IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) UNDER RULE 144A OR (2) PERSONS OTHER THAN U.S. PERSONS (AS DEFINED IN REGULATION S) OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the Prospectus following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Bank as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S ("**REGULATION S**") UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND IN PARTICULAR MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view this Prospectus or make an investment decision with respect to the securities described herein, investors must be either (1) Qualified Institutional Buyers ("**QIBs**") (within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act) or (2) persons other than U.S. persons (as defined in Regulation S) outside of the U.S. This Prospectus is being sent at your request and by accepting the e-mail and accessing this Prospectus, you shall be deemed to have represented to the Bank that (1) you and any customers you represent are either (a) QIBs or (b) outside of the U.S. and that the electronic mail address that you gave the Bank and to which this e-mail has been delivered is not located in the U.S. and (2) that you consent to delivery of such Prospectus by electronic transmission.

You are reminded that this Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of this Prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the issuer in such jurisdiction.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of BofA Merrill Lynch, BNP PARIBAS, Citigroup, HSBC and UniCredit Bank, as Joint Lead Managers, or any person who controls any of them, nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from any of the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

This Prospectus is being distributed only to and directed only at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "**relevant persons**"). This Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

Yapı ve Kredi Bankası A.Ş.

a Turkish banking institution organised as a joint stock company

U.S.$500,000,000 5.25% Notes due 2018
under its U.S.$1,250,000,000 Global Medium Term Note Programme

Issue Price: 99.342%

Yapı ve Kredi Bankası A.Ş., a Turkish banking institution organised as a joint stock company (the "**Bank**" or the "**Issuer**"), is issuing U.S500,000,000 5.25% Notes due 2018 (the "**Notes**") under its U.S.$1,250,000,000 Global Medium Term Note Programme (the "**Programme**"). The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the securities or "blue sky" laws of any state of the United States of America (**"United States**" or "**U.S.**"), the Republic of Turkey ("**Turkey**"), the United Kingdom or any other jurisdiction, and are being offered: (a) for sale (the "**U.S. Offering**") in the United States to qualified institutional buyers (each a "**QIB**") as defined in, and in reliance upon, Rule 144A ("**Rule 144A**") under the Securities Act and (b) for sale (the "**International Offering**" and, with the U.S. Offering, the "**Offering**") outside the United States to persons other than U.S. persons in reliance upon Regulation S ("**Regulation S**") under the Securities Act. For a description of certain restrictions on sale and transfer of the Notes, see "*Subscription and Sale*" in the Base Prospectus (as defined under "*Documents Incorporated by Reference*" below) and "*Transfer Restrictions*" on pages 160 to 163 of this Prospectus (as defined on page (ii) below).

INVESTING IN THE NOTES INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS SET FORTH UNDER "*RISK FACTORS*" BEGINNING ON PAGE 1 OF THIS PROSPECTUS AND INCORPORATED BY REFERENCE FROM THE BASE PROSPECTUS (SEE "*DOCUMENTS INCORPORATED BY REFERENCE*" BELOW).

As described further herein, the net proceeds of the Notes will be used by the Issuer for the Issuer's general corporate purposes.

The Notes will bear interest from (and including) 3 December 2013 (the "**Issue Date**") to (but excluding) 3 December 2018 (the "**Maturity Date**") at a fixed rate of 5.25% per annum. Interest will be payable in arrear on 3 June and 3 December in each year up to (and including) the Maturity Date; provided that if any such date is not a Business Day (as defined in Condition 6), then such payment will be made on the next Business Day.

Principal of the Notes is scheduled to be paid on 3 December 2018, but may be paid earlier under certain circumstances as further described herein. For a more detailed description of the Notes, see "*Issue Terms*" herein.

There is currently no public market for the Notes. This Prospectus has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC 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 (the "**Irish Stock Exchange**") for the Notes to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). This Prospectus constitutes a "Prospectus" for the purposes of the Prospectus Directive as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "**Prospectus Regulations**"). References in this Prospectus to the Notes being listed (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial institutions.

Application has been made to the Capital Markets Board of Turkey (the "**CMB**") in its capacity as competent authority under Law No.6362 of the Republic of Turkey relating to capital markets (the "**Capital Markets Law**") for the approval of the issuance certificate relating to the Notes by the CMB and the issuance and sale of the Notes by the Bank outside Turkey. The Notes cannot be sold outside Turkey before they are registered with the CMB. The issuance of the Notes was approved by the CMB on 23 May 2013 and the issuance certificate relating to the Notes is expected to be obtained from the CMB on or prior to the Issue Date.

The Notes are expected on issue to be rated BBB by Fitch Ratings Ltd. ("**Fitch**") and Baa2 by Moody's Deutschland GmbH ("**Moody's**" and together with Fitch, the "**Rating Agencies**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As of the date of this Prospectus, each of the Rating Agencies is established in the European Union ("**EU**") and is registered under Regulation No 1060/2009 (as amended) (the "**CRA Regulation**"). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future Taxes (as defined in Condition 9) imposed or levied by or on behalf of a Relevant Jurisdiction (as defined in Condition 9) other than Taxes withheld relating to FATCA (as defined on page 10 below) unless the withholding or deduction of the Taxes is required by law. In that event, except as provided for in Condition 9, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders (as defined below) after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of such withholding or deduction. The withholding tax rate on interest payments in respect of bonds issued by Turkish entities outside of Turkey varies depending on the original maturity of such bonds as specified under decrees numbered 2010/1182 published on 29 December 2010 and numbered 2011/1854 published on 29 June 2011 (the "**Decrees**"). Pursuant to the Decrees, (i) with respect to bonds with a maturity of less than one year, the withholding tax rate on interest is 10%, (ii) with respect to bonds with a maturity at least of one and less than three years, the withholding tax rate on interest is 7%, (iii) with respect to bonds with a maturity at least of three and less than five years, the withholding tax rate on interest is 3%, and (iv) with respect to bonds with a maturity of five years and more, the withholding tax rate on interest is 0%. Accordingly, the withholding tax rate on interest on the Notes is 0%. See "*Taxation—Certain Turkish Tax Considerations*" in the Base Prospectus.

The Notes are being offered under Rule 144A and under Regulation S by BNP Paribas, Citigroup Global Markets Limited, HSBC Bank plc, Merrill Lynch, Pierce, Fenner & Smith Incorporated and UniCredit Bank AG (collectively, the "**Joint Lead Managers**"), subject to their acceptance and right to reject orders in whole or in part. The Notes will initially be represented by global certificates in registered form (the "**Global Certificates**"). The Notes offered and sold in the United States to QIBs in reliance on Rule 144A (the "**Rule 144A Notes**") will be represented by beneficial interests in one or more permanent global certificates in fully registered form without interest coupons (the "**Restricted Global Certificate**") and will be registered in the name of Cede & Co., as nominee for The Depositary Trust Company ("**DTC**") and will be deposited on or about the Issue Date with The Bank of New York Mellon, New York Branch in its capacity as custodian (the "**Custodian**") for DTC. The Notes offered and sold outside the United States to persons other than U.S. persons in reliance on Regulation S (the "**Regulation S Notes**") will be represented by beneficial interests in a single, permanent global certificate in fully registered form without interest coupons, the "**Unrestricted Global Certificate**") and will be registered in the name of The Bank of New York Depository (Nominees) Limited as nominee, and will be deposited on or about the Issue Date with The Bank of New York Mellon, London Branch as common depositary for, and in respect of interests held through, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). It is expected that the Global Certificates will be delivered against payment therefor in immediately available funds on the Issue Date.

