a result of these implementation rules, the impact of the new regulations is expected to be fairly limited when compared to the previous regime. The BRSA has announced that these new regulations will result in a decrease of 0.20 per cent. in the capital adequacy levels of the Turkish banking system as of 31 July 2012. This figure is consistent with Bank Asya's own experience and thus no additional capital needs are projected for Bank Asya in the short term due to this change in the regulatory capital adequacy framework.

Basel III

The Basel Committee has recently adopted further revisions under the Basel III regime, but there is no certainty as to whether these revisions will be implemented by the BRSA in Turkey, and, if so, when and in what form. The BRSA issued a press release on 1 February 2013 stating that the regulations implementing Basel III are expected to be passed between 2013 and 2019 in accordance with the transition period provided for by the Basel Committee. The BRSA has also published two new draft regulations, (i) the Regulation on Equity of Banks and (ii) the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks. The BRSA has requested comments on the draft regulations by March 2013, following which, there will be further discussions regarding the proposed implementation date and the nature of the changes, although the effective date is currently stated to be 1 July 2013.

The Basel III framework includes several key initiatives, which change the Basel II framework. The key changes are, among others:

- The quality, consistency and transparency of the capital base are increased. In the new framework, the regulatory deductions should mainly be applied to the common equity component of the capital base. Further, to be eligible as Tier I and Tier II capital, instruments would need to meet more stringent requirements.
- The risk coverage is further strengthened, which impacts the calculations of risk-weighted assets. These changes concern increased capital requirements for trading book and re-securitisation activities, and the changes were implemented in December 2011 throughout Europe. Further

changes, to be implemented from 2013, are proposed under the Basel III framework for counterparty credit risk in OTC instruments and exposures to banks and other financial intermediaries. In particular, a new capital requirement is proposed for risk of changes in the credit value adjustment.

- New minimum requirements and capital buffer requirements are increased. The Basel Committee had defined increased minimum thresholds that banks should at all times exceed, that is, minimum 4.5 per cent. common equity Tier I ratio, 6 per cent. Tier I ratio and 8 per cent. capital ratio. In addition, the Basel III framework introduces a capital conservation buffer of 2.5 per cent. on top of these minimum thresholds. If banks do not need this buffer, constrains will be imposed on the bank's capital distribution, such as dividends. Also, in periods of excess growth, banks will be required to hold an additional countercyclical buffer of up to 2.5 per cent. in order not to face restrictions.

Bank Asya expects that the impact of the Basel III framework on its capital base will be limited and believes that it is already in compliance with the future capital requirements set forth within the Basel III framework.

The Basel Committee has also proposed that the risk-sensitive capital framework should be supplemented with a non-risk-based measure, the leverage ratio. The leverage ratio will be calculated as the Tier I capital divided by the exposure (on and off-balance sheet exposures, with certain adjustments for selected items such as derivatives). A minimum leverage ratio of 3 per cent. will be evaluated during a parallel run period. Another new key component of the Basel III framework is the introduction of increased regulations for liquidity risks. The objective of the liquidity reform is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. The Basel Committee has developed two new quantitative liquidity standards as part of the Basel III framework, which are the liquidity coverage ratio (**LCR**) and the net stable funding ratio (**NSFR**). The LCR aims to ensure that a bank maintains an adequate level of unencumbered, high-quality assets that can be converted into cash to meet its liquidity needs for a 30-day time horizon under an acute liquidity stress scenario. The NSFR, on the other hand, establishes a minimum acceptable amount of stable funding, based on the liquidity characteristics of an institution's assets and activities over a one-year horizon. These standards aim to set the minimum levels of liquidity for internationally active banks.

Reserves and Liquidity Reserve Requirement

Article 46 of 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 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, deposits/participation accounts up to 1-month, up to 3-month, up to 6-month and up to 1-year maturities	12.50%
Deposits/participation accounts with 1-year and longer maturity and cumulative deposits/participation accounts	9.0%
Other liabilities up to 1-year maturity (including 1-year)	12.50%
Other liabilities up to 3-year maturity (including 3-year)	10.50%
Other liabilities longer than 3-year maturity	6.0%
Special fund pools	Ratios for corresponding maturities

The reserve requirements regarding Turkish lira liabilities vary by category, as set out below:

Category of Turkish Lira Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts	11.50%
Deposits/participation accounts up to 1-month maturity (including 1-month)	11.50%
Deposits/participation accounts up to 3-month maturity (including 3-month)	11.50%
Deposits/participation accounts up to 6-month maturity (including 6-month)	8. 50%
Deposits/participation accounts up to 1-year maturity	6.50%
Deposits/participation accounts up to 1-year and longer maturity and cumulative deposits/participation accounts	5.0%
Other liabilities up to 1-year maturity (including 1-year)	11.50%
Other liabilities up to 3-year maturity (including 3-year)	8.0%
Other liabilities longer than 3-year maturity	5.0%
Special fund pools	Ratios for corresponding maturities

The reserve ratios listed in the table above became effective on 1 March 2013 and Bank Asya will maintain the required reserves calculated using the new ratios.

Starting in September 2012, reserve accounts kept in TRY, USD and EURO. As at the date of this Prospectus, no interest is paid on TRY or foreign currency liquidity reserve accounts by the CBT.

The regulations state that the liquidity adequacy ratio of a bank is the ratio of liquidity reserves to liabilities of the bank. A bank must maintain a weekly arithmetic average of 100 per cent. liquidity adequacy before the first maturity period (zero to seven days before the maturity date of liabilities on a weekly average as defined by the regulation) and second maturity period (zero to 31 days before the maturity date of liabilities on a monthly average) for its aggregate liabilities and 80 per cent. liquidity adequacy for its foreign currency liabilities.

The regulations further state that until December 2013, foreign exchange-indexed assets and liabilities shall, for the purposes of calculation 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.

Audit of Banks

Pursuant to Article 24 of 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 the supervision of the efficiency and adequacy of the banks' internal control, risk management and internal audit systems, functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation, and integrity of the information produced; conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors; regularly monitoring the activities of independent audit firms selected by the board of directors; and, in the case of 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 of the BRSA related to the authorisation and activities of independent firms to perform auditing of banks. Independent auditors are held liable for damages and losses to relevant parties referred to under the same legislation. Professional liability insurance is required for (a) independent auditors and (b) evaluators, rating agencies and certain other support services (if requested by the service-acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms.

The reports prepared by independent audit firms are also filed with the CMB if the bank's shares are quoted on the ISE. The CMB has the right to inspect the accounts and transaction records of any publicly traded company. In addition, quarterly reports that are subject to limited review must also be filed with the CMB.

All banks (public and private) also undergo 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 results of such audits are reported to the Ministry of Finance, which has broad remedial powers. The CBT has the right to monitor compliance by banks with the CBT's regulations through off-site examinations.

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, assessment of the management and expectations; together with financial statements, summary of board of directors' report and independent audit report. The annual report is subject to the approval of the board of directors and must be published in printed form and on the internet by the end of May of each year.

Anti-Money Laundering Policies

The anti-money laundering policies applicable to banks are defined under the Law on the Prevention of Laundering of Crime Profits No. 5549, the Anti Money Laundering Law No. 4208 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 (together the **Anti Money Laundering Laws**).

Minimum standards and duties under such law and related legislation include customer identification, record keeping, suspicious transaction reporting, employee training, monitoring activities and the designation of a compliance officer.

Pursuant to the Anti Money Laundering Laws, banks are required to identify their customers and the persons carrying out transactions on behalf or 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.

Banks breaching any of the obligations set out in the Anti Money Laundering Laws may be subject to administrative and judicial fines and be imposed with imprisonment.

On 7 February 2013, the Law on Suppression of Financing of Terrorism (the **Terrorism Law**) was passed by the parliament of the Republic of Turkey implementing the resolutions of the United Nations Security Council and the International Convention for the Suppression of the Financing of Terrorism dated 9 December 1999, in order to regulate the crime of financing of terrorism and the sanctions in respect of such crime. The Terrorism Law has been promulgated in the Official Gazette of 16 February 2013.

The Terrorism Law introduces an expanded scope to the financing of terrorism offence (as currently defined under Turkish anti-terrorism laws) 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.

Financial Services Fee

Pursuant to Tariff 8 of the Law on Fees 492, as amended by Law No. 5951, banks are required to pay a financial services fee for each of their branches each year. The amount of the fee is determined by reference to the population of the district in which the relevant branch is located.

Corporate Governance Principles

On 30 December 2011, the Corporate Governance Communiqué was published by the CMB and entered into force, providing certain compulsory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on the İstanbul Stock Exchange. The Corporate Governance Communiqué became applicable for the listed banks starting from 30 December 2012. The Corporate Governance Communiqué contains principles relating to: (a) companies' shareholders, (b) public disclosure and transparency, (c) the stakeholders of companies and (d) the board of directors. However the new Capital Markets Law entered into force on 30 December 2012 requires the CMB to replace all existing secondary legislation until 30 December 2013 including, *inter alia*, the Corporate Governance Communiqué.

However, as the new Capital Markets Law which entered into force on 30 December 2012 requires the amendment of all existing secondary legislation, the CMB announced on 22 February 2013 a new communiqué (Communiqué Serial No:IV, No:63) amending the Corporate Governance Communiqué. The amendments introduced principles in relation to the composition of board of directors of listed banks which requires appointment of three independent board members and the requirements for the independent board members of banks who are not members of the audit committee.

In addition to the requirements listed above, the new communiqué amends the requirements in relation to board approvals for financial institutions granting security or establishing rights *in rem* over their assets in favour of third parties.

The new Capital Markets Law authorizes the CMB to require the listed companies to comply with the corporate governance principles in whole or in part and to take certain measures with a view to ensure compliance with these principles which includes requesting injunctions from the court or filing lawsuits to determine or to revoke the unlawful transactions or actions that contradict with these principles.

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 for inspection at the offices of the Principal Paying Agent (as defined in the Conditions).

Purchase Agreement

The Purchase Agreement will be entered into on the Closing Date between the Trustee (in its capacity as Purchaser) and Bank Asya (in its capacity as Seller) and will be governed by English law.

Pursuant to the Purchase Agreement, the Seller will sell to the Purchaser, and the Purchaser will purchase from the Seller, the initial Asset Portfolio for U.S.$129,426,340 (the **Purchase Price**), free and clear of any encumbrance or other rights of third parties, payable on the Closing Date. The Constituent Assets the subject of the Purchase Agreement will comprise Ijara Assets and Tangible Investment Assets. The details of the initial Asset Portfolio purchased pursuant to the Purchase Agreement are set out in the schedule to the Purchase Agreement.

In respect of the sale, transfer and assignment of Ijara Assets under the Purchase Agreement, legal title to the Ijara Assets shall at all times remain with the Seller, which will hold such legal title on behalf of the Purchaser.

Commodity Murabaha Agreement

The Commodity Murabaha Agreement will be entered into on the Closing Date between the Trustee (in its capacity as Seller) and Bank Asya (in its capacity as Purchaser) and will be governed by English law, except the subordination provisions which will be governed by Turkish law.

Pursuant to the Commodity Murabaha Agreement, the Seller will sell to the Purchaser, Commodities (of the type, in the quantity and for the Cost Price specified) on the Closing Date on immediate delivery and deferred payment terms and the Purchaser agrees to pay the Initial Deferred Purchase Price for such Commodities (the **Initial Murabaha Contract**).

The Purchaser will also irrevocably and unconditionally undertake to the Seller that, provided the Certificates are not redeemed on or before the Issuer Call Date, following the delivery by the Seller of a transaction request specifying the Commodities to be purchased and the relevant terms of such purchase, it will enter into the Additional Murabaha Contract (together with the Initial Murabaha Contract, each a **Murabaha Contract**) on the Issuer Call Date.

The Purchaser shall pay the Deferred Purchase Price to the Seller by payment of the Cost Price component of the Deferred Purchase Price (the **Deferred Principal Payment**) on the Business Day immediately preceding the Issuer Call Date or the Scheduled Dissolution Date, as the case may be, and the Profit Amount in 10 equal instalments by payment of each Deferred Profit Payment (together with the Deferred Principal Payment, the **Commodity Murabaha Payments**) on the Business Day immediately preceding each Periodic Distribution Date.