BofA Merrill Lynch **BNP PARIBAS** **Citigroup** **HSBC** **UniCredit Bank**

The date of this Prospectus is 28 November 2013

This prospectus (the "Prospectus ") constitutes a prospectus for the purpose of Article 5 of Directive 2003/71/EC, as amended (the "Prospectus Directive") as implemented in Ireland and for the purpose of giving information with regard to the Issuer and the Notes which, according to the particular nature of the Issuer and the Notes, 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 and of the rights attaching to the Notes. This Prospectus is to be read in conjunction with the Group's financial statements (as defined in "Presentation of Financial and Other Information" in the Base Prospectus) which form part of Prospectus and are incorporated by reference in this Prospectus.

The Issuer, having made all reasonable enquiries, confirms that this Prospectus contains all information which is material with respect to the Issuer and the Notes, that the information contained in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions, predictions and intentions expressed in this Prospectus are honestly held and are not misleading in any material respects and that there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions, predictions or intentions misleading in any material respect and all reasonable enquiries have been made by the Bank to ascertain such facts and to verify the accuracy of all such information and statements.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers to subscribe for or purchase, any Notes. The distribution of this Prospectus and the offer or sale of the Notes in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

No person has been authorised in connection with the offering of the Notes to give any information or make any representation regarding the Issuer, the Joint Lead Managers or the Notes other than as contained in this Prospectus. Any such representation or information must not be relied upon as having been authorised by the Issuer or the Joint Lead Managers. The delivery of this Prospectus at any time does not imply that there has been no change in the Issuer's affairs or that the information contained in it is correct as at any time subsequent to its date. This Prospectus may only be used for the purpose for which it has been published.

No representation or warranty, express or implied, is made by the Joint Lead Managers as to the accuracy or completeness of the information set forth in this document, and nothing contained in this document is, or shall be relied upon as, a promise or representation, whether as to the past or the future. None of the Joint Lead Managers assumes any responsibility for the accuracy or completeness of the information set forth in this document. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

None of the Issuer or the Joint Lead Managers or any of their respective representatives is making any representation to any offeree or purchaser of the Notes regarding the legality of any investment by such offeree or purchaser under appropriate legal investment or similar laws. Each investor should consult with his own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Notes.

In this Prospectus, the "**Group**" refers to the Bank and its consolidated subsidiaries, unless the context otherwise requires.

Unless otherwise indicated, "**Noteholder**" refers to the registered holder of any Note. "**Beneficial Owner**" refers to an owner of a beneficial interest in any Note.

Unless otherwise indicated, references to "**resident**" herein refer to tax residents of Turkey and references to "**non-resident**" herein refer to persons who are not tax residents of Turkey.

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

Prospective investors must determine the suitability of investment in the Notes in the light of their own circumstances. In particular, prospective investors should:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes and the merits and risks of investing in the Notes;

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

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

(d) understand thoroughly the terms of the notes and be familiar with the behaviour of any relevant indices and financial markets; and

(e) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect the investor's investment and ability to bear the applicable risks.

The offering of the Notes has been authorised by the CMB only for the purpose of the sale of the Notes outside of Turkey in accordance with Article 15(b) of Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "**Decree 32**"), the Capital Markets Law No. 6362 and Communiqué Serial II, No 31 on Debt Instruments.

As of 7 June 2013, the Communiqué Serial II, No 31.1 on Debt Instruments was published in the Official Gazette dated 7 June 2013 and No. 28670 and accordingly entered into force on 7 July 2013 by repealing the former Communiqué Serial II, No 22 on the Principles on the Registration and Sale of Debt Instruments (the "**Communiqué**").

The Notes (or beneficial interests therein) have to be offered or sold outside of Turkey and the CMB has authorised the offering of the Notes; *provided that*, following the primary sale of the Notes, no transaction that may be deemed as a sale of the Notes (or beneficial interests therein) in Turkey by way of private placement or public offering may be engaged in. Pursuant to Article 15(d)(ii) of Decree 32, there is no restriction on the purchase or sale of the Notes (or beneficial interests therein) by residents of Turkey offshore on an unsolicited (reverse inquiry) basis in primary and secondary markets; *provided that* they purchase or sell such Notes (or beneficial interests) in the financial markets outside of Turkey and such sale and purchase is made through banks and/or licensed brokerage institutions authorised pursuant to CMB regulations and the purchase price is transferred through banks. As such, Turkish residents should use banks or licensed brokerage institutions when purchasing Notes (or beneficial interests therein) and transfer the purchase price through banks. The issuance of the Notes was approved by the CMB on 23 May 2013 and the issuance certificate relating to the Notes is expected to be approved by the CMB on or prior to the Issue Date.

Except as described in this Prospectus, beneficial interests in the Global Certificates will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC, Euroclear and Clearstream, Luxembourg. Except as described in this Prospectus, owners of beneficial interests in the Global Certificates will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form and will not be considered holders of the Notes under the Notes and the Agency Agreement.

An application has been made to admit the Notes to listing on the Irish Stock Exchange; however, no assurance can be given that such application will be accepted.

This Prospectus has been filed with and approved by the Central Bank of Ireland as required by the Prospectus Regulations.

All references herein to "**Turkey**" are to the Republic of Turkey, all references to "**Ireland**" are to Ireland (exclusive of Northern Ireland) and all references to a "**Member State**" are to a Member State of the European Economic Area.

In connection with the issue of Notes to be underwritten by the Joint Lead Managers, Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake any stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant issue of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the relevant Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules. Notwithstanding anything herein to the contrary, the Bank may not (whether through over-allotment or otherwise) issue more Notes than have been registered with the CMB.

Other than the approval of the CMB, the Notes have not been approved or disapproved by any state securities commission or any other U.S., Turkish, United Kingdom, Irish or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this Offering or the accuracy or adequacy of this Prospectus. Any representation to the contrary may be a criminal offence.

The distribution of this Prospectus and the offering of the Notes (and beneficial interests therein) in certain jurisdictions may be restricted by law. Persons that come into possession of this Prospectus are required by the Bank and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes (or any beneficial interest therein) in any jurisdiction in which such offer or solicitation is unlawful. In particular, there are restrictions on the distribution of this Prospectus and the offer and sale of the Notes (and beneficial interests therein) in the United States, Turkey, the United Kingdom, Ireland and other jurisdictions.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

The Issuer has derived substantially all of the information contained in this Prospectus concerning the Turkish market and its competitors, which may include estimates or approximations, from publicly available information, including press releases and filings made under various securities laws. Unless otherwise indicated, all data relating to the Turkish banking sector in this Prospectus has been obtained from the website of the Turkish Banking Regulation and Supervision Agency ("**BRSA**") at www.bddk.org.tr and the Banks' Association of Turkey's website at www.tbb.org and all data relating to the Turkish economy, including statistical data, has been obtained from Turkstat's website at www.turkstat.gov.tr, the Central Bank of Turkey ("**Central Bank**") website at www.tcmb.gov.tr and the Turkish Treasury's website at www.hazine.gov.tr. Data has been downloaded/observed on various days between the months of June 2013 and October 2013 and may be the result of calculations made by the Issuer and therefore may not appear in the exact same form on such websites or elsewhere. Such websites do not form a part of, and are not incorporated into, this Prospectus. Unless otherwise indicated, the sources for statements and data concerning the Issuer and its business are based on best estimates and assumptions of the Issuer's management. Management believes that these assumptions are reasonable and that its estimates have been prepared with due care. The data concerning the Issuer included herein, whether based on external sources or based on the Issuer's management internal research, constitute the best current estimates of the information described.

Any translation of information from Turkish into English for the purpose of inclusion in this Prospectus is direct and accurate.

Where third party information has been used in this Prospectus, the source of such information has been identified. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Where information has been sourced from a third party, such publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Such data, while believed to be reliable and accurately extracted by the Issuer for the purposes of this Prospectus, has not been independently verified by the Issuer or any other party and you should not place undue reliance on such data included in this Prospectus. As far as the Issuer is aware and able to ascertain from the information published by such third party sources, this information has been accurately reproduced and no facts have been omitted which would render the reproduction of this information inaccurate or misleading.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED (THE "**RSA**") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE NEW HAMPSHIRE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

TURKISH TAX CONSIDERATIONS

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future Taxes (as defined in Condition 9) other than Taxes withheld relating to FATCA (as defined on page 10 below) imposed or levied by or on behalf of any Relevant Jurisdiction (as defined in Condition 9), unless the withholding or deduction of the

Taxes is required by law. In that event, except as provided for in Condition 9, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of such withholding or deduction. The withholding tax rate on interest payments in respect of bonds issued by Turkish entities outside of Turkey varies depending on the original maturity of such bonds as specified under the Decrees. Pursuant to the Decrees, (i) with respect to bonds with a maturity of less than 1 year, the withholding tax rate on interest is 10%, (ii) with respect to bonds with a maturity at least of 1 and less than 3 years, the withholding tax rate on interest is 7%, (iii) with respect to bonds with a maturity at least of 3 and less than 5 years, the withholding tax rate on interest is 3%, and (iv) with respect to bonds with a maturity of 5 years and more, the withholding tax rate on interest is 0%.

FORWARD-LOOKING STATEMENTS

This Prospectus contains statements that may be considered to be "forward-looking statements" as that term is defined in the U.S. Private Securities Litigation Act of 1995. Forward-looking statements appear in a number of places throughout this Prospectus, including, without limitation, under "*Risk Factors*", "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Business of the Bank*" and elsewhere in this Prospectus, and include, but are not limited to, statements regarding:

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

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

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

The Bank has identified some of the risks inherent in forward-looking statements under "*Risk Factors*" in this Prospectus. Factors that could cause actual results to differ materially from those in forward-looking statements include, among others:

- changes in the Turkish economy;
- changes in the banking and financial markets in Turkey;
- changes in international relations, including a widening of the current conflict in Syria;
- changes in the Bank's ownership by Turkish state-controlled entities or other changes in policy by such entities;
- changes in applicable laws and regulations, including taxes, or accounting standards or practices;
- the monetary, interest rate and other policies of central banks in Turkey, the EU, the United States and elsewhere;
- changes or volatility in interest rates, foreign exchange rates, asset prices, equity markets, commodity prices, inflation or deflation;
- the effects of competition in the markets in which the Bank operates, which may be influenced by regulation or deregulation;
- changes in consumer spending, saving and borrowing habits in Turkey, including changes in government policies which may influence investment decisions;
- the Bank's ability to hedge certain risks economically;

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the sections of the Base Prospectus (the "**Base Prospectus**") of the Bank dated 20 September 2013, relating to the Programme, entitled as set out in the table below:

which is published on the website of the Irish Stock Exchange at:

http://www.ise.ie/debt_documents/Base%20Prospectus_71dc8965-41c6-4da1-8db2-07fdbf0fabbd.PDF;

(b) the supplement to the Base Prospectus of the Bank dated 5 November 2013 relating to the Programme, which is published on the website of the Irish Stock Exchange at:

http://www.ise.ie/debt_documents/Financial%20Supplement_5536c292-8360-4f3d-8c06-02756b601085.PDF;

(c) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2012 and the audit report of Güney Bagimsiz Denetim ve Serbest Muhasebeci Mali Müsavirlik A.S (a member firm of Ernst & Young Global Limited) ("**EY**") thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/ufiles/Investors/BRSA/YKB%2031%2012%202012%20CONS_TMS_ENG%20_FINAL.pdf;

(d) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2011 and the audit report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/ufiles/Investors/BRSA/YKB%2031_12_2011%20CONS_TMS_ENG%20-%20SBK.pdf;

(e) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2010 and the audit report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/ufiles/Investors/BRSA/YKB%2031_12_2010%20CONS_TMS_ENG_Final.pdf;

(f) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the nine months ended 30 September 2013 (with 30 September 2012 comparatives) and the review report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/30-september-2013-signed_15772/download.aspx;

(g) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2012 and the audit report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/31_15057/download.aspx;

(h) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2011 and the audit report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/31-december-2011-signed_15058/download.aspx;

(i) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2010 and the audit report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/31-december-2010-signed_15059/download.aspx; and

(j) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the nine months ended 30 September 2013 (with 30 September 2012 comparatives) and the review report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/30-september-2013-signed_15771/download.aspx.

No other part of the Bank's website forms a part of, or is incorporated into, this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Printed copies of the documents incorporated by reference will also be available, during usual business hours on any workday (Saturdays, Sundays and public holidays excepted), for inspection at the specified office of the Fiscal Agent and at the registered office of the Issuer.

Following the publication of this Prospectus a supplement may be prepared by the Issuer and approved by the Central Bank of Ireland in accordance with Article 16 of the Prospectus Directive, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of the Notes. Statements contain in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise) be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with resales of the Notes, for as long as the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer is required to furnish, upon request of a holder of the Notes and a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) if, at the time of such request, the Issuer is neither a reporting company under Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

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RISK FACTORS

An investment in the Notes involves certain risks. Prior to making an investment decision, prospective purchasers of the Notes should carefully read the entire Prospectus and the Base Prospectus. In addition to the other information in this Prospectus and the Base Prospectus, prospective investors should carefully consider, in light of their own financial circumstances and investment objectives, the following risks related to the Group's business before making an investment in the Notes. If any of the following risks actually occurs, the market value of the Notes may be adversely affected. In addition, factors that are material for the purpose of assessing the market risks associated with the Notes are also described in the Base Prospectus. The Bank believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Bank does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Risks Related to the Group's Business

The Group's business, results of operations, financial condition and prospects are affected by general economic conditions

The global financial crisis and related economic slowdown that began in 2008 has impacted the Turkish economy and economies around the world, including the principal external markets for Turkish goods and services, and may continue to have a significant negative impact on the business, financial condition and/or results of operations of the Group. Factors such as levels of unemployment, inflation rates and the availability of credit have been significantly negatively affected by the crisis. The fiscal deterioration of Greece, Ireland, Italy, Portugal, Spain and other European countries, the recent credit rating downgrades of many other European countries and the development of broader concerns about the liquidity and even solvency of certain countries and their banking systems may accentuate the impact of the global financial crisis or increase the risk of economies entering further periods of downturn or recession. As a result, global credit and capital markets continue to be volatile and fragile, and although the Turkish banking system has so far not required any government bailouts, there can be no assurance that a further economic downturn or financial crisis will not occur or that continued efforts to support the financial markets and banking system will be successful.