On the occurrence of a Dissolution Event, Tax Event or Capital Disqualification Event and, in the case of any Tax Event or Capital Disqualification Event, subject to the exercise by Bank Asya of its rights under the Sale and Transfer Undertaking to oblige the Trustee to sell the Asset Portfolio, any Deferred Purchase Price and any other payment outstanding under the outstanding Murabaha Contract shall become due and payable on the Business Day immediately preceding the relevant Dissolution Date or, in the case of a Dissolution Event, on the Dissolution Date, and shall be paid by the Purchaser to the Seller on such dates without the need for any notice or demand by the Seller.

In the event of any exercise by Bank Asya of its rights under the Sale and Transfer Undertaking to oblige the Trustee to assign and transfer Constituent Assets in connection with any purchase and cancellation of Certificates by Bank Asya pursuant to Condition 9 (**Surrender Certificates**), the Deferred Principal Payment payable under the outstanding Murabaha Contract shall be reduced following the delivery of the Surrender Certificates to the Principal Paying Agent for cancellation by an amount equal to the product of (a) the Commodity Murabaha Percentage and (b) the aggregate face amount of the Surrender Certificates.

All payment obligations of the Managing Agent under the Commodity Murabaha Agreement will be subordinated as provided in Condition 3.2.

Management Agreement

The Management Agreement will be entered into on the Closing Date between the Trustee and Bank Asya (in its capacity as Managing Agent) and will be governed by English law, except the subordination provisions which will be governed by Turkish law.

Pursuant to the Management Agreement, the Trustee will appoint the Managing Agent to manage the Asset Portfolio and collect the Commodity Murabaha Payments on behalf of the Trustee. In particular, the Managing Agent will:

(a) apply the Portfolio Revenues and otherwise manage the Asset Portfolio and collect and apply the Commodity Murabaha Payments on behalf of the Trustee in accordance with the relevant provisions of the Management Agreement;

(b) use its best efforts to manage the Asset Portfolio such that the Asset Portfolio Value is, at all times, at least the amount equal to 51 per cent. of the aggregate face amount of the Certificates then outstanding;

(c) subject to paragraph (d) below, use all reasonable endeavours to reinvest all Portfolio Principal Revenues in acquiring further Eligible Constituent Assets for and on behalf of the Trustee from Bank Asya pursuant to the Asset Portfolio Undertaking, 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 and (ii) such further Constituent Assets being Constituent Assets in respect of which the same representations and warranties as those given in the Purchase Agreement in respect of the Trustee's purchase of the initial Asset Portfolio can be given by Bank Asya;

(d) in the circumstances where Bank Asya does not have sufficient further Eligible Constituent Assets available in order for the Managing Agent to reinvest all of the Portfolio Principal Revenues then held by the Managing Agent in accordance with paragraph (c) above, use all reasonable endeavours to invest, for and on behalf of the Trustee, any such remaining Portfolio Principal Revenues in a Sharia Compliant Investment(s) until such time as Bank Asya has further Eligible Constituent Assets in which the Managing Agent can invest in accordance with paragraph (c);

(e) if notice of the exercise by Bank Asya of its rights under the Sale and Transfer Undertaking to oblige the Trustee to sell the Asset Portfolio on the Issuer Call Date is not received by the Managing Agent, apply on behalf of the Trustee the Deferred Principal Payment received on the Issuer Call Date towards the purchase of further Commodities on behalf of the Trustee by entry into of the Additional Murabaha Contract in accordance with the Commodity Murabaha Agreement;

(f) 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 lessee or other obligor in respect of the Constituent Assets with, its covenants, undertakings or other obligations under the relevant contracts, agreements and/or other documents in respect of such Constituent Assets in accordance with applicable law and the terms of such contracts, agreements and/or documents;

(g) perform all obligations and satisfy all liabilities in respect of any Constituent Assets comprised in the Asset Portfolio that were otherwise to be performed by Bank Asya 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;

(h) ensure the timely receipt of all Portfolio Revenues, investigate non-payment of Portfolio Revenues and generally make all reasonable efforts to collect or enforce the collection of all Portfolio Revenues payable in respect of the Constituent Assets as and when the same shall become due;

(i) not agree to any reduction in any amount payable in respect of any Constituent Asset or any postponement or other rescheduling of the due date for such payment;

(j) obtain all necessary authorisations in connection with any of the Constituent Assets and its obligations under or in connection with this Agreement;

(k) ensure that each lessee of the Ijara Assets constituting the Asset Portfolio (in its relevant capacity other than as lessee) maintains industry standard insurances, and fulfils all structural repair and major maintenance obligations, in respect of such Ijara Assets in accordance with the terms of the relevant agreements or other documents associated with that contract; and

(l) carry out any incidental matters relating to any of the above.

For these purposes:

Asset Portfolio Undertaking means the undertaking given by Bank Asya to the Trustee in the Purchase and Asset Portfolio Undertaking to use its best endeavours to ensure it has at all times sufficient Eligible Constituent Assets for the reinvestment by the Managing Agent on behalf of the Trustee of any Portfolio Principal Revenues pursuant to paragraph (c) above and that promptly, if immediately available for such reinvestment and otherwise on such Eligible Constituent Assets becoming available, it will sell, transfer and assign such Eligible Constituent Assets to the Managing Agent on behalf of the Trustee in accordance with the relevant provisions of the Purchase and Asset Portfolio Undertaking, including the purchase price of such Eligible Constituent Assets being not less than their Value;

Asset Portfolio Value means, at any time, the aggregate Value of the Constituent Assets constituting the Asset Portfolio at that time (which Value shall not include any insurance proceeds or equivalent amounts payable on a total loss);

Eligible Constituent Assets means, among other things, an Ijara Asset or Tangible Investment Asset which complies in all respects with *Sharia* principles as interpreted by Bank Asya's Sharia Advisory Board and which has been originated or is held or owned by Bank Asya in a manner consistent with its usual credit and origination policies;

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 Constituent Assets but excluding any Portfolio Principal Revenues;

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 Asset, in respect of any payment of the outstanding face amount or par value of such Tangible Investment Asset;

Portfolio Revenues means the Portfolio Income Revenues and the Portfolio Principal Revenues;