During the global financial crisis, Turkey suffered reduced domestic consumption and investment as well as a sharp decline in exports, which led to an increase in unemployment. Turkey's GDP contracted by 7.0% in the fourth quarter of 2008 and declined 4.8% in 2009. In response to the financial crisis, the Turkish government (the "**Government**") announced stimulus measures, including tax cuts in the housing and automotive sectors, financial support to SMEs and export credits. In addition, the Central Bank cut interest rates, gradually reducing its overnight reference interest rate from 15.0% as of 31 December 2008 to 6.5% as of 31 December 2009. Following the implementation of fiscal and monetary measures during 2009 and improvement in global financial markets, the Turkish economy recovered and Turkey's real GDP grew by 9.2% and 8.8% in 2010 and 2011, respectively. During the second half of 2011, the Central Bank started implementing an unconventional monetary policy and regulatory changes together with the BRSA, aimed at controlling the widening current account deficit. Growth moderated in 2012 and GDP grew 2.2% and domestic demand slowed whereas external demand (net exports) had a positive contribution to growth. This led to a significant contraction in the current account deficit to GDP ratio, from 10% in 2011 to 6% in 2012, although this has widened slightly in 2013. Following this, the Central Bank shifted its focus onto growth and implemented actions to improve domestic demand and discourage short-term capital flows. Thus, the Central Bank reduced the policy rate to 5.5% in December 2012. The Central Bank cut the overnight borrowing and lending rates during 2012 to bolster domestic demand and year-end overnight borrowing and lending rate rates were lowered to 5% and 9%, respectively.

During the first six months of 2013, the Turkish economy grew 3.7% year on year driven by private consumption and inventory building. As of August 2013, CPI stood at 8.2%. As of September 2013, CPI decreased to 7.9% due to the high base of September 2012. However, core inflation rose to 7%

due to the foreign exchange pass-through from depreciation of the Turkish Lira and higher food prices. As the base effect diminishes, inflation is expected to decline in the coming months. The Central Bank's official 2013 year-end headline inflation expectation stands at 6.8%.

During the first half of 2013, the Central Bank cut the policy, overnight borrowing and overnight lending rates to 4.5%, 3.5% and 6.5%, respectively, to support economic growth and control acceleration in capital inflows amid Turkey's second investment grade upgrade.

Due to uncertain global liquidity conditions, the Central Bank continued its flexible interest rate corridor policy in 2013. Following announcements by the United States Federal Reserve regarding tapering of monetary stimulus and widespread political protests across Turkey during May, volatility increased across emerging markets, in particular in Turkey, and the Central Bank focused on limiting depreciation of the Turkish Lira and started to adopt a tightening policy bias. Thus, the Central Bank increased the overnight lending rate to 7.75% in August (from 7.25% in July and 6.5% in June) whilst keeping the overnight borrowing rate and policy rate stable. As a result, the Group has begun raising interest rates on deposit accounts, which may have an adverse impact on the Group's net interest margin.

Additionally, in the second half of 2013, there has been a sell-off of emerging market assets, including in Turkey, as a result of global developments. In Turkey, this has resulted in reduced equity prices, depreciation of the Turkish Lira and increased risk premia, any of which could negatively impact the Bank's business.

Continued uncertainty in the international financial markets, contraction of the global economy and any tightening in credit conditions could adversely impact the Group's business and operating results as a result of:

- decreases in the business activity and deterioration of creditworthiness of companies and individuals;
- impairments on assets and/or collateral as well as increased levels of NPLs and amounts of loan impairment charges;
- increases in borrowing costs and reduced, or no, access to capital markets due to unfavourable market conditions and increased competition for deposits leading to declines in Group's net interest income; and
- decreases in fee and commission income due to a reduction in consumer demand for the Group's loan products or measures implemented by banking regulators.

If any of the above events occur, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The majority of the Group's operations are in Turkey and therefore, its business and results of operations are primarily affected by economic conditions in Turkey, however, global trends can also have a direct impact. As of 30 September 2013, 96.2% of the Group's total assets were located in Turkey. In 2009, the economic contraction in Turkey negatively affected lending growth and caused a decline in asset quality in the Turkish banking sector. See "*—The Group is subject to credit risk in relation to its borrowers and counterparties*". However, in 2010, Turkey's recovery to pre-crisis levels of growth and sales of NPL portfolios led to the Group's loan loss provisions decreasing to TL 1,475,084 thousand as of 31 December 2010 and TL 1,393,221 thousand as of 31 December 2011, before increasing to TL 1,597,914 thousand as of 31 December 2012 and TL 2,402,470 thousand as of 30 September 2013.

There can be no assurance of continued global economic recovery and any deterioration in global economic or financial conditions could negatively affect Turkey's economy, the availability of funding to the Group and the Group's business, financial condition, results of operations and prospects. If the Turkish economy is negatively affected by reduced economic activity, a devaluation of the Turkish Lira, inflation or an increase in domestic interest rates could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects. See "*—Risks Related to the Turkish Banking Industry—The profitability and profitability growth of Turkish banks, including the Group, in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector*" in the Base Prospectus.

The Group is subject to credit risk in relation to its borrowers and counterparties

The Group's businesses are subject to inherent risks concerning the credit quality of borrowers and counterparties, which have affected and are expected to continue to affect the value of the Group's assets, particularly if economic conditions in Turkey deteriorate.

Changes in the credit quality of the Group's customers and counterparties arising from systemic risks in the Turkish and global financial system, can negatively affect the value of the Bank's assets; these led to increased write downs and provisions for loan impairment during 2008 and 2009. Increased unemployment, rising inflation, reduced corporate liquidity and profitability, increased corporate insolvencies, the deterioration of the Turkish Lira exchange rate against the U.S. Dollar and Euro (especially during 2008) and the inability of individuals to service their personal debt have negatively affected the Turkish banking sector, including the Bank. According to BRSA statistics, the ratio of NPLs to total loans in the Turkish banking sector was 3.6% as of 31 December 2010, 2.6% as of 31 December 2011, 2.8% as of 31 December 2012 and 2.7% as of 30 September 2013. Certain lending segments including general purpose loans, credit cards and SME loans were much worse affected. As of 30 September 2013, the ratio of NPLs to total loans in the credit card segment of the Turkish banking sector was 4.8% and in the commercial instalment loans segment was 3.3%. On 8 October 2013, the BRSA additionally introduced new regulations which aimed to limit the expansion of individual loans (especially credit card installments). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Change in provisioning/capitalisation of credit cards, auto loans, SME and export loans*".

Since 2006, when the merger with Koçbank was completed (see "*Business of the Bank—History*"), the Group's loan portfolio has expanded significantly, increasing the Group's exposure to credit risk associated with lending, and the Group's loan portfolio includes a significant portion of unseasoned loans. As of 30 September 2013, loans and receivables constituted 61.0% of the Group's consolidated total assets. The Group's business strategy is strongly focused on the retail and SME segment, as well as on credit card products and project finance lending, as these are higher margin generating asset classes. However, some of these segments are generally viewed as riskier segments and could place additional pressure on the asset quality of the Group. As of 30 September 2013, the Group's loans and receivables in the consumer and credit card segments amounted to 19.1% and 19.8%, respectively, of the Group's loans and receivables. In the Turkish banking sector, retail lending is generally regarded as entailing more risk than corporate lending, and unsecured credit card lending generally entails relatively more risk than other secured retail credit products. However, the Group's NPLs to total loans ratio in the credit cards sector has remained relatively resilient (3.8% as of 30 September 2013) compared to the level across all loans (3.5% as of 30 September 2013). The corporate sector may also be susceptible to additional foreign exchange risk as corporate loans may be denominated in foreign currencies, resulting in additional risk if the Turkish Lira depreciates and such borrowers do not have foreign currency reserves or adequate hedging.

The increase in the Group's loan portfolio (including a significant portion of unseasoned loans) has increased the Group's credit exposure and requires continued and improved monitoring by the Group's management of its lending policies, credit quality and adequacy of provisioning levels through the Group's risk management programme, particularly in its retail segment (including SMEs). Negative developments in the Turkish economy could affect these borrowers more than large companies, resulting in higher NPL levels and, as a result, higher levels of provisioning. Any failure by the Group to manage the growth of its loan portfolio or the credit quality of its creditors within prudent risk parameters, or to monitor and regulate the adequacy of its provisioning levels, could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

The Group's total loss provisions amounted to TL 1,119,652 thousand, or 0.81% (net of collections cost of risk) of gross loans and receivables as of 31 December 2010, TL 740,538 thousand, or 0.58% (net of collections cost of risk) of gross loans and receivables as of 31 December 2011, TL 1,225,164 thousand, or 1.35% (net of collections cost of risk) of gross loans and receivables as of 31 December 2012 and TL 1,018,702 thousand, or 1.27% (net of collections cost of risk) of gross loans and receivables as of 30 September 2013. The current level of provisions by the Group may not be sufficient to cover future losses and the Group may have to create significant additional provisions for possible credit losses in the future.

In addition, there can be no assurance that the Group will be able to correctly assess the creditworthiness of credit applicants. There is a centralised credit bureau in Turkey which was established in 1995 to provide exchange of information for the purpose of monitoring and controlling consumer credit information (including credit cards). Since 2009, the credit bureau also started to cover information on corporate and commercial credits. The credit bureau includes data shared by the Group and its competitors in Turkey. The information compiled at the credit bureau monitors significant trends both positive and negative. In addition, information from other non-bank entities, such as utility companies, is not included. The Group has used internal rating models (including the Central Bank's sector-based information) for corporate and commercial clients since 2009 and internal scorecards (incorporating credit bureau information) for retail customers since 2011. However, the Group is not always independently able to confirm information provided by prospective clients and the increase in the Group's loan portfolio in 2010, which slowed in 2011 and in 2012, will require continued and improved monitoring by the Group's management of its lending policies, credit quality and adequacy of provisioning levels through the Group's risk management programme. Beginning in 2012, the Group adopted stricter lending approval requirements, particularly with respect to SME customers. Nonetheless, any failure by the Group to manage the growth of its loan portfolio or the credit quality of its creditors within prudent risk parameters or to monitor and regulate the adequacy of its provisioning levels could have a material adverse effect on the Group's business, financial condition, prospects and/or results of operations.

The Group also has a substantial portfolio of derivative financial assets, including currency forwards, currency and interest rate swaps, options, interest rate cap and floor arrangements and credit default swaps. As of 30 September 2013, the Group's total recognised derivative assets had a notional value of TL 159,415,030 thousand, and the fair values of the derivative assets and liabilities were TL 1,124,730 thousand and TL 814,275 thousand, respectively. The Group is exposed to credit risk with respect to the ability of its counterparties to meet their obligations under these derivative financial assets.

Exposure to any or all of these credit risks could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

The Bank is subject to liquidity and refinancing risk

The Bank is exposed to liquidity risk, arising out of mismatches between the maturities of the Bank's assets and liabilities, which together with increased market volatility and changes in general economic conditions, may contribute to the Bank not being able to meet its net funding requirements at a reasonable cost, or at all. A significant portion of the Group's funding base consists of short-term debt and deposits and the Group has a mix of short-, medium- and long-term assets in the form of retail, consumer and corporate loans, mortgages and credit cards, which may result in asset-liability maturity gaps and ultimately liquidity problems. As of 30 September 2013, deposits comprised 61.3% of the Group's total liabilities and, of all deposits, 85.13% had maturities of three months or less.

In addition, the Group has raised part of its funding on the international markets, and may need to access additional wholesale funding in the future if deposit growth does not keep pace with growth in lending. As of 30 September 2013, the Bank had a total of TL 1,772,879 thousand of funds borrowed from wholesale sources of which TL 638,497 thousand of other borrowed funds from foreign sources and TL 6,384,169 thousand of debt securities in issue, in relation to its diversified payment rights securitisation and issued bonds in local currency. In order to cover the maturity mismatch from short-term funding and long-term lending, the Group has raised longer-term funds in the form of syndications, securitisations and other loans, almost all of which are denominated in foreign currency. As of 30 September 2013, the Group's total foreign currency denominated bank deposits and borrowings constituted 39.9% of its consolidated liabilities excluding equity and 47.3% of its assets with maturity of one year or more. The Group may have difficulties extending this type of funding source and such funding may become more difficult and costly in the event of a Turkish Lira devaluation.

Withdrawals of deposits could lead to liquidity gaps that the Bank would have to cover, thus incurring additional expenses, and which ultimately may have a material adverse effect on the Bank's business, financial condition and results of operations. In the event of liquidity gaps, access to other funding sources, such as Central Bank repos or the capital markets, may not be available, or may be available only at a higher cost and such funding sources may be less advantageous to the Bank in other respects. The Bank's liquidity risk could be increased by market disruptions or credit downgrades, which may reduce the availability of funding. The Group may also be adversely affected by changes in interest rates. For example, if interest rates increase, the interest on the Group's liabilities (predominantly short-term) may rise more quickly than on its assets, resulting in deteriorating interest margins. Either result could have a material adverse effect on the Bank's financial condition and results of operations. See "—*The Group may be negatively affected by volatility in interest rates*".

There can be no assurance that the Bank will continue to successfully manage its liquidity and the maturity profile of its funding base in the future. Particularly in light of the volatility in the market for emerging market debt, the Bank may have difficulty extending and/or refinancing its existing indebtedness. If the Bank is not able to refinance its debt and other obligations or experiences difficulty in managing its liquidity and the maturity profile of its debt, this could cause a material adverse effect on the Bank's business, financial condition or results of operations.

The Bank is subject to risks in its trading activities

As part of the Bank's treasury operations, it trades various securities and derivatives, including debt, equity, fixed income, currencies and commodities and related derivatives, as both agent and principal, and it derives a portion of its non-interest income from profits earned in such trades. A significant portion of the Bank's trading activities are related to customer transactions and management has put stringent measures in place that seek to limit its ultimate trading exposure.

However, the Bank may still be exposed to a number of risks related to changes in the value of such securities and derivatives, including the risk of unfavourable market price movements relative to its long or short positions, a decline in the market liquidity of the related instruments, volatility in market prices, interest rates or foreign currency exchange rates relating to these positions and the risk that the instruments with which the Bank chooses to hedge certain positions do not track the market value of those positions. If the Bank incurs any losses from these exposures, this could reduce the Bank's income or cause the Bank to suffer losses, either of which could have a material adverse effect on the Bank's business, financial condition and/or results of operations.