Sharia Compliant Investment means a U.S. dollar denominated deposit with Bank Asya (following conversion, if necessary, of the relevant Portfolio Principal Revenues at the applicable Exchange Rate) which complies in all material respects with *Sharia* principles as interpreted by Bank Asya's *Sharia* Advisory Board, is repayable on demand and entitles the holder to share in the profits of Bank Asya on the same basis as for any other such deposit made with Bank Asya; and

Value means, in respect of any Constituent Asset, the amount in U.S. dollars (following conversion, if necessary, of any relevant amount(s) at the applicable exchange Rate) determined by Bank Asya on the relevant date as being equal to: (i) in the case of an Ijara Asset, the aggregate of all outstanding fixed rental instalment amounts payable by the lessee (whether then due and unpaid or due and payable on or after such date) or other equivalent fixed instalment amounts payable by the obligor, in each case in the nature of capital or principal payments in respect of the relevant asset and payable to Bank Asya under or in respect of the related ijara contract or other agreements or documents associated with that contract (and including any insurance proceeds or equivalent amounts payable in place of such payments on a total loss) or (ii) in the case of a Tangible Investment Asset, its then outstanding face amount or par value.

The Managing Agent shall perform its duties under the Management Agreement in accordance with all applicable laws and regulations and with the degree of skill and care that it would exercise in respect of its own assets.

The Managing Agent shall be entitled to receive a fee for acting as Managing Agent which will comprise a fixed fee of U.S.$100 and may also receive an incentive payment as described below.

The Trustee and the Managing Agent will agree that provided no Dissolution Event has occurred and is continuing and, following any transfer as provided below, the Asset Portfolio Value is not less than the amount equal to 51 per cent. of the aggregate face amount of the Certificates then outstanding, failing which the Managing Agent may substitute the relevant Constituent Assets in place of such transfer, the Managing Agent may at any time exercise its rights under the Sale and Transfer

Undertaking to require the transfer or substitution (and, upon any impairment of any Constituent Asset, as a result of any default or adverse claim in respect of that Constituent Asset, shall use all reasonable endeavours to so transfer or substitute) of any one or more Constituent Assets as the Managing Agent may select (subject to any Constituent Asset(s) to be transferred or substituted being the impaired Constituent Asset(s), if applicable) in accordance with the Sale and Transfer Undertaking. The consideration provided for such transfer shall be an amount, or any substitute Constituent Asset(s) for these purposes shall be a Constituent Asset(s) of a Value, not less than the Value of the Constituent Asset(s) to be transferred or substituted (including any cancellation of Certificates where the product of the Tangible Asset Percentage and the aggregate face amount of such Certificates is at least equal to such Value) and any such transfer or substitution shall otherwise be undertaken on the terms and subject to the conditions of the Management Agreement and the Sale and Transfer Undertaking.

On any transfer of Constituent Assets in connection with any purchase and delivery for cancellation of any Surrender Certificates, there shall also be a *pro rata* reduction in the amount payable pursuant to the Management Agreement in respect of any Portfolio Principal Revenues then held, and the outstanding face amount or par value of any Sharia Compliant Investments then made (the **Sharia Compliant Investment Principal**), by the Managing Agent (together, the **Principal Cash Amount**). The amount by which such Principal Cash Amount is to be reduced shall equal the product of the Tangible Asset Surrender Certificates Percentage and the Principal Cash Amount, and such reduction shall be effected by way of the retention of the resulting amount by the Managing Agent for its own account (following the repayment of the relevant *pro rata* amount of any such Sharia Compliant Investment Principal for this purpose) from the date of delivery of the Surrender Certificates for cancellation.

The **Tangible Asset Surrender Certificates Percentage** means the aggregate face amount of the Surrender Certificates divided by the product of the (i) Tangible Asset Percentage and (ii) the aggregate face amount of the Certificates then outstanding (including the Surrender Certificates), expressed as a percentage.

The Managing Agent will maintain three separate book-entry ledger accounts (referred to as the **Principal Collection Account**, the **Income Collection Account** and the **Reserve Collection Account**, respectively, and, together, the **Collection Accounts**) in which all Portfolio Principal Revenues and Portfolio Income Revenues (the **Portfolio Revenues**) will be recorded.

All Portfolio Principal Revenues shall be credited to the Principal Collection Account and reinvested by the Managing Agent in acquiring further Eligible Constituent Assets. All Portfolio Income Revenues shall be credited to the Income Collection Account.

Amounts standing to the credit of the Income Collection Account will be applied by the Managing Agent on the Business Day immediately preceding each Periodic Distribution Date in the following order of priority:

(a) *first*, in payment to the Managing Agent on behalf of the Trustee of any expenses of the Managing Agent in providing the above services (the **Management Expenses**) for the period corresponding to the Return Accumulation Period ending on that Periodic Distribution Date;

(b) *second*, in payment into the Transaction Account of an amount equal to the aggregate of the Periodic Distribution Amounts payable on such Periodic Distribution Date (the **Required Amount**); and

(c) any amounts still standing to the credit of the Income Collection Account following payment of all of the above amounts shall be debited from the Income Collection Account and credited to the Reserve Collection Account.

If there is a shortfall at any relevant time between the amounts standing to the credit of the Transaction Account and the Required Amount payable on the immediately following Periodic Distribution Date, amounts standing to the credit of the Reserve Collection Account shall be applied towards such shortfall.

The Managing Agent will be entitled to deduct amounts standing to the credit of the Income Collection Account or the Reserve Collection Account at any time and use such amounts for its own account, provided that such amounts shall be repaid by it for the purposes of their application in accordance with the relevant provisions of the Management Agreement (including as provided above) and, in the case of the Reserve Collection Account, if so required to fund any shortfall as described above. Following payment of all amounts due and payable under the Certificates on the Dissolution

Date, the Managing Agent shall be entitled to retain any amounts standing to the credit of the Reserve Collection Account for its on account as an incentive payment for acting as Managing Agent.

The Managing Agent shall keep detailed records of all movements in the Collection Accounts and, if so requested, provide the Trustee with copies of such records and any other information or details in relation to the Collection Accounts as the Trustee may reasonably request.

The Managing Agent will agree in the Management Agreement that all payments by it under the Management Agreement will be made without any deduction or withholding for or on account of tax unless required by law and without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding, the Managing Agent shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made.