The Group may be negatively affected by volatility in interest rates

In general, because the Group's assets have a longer maturity and reprice more slowly than its liabilities, the Group may benefit from a lag in the repricing of its assets compared to its liabilities in falling and low interest rate environments. However, in a rising interest rate environment, the Group may be adversely affected by the same repricing lag. This difference could result in an increase in interest expense relative to interest income, reducing margins and the Group's net interest income. In the second half of 2013, for example, interest rates have risen and deposit costs have risen faster than loan repricing, which has negatively impacted net interest margins. For a description of the Group's interest rate risk management, see "*Risk Management*".

Furthermore, an increase in interest rates may reduce the demand for loans from the Group and its ability to originate loans. A decrease in the general level of interest rates may affect the Group through, among other things, increased pre-payments on its loan portfolio and increased competition for deposits. In addition, the Group has a portfolio of derivative securities which expose it to fluctuations in interest rates. As of 30 September 2013, total nominal interest rate swap volume (including cross currency interest rate swaps) amounted to TL 47,673,347 thousand, out of which TL 40,679,713 thousand were already under hedge accounting and thus not affected by interest rate fluctuations. Nominal interest rates are sensitive to many factors beyond the Group's control, including monetary policies pursued by the Government and both domestic and international economic and political conditions.

If the Group is unable for any reason to reprice or adjust the rates on its interest earning assets in response to changes in rates on its interest bearing liabilities in an expedited or an effective manner as a result of economic or other reasons, then the Group's interest income margins would be adversely affected, which could in turn have a materially adverse effect on the Bank's results of operations.

The Group's loans and receivables may be concentrated among its largest borrowers and in certain industries

As of 30 September 2013, the Group's loans and receivables to its 20 largest borrowers or borrower groups amounted to TL 11,714 million or 13.3% of its total loans and receivables, as compared with TL 14,174 million or 14% as of 31 December 2012, TL 13,547 million or 14% as of 31 December 2011 and TL 11,877 million or 17% as of 31 December 2010. Any impairment in the ability of one or more of these borrowers or borrower groups to service or repay their obligations to the Group could have a material adverse effect on the Group's financial condition and results of operations. The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25% of its equity capital.

As of 30 September 2013, the Bank's top ten sectors accounted for 46.6% of the Bank's gross cash loans. A downturn in any of these sectors, individually or in the aggregate, may adversely affect the financial condition of the companies operating in such sectors and may result in, among other things, a decrease of funds that such corporate customers hold on deposit with the Bank, a default on their obligations owed to the Bank or a need for the Bank to increase its provisions in respect of such obligations. Similarly a downturn of any one or more of the Bank's largest customers' financial positions may have similar effects.

The Group's risk management strategies and internal controls may leave it exposed to unidentified or unanticipated risks

In the course of its business activities, the Group is exposed to a variety of risks, including credit risk, market risk, liquidity risk and operational risk. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Risk Management*". Although the Group invests substantial time and effort in risk management strategies and techniques, it may nevertheless fail to manage risk adequately in some circumstances. If circumstances arise that the Group has not identified or anticipated adequately, or if the security of its risk management systems is compromised, then the Group's losses could be greater than expected, which could have a material adverse effect on the Group's business, financial condition and/or results of operations.

Some of the Group's methods of managing risk are based upon its use of historical market behaviour, which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures, which could therefore be significantly greater than historical measures indicate. For example, assets that are not traded on public trading markets, such as derivative contracts between banks, may be assigned values that the Group calculates using mathematical models and the deterioration of assets like these could lead to losses that the Group has not anticipated. Additionally, higher NPL inflows in 2012, particularly in credit cards and SME lending, led the Group to tighten lending criteria and increase delinquency calls. However, there can be no assurance that such responsive measures will continue to prove effective, particularly if macroeconomic trends continue to deteriorate in Turkey. If the Group's measures to assess and mitigate risk prove insufficient, then the Group may experience material unexpected losses that could have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Group is exposed to foreign exchange and currency risks

A significant portion of the Group's assets and liabilities are denominated in foreign currencies, particularly U.S. dollars and euros. The Bank translates such assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains/(losses) realised upon the sale of such assets, to Turkish Lira when preparing its financial statements. As a result, the Group's reported income is affected by changes in the value of the Turkish Lira against foreign currencies (primarily the U.S. dollar and euro). The overall effect of exchange rate movements on the Group's results of operations depends on the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies. In addition, the Group has a portfolio of derivative securities which expose it to fluctuations in the value of the Turkish Lira against foreign currencies. For a description of the Group's risk management strategies, see "*Risk Management*".

Until February 2001 it was the stated policy of the Central Bank to devalue the Turkish Lira against the U.S. dollar in line with inflation. However, in recent years the devaluation of the Turkish Lira has not been consistent with inflation rates. Annual inflation rates in Turkey (as measured by the Turkish CPI) for 2008, 2009, 2010, 2011 and 2012 were 10.1%, 6.5%, 6.4%, 10.5% and 6.2% respectively. As of September 2013, CPI inflation decreased to 7.9% due to the high base of September 2012. The value of the Turkish currency against the U.S. dollar has been volatile over the last five years, having depreciated by 31.2% in 2008, appreciated by 2.2% in 2009, depreciated by 3.4% in 2010, depreciated by 22.8% in 2011, appreciated by 5.9% in 2012 and depreciated by 12.9% through 31 October 2013. Although the Turkish Lira depreciated against the U.S. dollar in 2011, the Turkish Lira appreciated slightly against the U.S. dollar during 2012, and the exchange rate was TL 1.7380 per dollar on 31 December 2012 compared to TL 1.8417 per dollar as of 31 December 2011. The Turkish Lira depreciated against the U.S. dollar during the first nine months of 2013, and the exchange rate amounted to TL 2.0342 per dollar as of 30 September 2013.

Although the Group sets stringent limits and performs certain other measures aimed at reducing exchange rate risk, including but not limited to entering into foreign exchange derivative contracts, there is no assurance that such measures will be successful and fluctuations in exchange rates may adversely affect the Bank's business, financial condition and results of operations.

The Group is exposed to volatility in the securities markets

The Bank has a substantial portfolio of Government debt securities, which amounted to 14% of the Bank's total interest earning assets as of 30 September 2013. The Bank's position in certain Government securities in particular, involves a risk that downward movements in the price of these securities could have a material adverse effect on the Group's business, financial condition and results of operations. The Group has historically generated a significant portion of interest income from its securities portfolio, with interest and similar income derived from the Group's securities portfolio in 2010, 2011, 2012 and up to the first nine months of 2013 accounting for 19.58%, 20.08%, 16.36% and 15.16%, respectively, of its total interest income. Any default by the Government in the payment of its securities held by the Bank would result in direct loss to the Bank. In addition, a default by the Government in making payments on its treasury bills would have a significant negative impact on the Turkish economy and the Turkish banking system generally. A continued decline in the returns from the Bank's trading and investment securities, continued increased sales of Government securities and/or a decline in the market value of Government securities could lead to a material adverse effect on the Bank's business, financial condition and results of operations.

While the contribution of income from the Group's securities portfolio has been relatively significant over recent years, the Group expects that such income will not be as large in coming years. In particular, the robust trading gains earned during the recent global financial crisis as a result of the high level of volatility in financial markets are not expected to continue and opportunities for such gains have been declining since 2010. Moreover, the Group has also decreased the relative size of its securities portfolio in light of the growth of its loan book and capital adequacy requirements.