All payment obligations of the Managing Agent under the Management Agreement will be subordinated as provided in Condition 3.2.

The Declaration of Trust

The Declaration of Trust will be entered into on the Closing Date between Bank Asya, the Issuer, the Trustee and the Delegate and will be governed by English law.

Pursuant to the Declaration of Trust, the Trustee will declare the Trust for the benefit of the Certificateholders over all of its rights, title, interest and benefit, present and future, in, to and under the Asset Portfolio, payment of each Deferred Purchase Price under the Commodity Murabaha Agreement, the Transaction Documents and all moneys standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing.

Pursuant to the Declaration of Trust, the Trustee will, in relation to the Certificates, among other things:

(a) hold the Trust Assets on trust absolutely for the Certificateholders as beneficial tenants in common *pro rata* according to the face amount of Certificates held by each Certificateholder; and

(b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust.

In the Declaration of Trust, the Trustee by way of security for the performance of all covenants, obligations and duties of the Trustee will irrevocably and unconditionally appoint the Delegate to be its attorney and in its name and on its behalf execute, deliver and perfect all documents and to exercise present and future duties, powers, authorities and discretions (including but not limited to the authority to request instructions from any Certificateholders and the power to make any determinations to be made under the Declaration of Trust) vested in the Trustee by certain provisions of the Declaration of Trust that the Delegate may consider to be necessary or desirable in order to perform the present and future duties, powers, authorities and discretions vested in the Trustee by the relevant provisions of the Declaration of Trust. The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as trustee.

The Delegate will undertake in the Declaration of Trust that, following it becoming aware of the occurrence of a Dissolution Event in respect of any Certificates and subject to Condition 12, it shall (a) promptly notify the Certificateholders of the occurrence of such Dissolution Event, and (b) subject to being 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, take all such steps as it may be directed to take by the Certificateholders to enforce the obligations of Bank Asya under the Declaration of Trust, the Purchase and Asset Portfolio Undertaking and any other Transaction Document to which Bank Asya is a party.

The Declaration of Trust specifies, among other things, that:

(i) following the distribution of the net proceeds of the Trust Assets in respect of the Certificates to the Certificateholders in accordance with the Conditions and the Declaration of Trust, none of the Issuer, the Trustee or the Delegate shall be liable for any further sums and, accordingly, the Certificateholders may not take any action against the Issuer, the Trustee, the Delegate or any other person to recover any such sum in respect of the Certificates or the Trust Assets;

(ii) no Certificateholder shall be entitled to proceed directly against the Issuer and/or Bank Asya under any Transaction Document unless the Delegate having become bound so to proceed, fails to do so within a reasonable period of becoming so bound and such failure is continuing. Under no circumstances shall the Delegate or any Certificateholders have any right to cause the sale or other disposition of any of the Trust Assets, and the sole right of the Delegate and the Certificateholders against the Issuer and Bank Asya shall be to enforce their respective obligations under the Transaction Documents;

(iii) neither the Delegate nor the Trustee shall be bound in any circumstances to take any action to enforce or realise the Trust Assets or take any action against the Issuer and/or Bank Asya under any Transaction Document unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding and in either case then only if it is 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; and

(iv) after enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with the terms of the Declaration of Trust, the obligations of the Issuer, the Trustee and the Delegate in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Issuer, the Trustee or the Delegate to recover any further sums in respect of the Certificates and the right to receive any such 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 Issuer or the Trustee.

Purchase and Asset Portfolio Undertaking

The Purchase and Asset Portfolio Undertaking will be executed as a deed on the Closing Date by Bank Asya in favour of the Trustee and the Delegate and will be governed by English law.

Bank Asya will irrevocably undertake in favour of the Trustee and the Delegate to purchase all of the Trustee's rights, interests, benefits and entitlements in, to and under the Asset Portfolio on the Scheduled Dissolution Date or any earlier Dissolution Date following the occurrence of a Dissolution Event, as the case may be, at the **Exercise Price**, being an amount in U.S. dollars equal to the sum of:

(a) the aggregate Value of the Constituent Assets constituting the Asset Portfolio on the relevant Dissolution Date; and

(b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Certificates, less any U.S. dollar amounts standing to the credit of the Transaction Account for the payment of such Periodic Distribution Amounts on the date on which payment of the Exercise Price is made pursuant to the Purchase and Asset Portfolio Undertaking;

(c) any outstanding Management Expenses.

If the Delegate exercises its option prior to the Scheduled Dissolution Date, an exercise notice will be required to be delivered by the Delegate under the Purchase and Asset Portfolio Undertaking.

Payment of the Exercise Price will be made together with the payment into the Transaction Account by the Managing Agent of any (i) Portfolio Principal Revenues and Sharia Compliant Investment Principal, and (ii) Deferred Principal Payment received pursuant to the Commodity Murabaha Agreement, in each case in accordance with the relevant provisions of the Management Agreement and for the purpose of redemption in full of the Certificates.

Bank Asya will undertake in the Purchase and Asset Portfolio Undertaking that, to the extent that the sale, purchase, transfer and/or assignment of any of Bank Asya's rights, interests, benefits and entitlements in, to and under the Asset Portfolio is not effective in any jurisdiction for any reason, it will agree in consideration for the payment to it by the Trustee of the purchase price for the Asset Portfolio to make payment of an amount equal to the purchase price by way of restitution to the Trustee immediately upon request.

Bank Asya will undertake in the Purchase and Asset Portfolio Undertaking that if it fails to pay all or part of any Exercise Price when due, it will irrevocably, unconditionally and automatically continue to act as managing agent for the provision of the services in respect of the Asset Portfolio on the terms and conditions, *mutatis mutandis*, of the Management Agreement.

Bank Asya will agree in the Purchase and Asset Portfolio Undertaking that all payments by it under the Purchase and Asset Portfolio Undertaking will be made without any deduction or withholding for or on account of tax unless required by law and without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding, Bank Asya shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no deduction or withholding had been made.

All payment obligations of Bank Asya under the Purchase and Asset Portfolio Undertaking will be subordinated as provided in Condition 3.2.

Bank Asya will also give the Asset Portfolio Undertaking under the Purchase and Asset Portfolio Undertaking.

Bank Asya will further undertake as follows.

Maintenance of Authorisations

Bank Asya shall take all necessary action to maintain, obtain and promptly renew, and do or cause to be done all things reasonably necessary to ensure the continuance of, all consents, permissions, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in Turkey (including, without limitation, with the CMB and the BRSA) for (a) the execution, delivery or performance of the Transaction Documents or for the validity or enforceability thereof, or (b) the conduct by it of the Permitted Business, save for any consents, permissions, licences, approvals, authorisations, registrations, recordings and filings (collectively, Permissions) which are immaterial in the conduct by Bank Asya of the Permitted Business. Any Permissions relating to Bank Asya's ability or capacity to undertake its banking or financial advisory functions shall not be considered to be immaterial in the conduct by Bank Asya of its Permitted Business.

For these purposes, **Permitted Business** means any business which is the same as or related, ancillary or complementary to any of the businesses of Bank Asya on the Closing Date.

Transactions with Affiliates

Bank Asya will not, and Bank Asya will not permit any of its Subsidiaries to, in any 12 month period: (a) make any payment to, (b) sell, lease, transfer or otherwise dispose of any of its properties, revenues or assets to, (c) purchase any properties, revenues or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance, indemnity or (d) guarantee (whether related or not) with or for the benefit of, any Affiliate (each, an **Affiliate Transaction**) which Affiliate Transaction has (or, when taken together with any other Affiliate Transactions, during such 12 month period, in the aggregate have) a value in excess of U.S.$10,000,000 (or its equivalent in any other currency) unless (a) such Affiliate Transaction (and each such other Affiliate Transaction) is on terms that are no less favourable to Bank Asya or the relevant Subsidiary than those that would have been obtained in a comparable transaction by Bank Asya or such Subsidiary with an unrelated person, or (b) such Affiliate Transaction (and any such other Affiliate Transaction) is made pursuant to an Islamic financing structure, provided that the assets which are the subject of such financing structure cannot be ultimately sold or otherwise disposed of, except to Bank Asya and no other person.

For these purposes, **Affiliate** means, in respect of any specified person, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person, and, in the case of a natural person, any immediate family member of such person. For the purposes of this definition, control, as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities, by agreement or otherwise and the terms controlling, controlled by and under common control with shall have corresponding meanings.

Financial Reporting

Bank Asya shall deliver to the Delegate for distribution to any holder of the Certificates on such holder's written request:

(a) not later than 180 days after the end of each financial year of Bank Asya, English language copies of Bank Asya's audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied, together with the corresponding financial statements for the preceding such period, and all such annual financial statements of Bank Asya shall be accompanied by the report of the auditors thereon; and

(b) not later than 120 days after the end of the first six months of each financial year of Bank Asya, English language copies of its unaudited consolidated financial statements for such six-month period, prepared in accordance with IFRS consistently applied, together with the corresponding financial statements for the preceding such period, and all such interim financial statements of Bank Asya shall be accompanied by a review report of the auditors thereon.

Merger, Amalgamation, Consolidation, Sale, Assignment or Disposal

Bank Asya shall not merge, amalgamate or consolidate with or into, or sell, assign or otherwise dispose of all or substantially all of its property and assets (whether in a single transaction or a series of related transactions) to, any other person (a **New Bank**) without the prior approval of the Delegate or of holders of the Certificates by way of an Extraordinary Resolution unless either:

(a) the surviving legal entity following any such merger, amalgamation or consolidation is Bank Asya; or

(b) (i) the New Bank is incorporated, domiciled and resident in Turkey and executes such documents as may be necessary to give effect to its assumption of all of the obligations, covenants, liabilities and rights of Bank Asya in respect of the Transaction Documents (together, the **Documents**) and (without limiting the generality of the foregoing) pursuant to which the New Bank shall undertake to be bound by all of the Transaction Documents to which Bank Asya is a party as fully as if it had been named in such Transaction Documents in place of Bank Asya; and

(ii) Bank Asya (or the New Bank) delivers to the Delegate a legal opinion from a leading firm of lawyers in each of Turkey and England to the effect that, subject to no greater limitations as to enforceability than those which would apply in any event in the case of Bank Asya, the Documents constitute or, when duly executed and delivered, will constitute, legal valid and binding obligations of the New Bank, with each such opinion to be dated not more than seven days prior to the date of such merger, amalgamation or consolidation or sale, assignment or other disposition,

and provided (A) no Dissolution Event has occurred and is continuing and (B) such merger, amalgamation or consolidation or sale, assignment or other disposition does not and would not (I) result in any other default or breach of the obligations and covenants of the Issuer and Bank Asya under the Certificates and the Transaction Documents or of the New Bank on its assumption of such obligations and covenants in accordance with the provisions above or (II) otherwise have a Material Adverse Effect.

For these purposes:

Material Adverse Effect means a material adverse effect on (i) the business, operations, assets, condition (financial or otherwise), performance or prospects of Bank Asya or the Group, (ii) the Issuer's or Bank Asya's ability to perform its obligations under or in respect of the Certificates and the Transaction Documents, which, in the case of paragraph (b) above, shall be determined by reference to Bank Asya and the Group immediately prior to and the New Bank and the New Group immediately after the relevant merger, amalgamation or consolidation or sale, assignment or other disposition, or (iii) the rights or remedies of any other party under the Transaction Documents.

New Group means the New Bank and its subsidiaries.

Sale and Transfer Undertaking

The Sale and Transfer Undertaking will be executed as a deed on the Closing Date by the Trustee in favour of Bank Asya and will be governed by English law.

Pursuant to the Sale and Transfer Undertaking, Bank Asya may, by exercising its right under the Sale and Transfer Undertaking and serving notice on the Trustee no later than 45 days prior to the relevant Dissolution Date, oblige the Trustee to sell all of its rights interests, benefits and entitlements in, to and under the Asset Portfolio on the Issuer Call Date or, following the occurrence of a Tax Event or a Capital Disqualification Event, the Tax Redemption Date or Capital Disqualification Redemption Date, at the Exercise Price (as defined above).