The Group is controlled by two large shareholders and has business with related parties

The Bank is controlled by KFS, which is jointly owned by Koç Holding, one of the largest conglomerate groups in Turkey, and UniCredit, an international financial services group engaged in a wide range of banking, financial and related activities in Europe. KFS owns 81.80% of the Bank's outstanding shares while the balance is held by minority shareholders. Koç Holding and UniCredit each own 50% of the shares of KFS.

The Bank believes that the involvement of Koç Holding and UniCredit has been, and will continue to be, important in the pursuit and implementation of the Bank's strategy, including providing an important source of business for the Group. Although the management of the Bank believes that these transactions are on an arm's length basis and in line with the Banking Law regulations on transactions with related parties, and that adequate controls are in place to limit the impact of the controlling shareholders, there can be no assurance that the interests of the Bank and its related parties will be at all times aligned with the interests of the Noteholders. There can be no assurance that these major shareholders will remain shareholders in the future or that they will continue to provide the Bank with new business in the future or provide financial or other support in the event of future financial turmoil, and there can be no assurance that the Bank's business and results of operations will not be materially adversely affected if the major shareholders cease to control the Bank.

KFS indirectly through a majority vote at the General Assembly has the power to direct the election of all of the Bank's directors and determine the outcome of most matters to be decided by shareholders' resolutions. Furthermore, the interests of the controlling shareholders and/or BRSA may differ from those of the Bank and its creditors. As a result, the controlling shareholders and/or the Government may prevent the Bank from making certain decisions, may take certain actions that would benefit them or may take certain actions that fail to protect the interests of the Bank's other constituencies, including investors in the Notes. The Bank's decisions and actions may prioritise the long-term interests of the Group, rather than the interests of the Noteholders. There can be no assurance that the Bank's decisions will not negatively affect the Noteholders.

The Group's growth strategy subjects it to risks associated with the expansion of operations, including the expansion of its branch network

In recent years, the Group has significantly expanded its business primarily through organic growth, including the expansion of its branch network. Although branch expansion slowed during the global financial crisis, the Bank resumed opening new branches in late 2009. The Bank opened 8 retail branches in the fourth quarter of 2009, 30 retail branches in 2010 and 39 retail branches in 2011. In 2012, the Bank opened 21 retail branches and the Bank intends to open a total of 30 to 40 new branches by the end of 2013. So far, the Bank has opened 11 retail branches in the first nine months of 2013.

As of 30 September 2013, the Bank is currently monitoring the financial performance of 74 new branches under the "newly opened branches" category. "Newly opened branches" refer to such branches that were opened as part of the Bank's accelerated branch expansion plan, which was launched in July 2007. Although "Newly opened branches" are generally not immediately profitable, they tend to experience an initial period of high growth, which may not be sustainable in the longer term.

There are risks associated with expansion, including higher than expected costs for opening new branches. The profitability of any new branches or new business lines may not develop as expected and may absorb resources which might better be deployed elsewhere in the Group. Any failure to manage growth and maintain focus on existing operations could have a material adverse effect on the Bank's business, financial condition and/or results of operations.

The Bank is appealing a judgment in the Istanbul Commercial Court and has not recorded any provisions in its financial statements in respect of the judgment

The Bank is a defendant in a lawsuit filed by a Turkish company, with respect to amounts collected by the Bank under an agreement for the transfer of shares in exchange for a profit sharing arrangement following the bankruptcy of the company in 1992. The litigation commenced in 2005. In May 2010, the Istanbul Commercial Court issued a judgment against the Bank in the amount of TL 25 million plus accrued interest. The Bank has filed an appeal. In September 2012, the Court of Appeals overturned the decision of the Istanbul Commercial Court on the basis of an incomplete review of information relating to the dispute. However, in December 2012, one of the plaintiffs objected to the appellate ruling and asked for the correction of the judgment. The Court of Appeals turned down the objection. The Istanbul Commercial Court complied with the Court of Appeals' decision and reviewed the case taking into consideration the judgment of the Court of Appeals. The Bank has not recorded any provisions in its financial statements in respect of this litigation.

The Group may suffer a failure or interruption in, or breach of its information systems

The Group relies heavily upon information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or interruptions in its risk management, general ledger, deposit servicing, loan organisation and/or other important systems. If the Group's information systems failed, even for a short period of time, then it could be unable to serve some or all of its customers' needs on a timely basis and could thereby lose business. Likewise, a temporary shutdown of the Bank's information systems could result in costs that are required for information retrieval and verification. In addition, despite its investments in IT infrastructure, failure to update and develop the Group's existing information systems as effectively as its competitors may result in a loss of the competitive advantages that it believes its information systems provide. Although the Group has developed business continuity plans, back-up systems and a disaster recovery centre, and expects to be able to continue some of its operations through branches in case of emergency, no assurance can be given that failures or interruptions will not occur or that the Group will be able to adequately address them if they do occur. Accordingly, the occurrence of any failures or interruptions could have a materially adverse effect on the Bank's business, financial condition and/or results of operations.

The Group's business may be subject to labour disputes

The Group is exposed to the risk of labour disputes and other industrial actions. In total, as of 30 September 2013, 15,439 of the Bank's employees were members of the Union of Employees working at Banks and Insurance Companies (*Banka Sigorta İşçileri Sendikasi*) (the "**Union**"), amounting to approximately 62.0% of the Bank's employees. The Bank may experience strikes, work stoppages or other industrial actions in the future. Any such action could disrupt operations, possibly for a significant period of time, result in increased wages and benefits or otherwise have a material adverse effect on the Bank's business, financial condition and/or results of operations.

The Group is subject to operational risk

Similar to other financial institutions, the Group is susceptible to, among other things, fraud by employees or outsiders, unauthorised transactions by employees and other operational errors (including clerical or record keeping errors and errors resulting from faulty computer or telecommunications systems). The Group is also subject, from time to time, to service interruptions to third party services such as telecommunications, which are beyond the Group's control. Such interruptions may result in interruption to services to the Group's branches and/or impact customer service. Given the Group's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult to detect for any bank to detect quickly or at all. While the Group maintains a system of controls designed to monitor and control operational risk, there can be no assurance that the Group will not suffer losses from such risks. Losses from the failure of the Group's system of internal controls to discover and rectify such matters could have a material adverse effect on the Bank's business, financial condition and/or results of operations. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Bank or the Group will be unable to comply with its obligations as a company with securities admitted to listing on the Official List and admitted to trading on the Main Securities Market.

The Group is dependent on its senior management and other personnel

The Bank is dependent upon its senior management to implement its strategy and the operation of its day-to-day business. In addition, retail, corporate and other business relationships of members of senior management are important to the conduct of the Bank's business. If members of the Group's senior management were to leave, then the relationships that those employees have and which have benefited the Group may end.

In addition, the Bank's continuing success depends, in part, upon its ability to attract, retain and motivate qualified and experienced banking and management personnel. Any failure to recruit and retain necessary personnel or manage its personnel successfully could have a material adverse effect on the Bank's business, financial condition and/or results of operations.