Bank Asya may also exercise its rights under the Sale and Transfer Undertaking to effect the in kind substitution of Constituent Assets, subject to any substitute Constituent Assets being Constituent Assets of a Value not less than the Value of the Constituent Assets to be substituted, and, following any purchase of Certificates by Bank Asya pursuant to Condition 9, to provide for the transfer by the Trustee to Bank Asya of Constituent Assets where the sum of the (i) Value of such Constituent Assets and (i) the corresponding reduction to be made in the Principal Cash Amount under the Management Agreement is equal to the product of the Tangible Asset Percentage and the aggregate face amount of the Surrender Certificates, against the cancellation of the Tangible Asset Percentage of the Surrender Certificates.

TAXATION

The following is a general description of certain tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates. Prospective purchasers of the Certificates should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of the Certificates and receiving payments under the Certificates. 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.

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 world-wide 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 Distribution Amounts or the Dissolution Distribution Amount under the terms and conditions of the Certificates made by the Issuer to the Certificateholders are not subject to withholding taxes under Turkish law as the Issuer is not a resident in Turkey.

Article 30.1 (ç) 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 borrowers 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 Bank Asya to the Issuer in respect of its obligations under the Transaction Documents are subject to any withholding tax, Bank Asya 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 Issuer will not be less than the amount the Issuer 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. 56), TRY1,487,397.70 is the highest amount payable for the 2013 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, Bank Asya 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.

Cayman Islands Taxation

The following is a discussion on 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 of Period Distribution Amounts and Redemption Amounts on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on any payment of a Periodic Distribution Amount or Redemption Amount to any holder of the Certificates, nor will gains derived from the disposal of the 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 tax or gift tax.

No stamp duty is payable in respect of the issue of the Certificates. An instrument of transfer in respect of a Certificate is stampable if executed in or brought into the Cayman Islands.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Directive**), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income, which may include Periodic Distribution Amounts) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

Under the terms and conditions contained in a Subscription Agreement (the **Subscription Agreement**) dated 26 March 2013 between the Issuer, Bank Asya, Emirates NBD Capital Limited, HSBC Bank plc, Merrill Lynch International and National Bank of Abu Dhabi PJSC (together, the **Joint Lead Managers**), the Issuer has agreed to issue and sell to the Joint Lead Managers U.S.$250,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Joint Lead Managers have jointly and severally agreed to subscribe for the Certificates.

The Subscription Agreement provides that the obligations of the Joint Lead Managers to pay for and accept delivery of the Certificates are subject to the approval of certain legal matters by their counsel and certain other conditions. 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 Issuer and Bank Asya has agreed to indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue, offer and sale of the Certificates.

To the extent permitted by local law, the Joint Lead Managers and Bank Asya have agreed that commissions may be offered to certain brokers, financial advisors and other intermediaries based upon the amount of investment in the Certificates purchased by such intermediary and/or its customers. Each such intermediary is required by law to comply with any disclosure and other obligations related thereto, and each customer of any such intermediary is responsible for determining for itself whether an investment in the Certificates is consistent with its investment objectives.

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 Bank Asya or Bank Asya's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with Bank Asya routinely hedge their credit exposure to Bank Asya 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.

Selling Restrictions

United States

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, any U.S. Person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold, and agreed that it will not offer or sell, any Certificates constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates, nor any persons acting on its behalf has engaged or will engage in any directed selling efforts with respect to the Certificates. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Certificates, an offer or sale of the Certificates within the United States by any dealer that is not participating in the offering of the Certificates may violate the registration requirements of the Securities Act.

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 any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificate in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or Bank Asya; 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 the Certificates in, from or otherwise involving the United Kingdom.

The Republic of Turkey

The Certificates have not been and will not be offered or sold within Turkey under the provisions of Capital Markets Law (Law No. 6362). Each Joint Lead Manager has represented, warranted and agreed that neither they, nor any of their respective affiliates, nor any person acting on their behalf, has engaged or will engage in any directed selling efforts within Turkey in connection with the Certificates. Each Joint Lead Manager has further represented, warranted and agreed that neither they nor any of their respective affiliates, nor any person acting on their behalf (i) has engaged or will engage in any form of general solicitation or general advertising in connection with any offer and sale of the Certificates in Turkey, or (ii) will make any disclosure in Turkey in relation to the Issuer, Bank Asya, the Certificates or the Prospectus without the prior consent of Bank Asya, save as may be required by applicable law, court order or regulation.

Each Joint Lead Manager has represented, warranted and agreed that it will not sell, neither itself nor together with the other Joint Lead Managers, 10 per cent. or more of the aggregate principal amount of the Certificates as part of their initial distribution at any time to any one person (including its subsidiaries and affiliates) (together, an **Investor Group**) (except where Certificates are being purchased on behalf of any other person(s) and no individual person or Investor Group will have a beneficial interest in more than 10 per cent. of the aggregate principal amount of the Certificates as a result of such purchase).

Cayman Islands

Each of the Joint Lead Managers has represented and agreed that no offer or invitation to subscribe for Certificates has been made or will be made to the public of the Cayman Islands.

DIFC

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 DIFC unless such offer is (a) deemed to be an "Exempt Offer" in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (**DFSA**); and (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Hong Kong

Each Joint Lead Manager has represented 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 Ordinance (Cap 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; 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, 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 laws of Hong Kong) other than with respect to the 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.

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 CMSA; and

(b) accordingly, the Certificates have not been and will not be offered, sold or delivered, 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 (i) Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)) and (ii) Schedule 8 (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.

Kingdom of Saudi Arabia

Any investor in Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires Certificates pursuant to the offering should note that the offer of Certificates is an offer to "Sophisticated Investors" (as defined in Article 11 of the "Offer 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**)) for the purposes of Article 9 of the KSA Regulations. Each Joint Lead Manager has represented, warranted and agreed that the offer of the Certificates will only be directed at Sophisticated Investors.

The offer of Certificates shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Certificates as a Sophisticated Investor may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the Saudi Arabian Capital Market Authority and (a) the Certificates are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds SR 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 (the **Securities and Futures Act**). Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold and 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 any 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, (ii) to a relevant person, 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 provision of the Securities and Futures Act.

Switzerland

The Certificates may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Certificates constitutes a prospectus as that term is understood pursuant to article 652a or 1156 of the Swiss Code of Obligations or a simplified prospectus as such term is understood pursuant to article 5 of the Swiss Collective Investment Scheme Act, and neither this Prospectus nor any other offering or marketing material relating to the Certificates may be publicly distributed or otherwise made publicly available in Switzerland. The Certificates have not been registered, nor are they going to be registered, with the Swiss Federal Market Supervisory Authority (FINMA) as foreign investment funds, and the investor protection afforded to acquirers of investment fund certificates does not extend to purchasers of the Certificates.

United Arab Emirates (excluding the DIFC)

Each Joint Lead Manager has represented, warranted 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.

General

Each Joint Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Certificates or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, Bank Asya, the Delegate and any other Joint Lead Manager shall have any responsibility therefor.

None of the Issuer, Bank Asya, the Delegate and any of the Joint Lead Managers represents that the Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale. Persons into whose possession this Prospectus or any Certificates may come must inform themselves about, and observe any applicable restrictions on the distribution of this Prospectus and the offering and sale of the Certificates.

GENERAL INFORMATION

Authorisation

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Issuer dated 25 March 2013. The Issuer 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. The entry into of the Transaction Documents to which it is a party has been duly authorised by a resolution of the Board of Directors of Bank Asya on 22 February 2013.

Listing

Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the Official List and trading on the Main Securities Market. The listing of the Certificates is expected to be granted on or before 28 March 2013.

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, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for physical inspection at the registered office of the Issuer and the offices of the Principal Paying Agent in London:

(a) the Transaction Documents;

(b) the Memorandum and Articles of Association of the Issuer;

(c) the Articles of Association, Certificate of Activities and the Council of Ministers Decree approving the incorporation of Bank Asya;

(d) the BRSA Accounts;

(e) the IFRS Accounts; and

(f) this Prospectus.

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 XS0907295942. The Common Code for the Certificates is 0907295942.

The address of Euroclear is Euroclear Bank SA/NV, 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.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the prospects of the Issuer, in each case, since the date of its incorporation.

There has been no significant change in the financial or trading position of the Group since 30 June 2012, the date of Bank Asya's most recent unaudited consolidated interim financial statements prepared in accordance with IFRS, and there has been no material adverse change in the prospects of the Group since 31 December 2011, the date of Bank Asya's most recent audited consolidated financial statements prepared in accordance with IFRS.

Litigation

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

The Group is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Group.

Auditors

The auditors of Bank Asya are DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (**Deloitte**), member of Deloitte Touche Tohmatsu Limited, who have audited its accounts, without qualification, in accordance with International Standards on Auditing for each of the two financial years ended on 31 December 2010 and 31 December 2011. 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 Bank Asya have no material interest in Bank Asya.

Expenses

The expenses relating to the admission to trading of the Certificates on the Main Securities Market are expected to amount to €3,140.

***Sharia* Advisory Boards**

The transaction structure relating to the Certificates (as described in this Prospectus) has been reviewed by the HSBC Amanah Central Shariah Committee and the Bank Asya Sharia Advisory Board. Prospective Certificateholders should not rely on the review referred to above in deciding whether to make an investment in the Certificates and should consult their own *Sharia* advisers as to whether the proposed transaction is in compliance with *Sharia* principles.

Joint Lead Managers transacting with Bank Asya

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 for, Bank Asya (and its affiliates) in the ordinary course of business.

ANNEX A – SUMMARY OF DIFFERENCES BETWEEN IFRS AND BRSA PRINCIPLES

BRSA principles differ from IFRS. Such differences primarily relate to the format of presentation of financial statements, disclosure requirements (e.g. IFRS 7) 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. BRSA Principles provide exemptions for consolidation based on certain materiality criteria whereas this is not applicable in the case of IFRS.
- *Associates.* The definitions of "associate" differ; under BRSA Principles an "associate" is an entity in whose capital the parent bank participates and over which it has significant influence but no capital or management control, whose main operation is banking and which operates pursuant to special legislation with permission and a licence and is established abroad. The related associate is consolidated according to the equity method and materiality principle. According to BRSA Principles, if the parent bank has 10 per cent. or more of the voting rights in the associate it is presumed to have significant influence on that associate unless proven otherwise, whereas according to IFRS the applicable percentage of voting rights is 20 per cent. or more.
- *Specific provisioning for loan losses.* The BRSA 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 IFRSA. Instead, IFRS requires portfolio/collective provisioning for groups of loans and receivables sharing similar characteristics and not individually identified as impaired. Moreover, the BRSA 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.
- *Investment property and assets held for sale.* Definitions and accounting treatment according to BRSA Principles are different from those under IFRS (based on regulations prescribed by the BRSA). Under BRSA Principles depreciation of assets held for sale is taken into account, whereas pursuant to IFRS it is carried at fair value.
- *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 group, whereas under BRSA Principles there are some specific exemptions. For example, under BRSA Principles there are some specific exemptions such as no deferred tax being computed in relation to general loan loss provisions.
- *Application period for hyperinflationary accounting.* Under BRSA Principles, this period ends at 1 January 2005 whereas under IFRS it ends at 1 January 2006, constituting a one year difference between the two.

Similar differences with IFRS also exist in the accounting policies and disclosure requirements applied to consolidated subsidiaries, especially those providing life and non-life insurance services which are subject to Undersecretariat of Treasury policies/requirements and factoring and leasing services which are subject to specific BRSA policies/requirements.

ISSUER AND TRUSTEE

Asya Sukuk Company Limited
c/o MaplesFS Limited
PO Box 1093
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Cayman Islands

BANK ASYA

Asya Katılım Bankası A.Ş.
Head Office
Saray Mahallesi. Dr. Adnan Büyükdeniz Caddesi.
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Ümraniye, Istanbul
Turkey

JOINT LEAD MANAGERS

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Dubai
United Arab Emirates

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United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

National Bank of Abu Dhabi PJSC
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Abu Dhabi
United Arab Emirates

DELEGATE

BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR

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2-4 rue Eugène Ruppert
L-2453 Luxembourg

LISTING AGENT

The Bank of New York Mellon SA/NV, Dublin Branch
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Windmill Lane
Dublin 2
Ireland

AUDITORS

To Bank Asya

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Member of **Deloitte Touche Tohmatsu Limited**
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LEGAL ADVISERS

To Bank Asya

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To the Joint Lead Managers and the Delegate

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To the Issuer and the Trustee as to Cayman Islands law

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