The Group's consolidated financial statements under BRSA may not provide investors with the same information as financial statements prepared under IFRS

The Group has prepared its financial statements in Turkish Lira and in accordance with BRSA Principles. The Group's BRSA financial statements may not provide investors with the information they would have received if the financial statements were prepared under IFRS. BRSA Principles differ in certain significant respects from IFRS. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and BRSA Principles and how these differences might affect the financial information in and incorporated by reference into this Prospectus. For more information, see "*Annex A—Summary of Differences Between IFRS and BRSA Accounting Principles*" in the Base Prospectus.

Risks Related to the United States

U.S. Foreign Account Tax Compliance Withholding

If the Notes are significantly modified on or after the date (the "**grandfathering date**") which is the later of (a) 1 July 2014 and (b) the date after the date that is six months after the date on which final U.S. Treasury Regulations defining the term "foreign passthru payment" are filed with the Federal Register, then, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, any U.S. Treasury Regulations issued thereunder, or any similar law implementing an intergovernmental approach thereto ("**FATCA**"), the Issuer and any paying agents through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30% on all, or a portion of, payments made after 31 December 2016 in respect of such Notes. In addition, if the Issuer creates and issues further notes after the grandfathering date that are consolidated and form a single series with the outstanding Notes as permitted by Condition 15 (Further Issues) in the Base Prospectus, a withholding agent may not be able to distinguish between the outstanding Notes and the further notes, which may result in withholding on both the outstanding Notes and the further notes, unless such further notes are issued pursuant to a "qualified reopening" of the outstanding Notes for U.S. federal income tax purposes. The FATCA withholding tax may be triggered (a) with respect to certain payments to any non-U.S. financial institution (an "**FFI**") that either (1) does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service (the "**IRS**") to provide the IRS with certain information in respect of its account holders and investors or (2) is not otherwise exempt from or deemed in compliance with FATCA and (b) with respect to certain payments to any investor that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of a Participating FFI (unless otherwise exempt from FATCA).

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If FATCA were to require that an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on (or with respect to) the Notes, then neither the Issuer, any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may receive less interest or principal than expected.

SELECTED FINANCIAL INFORMATION

The following tables set forth, for the periods indicated, selected consolidated financial information of the Bank and its subsidiaries derived from the Annual BRSA Financial Statements and Interim BRSA Financial Statements incorporated by reference in this Prospectus.

Prospective investors should read the following information in conjunction with "*Presentation of Financial and other Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", the Annual BRSA Financial Statements and the Interim BRSA Financial Statements.

Balance Sheet Data

	As of 30 September		As of 31 December			
	2013	2013	2012	2012	2011	2010
	(U.S.$, thousands)[1]	*(TL, thousands)*	*(U.S.$, thousands)*[2]		*(TL, thousands)*	
Assets						
Cash and balances with Central Bank	8,929,580	18,164,551	6,609,867	11,487,948	10,081,703	6,034,426
Financial assets at fair value through profit or (loss) (net)	608,780	1,238,380	577,097	1,002,995	556,830	1,070,115
Deposits with banks	1,539,796	3,132,254	3,073,934	5,342,497	3,428,524	2,563,730
Money markets	868,403	1,766,505	1,595,648	2,773,236	2,173,561	970,970
Financial assets available for sale (net)	7,081,658	14,405,509	9,004,861	15,650,448	8,011,276	5,875,980
Loans and receivables	46,337,165	94,259,061	45,333,054	78,788,847	70,070,914	54,675,862
Factoring receivables	1,009,490	2,053,505	943,652	1,640,067	1,790,761	1,824,892
Held to maturity investments (net)	3,160,643	6,429,381	3,353,104	5,827,694	12,710,622	12,974,944
Investment in associates (net)	212,088	431,429	114,175	198,437	188,443	75,846
Subsidiaries (net)	1,131	2,300	1,323	2,300	2,300	2,300
Joint ventures (net)	4,637	9,432	10,621	18,459	19,650	22,265
Lease receivables	1,821,207	3,704,700	1,781,642	3,096,493	2,794,483	1,989,614
Derivative financial assets held for hedging	188,540	383,529	54,181	94,166	377,335	38,201
Property and equipment (net)	471,016	958,141	607,286	1,055,463	1,063,384	1,156,515
Intangible assets (net)	666,076	1,354,932	783,309	1,361,391	1,284,165	1,243,080
Investment property (net)	0	—	—	—	—	—
Tax asset	61,494	125,092	96,796	168,231	364,462	319,428
Assets held for resale and related to discontinued operations	75,472	153,526	80,353	139,653	103,572	82,416
Other assets	2,282,672	4,643,411	1,639,491	2,849,436	2,428,146	1,893,474
Total assets	**75,319,850**	**153,215,638**	**75,660,392**	**131,497,761**	**117,450,131**	**92,814,058**
Liabilities	**66,497,282**	**135,268,771**	**66,431,659**	**115,458,223**	**104,814,897**	**82,068,289**
Deposits	40,761,088	82,916,205	40,934,057	71,143,391	66,186,550	55,207,002
Derivative financial liabilities held for trading	400,292	814,275	221,220	384,481	540,339	359,168
Funds borrowed	8,675,947	17,648,612	8,224,586	14,294,331	14,682,902	10,073,070
Money markets	3,706,392	7,539,542	3,724,784	6,473,675	6,885,893	3,651,016
Marketable securities issued (net)	3,138,418	6,384,169	2,270,716	3,946,505	3,248,717	1,394,904
Miscellaneous payables	3,417,675	6,952,235	3,323,062	5,775,482	4,795,500	4,205,971
Other liabilities	1,559,287	3,171,902	1,557,567	2,707,052	1,610,109	1,044,483
Other provisions	625,416	1,272,222	822,154	1,428,904	1,222,402	1,340,211
Factoring payables	0	—	—	—	—	—
Lease payables (net)	0	—	—	—	—	—
Derivative financial liabilities held for hedging	212,603	432,478	520,533	904,687	502,841	453,663
Provisions	811,935	1,651,639	1,591,077	2,765,292	2,322,503	1,939,527
Tax liability	153,664	312,584	252,463	438,781	293,325	289,000
Liabilities for property and equipment held for sale and related to discontinued operations (net)	0	—	—	—	—	—
Subordinated loans	3,034,563	6,172,908	2,989,437	5,195,642	2,523,816	2,110,274
Total Liabilities	**66,497,282**	**135,268,771**	**66,431,659**	**115,458,223**	**104,814,897**	**82,068,289**
Paid in capital	2,136,983	4,347,051	2,501,180	4,347,051	4,347,051	4,347,051
Capital reserves	330,883	673,083	959,417	1,667,466	400,342	733,973
Profit reserves	4,364,655	8,878,581	4,095,922	7,118,712	5,197,101	3,202,502
Income or (loss)	1,988,837	4,045,692	1,634,935	2,841,517	2,623,562	2,399,148
Minority interest	1,209	2,460	37,280	64,792	67,178	63,095
Total Shareholders' equity	**8,822,568**	**17,946,868**	**9,228,733**	**16,039,538**	**12,635,234**	**10,745,769**
Total liabilities and shareholders' equity	**75,319,850**	**153,215,638**	**75,660,392**	**131,497,761**	**117,450,131**	**92,814,058**

Notes:

(1) For the convenience of the reader, these figures have been translated into U.S. dollars at the rate of TL 2.0342 = U.S.$1.00, which corresponds with the Bank's Published Exchange Rate on 30 September 2013. Such translation should not be construed as a representations that the TL amounts have been converted into U.S. dollars pursuant to BRSA. The high, low, average and period end exchange rates for the nine months ended 30 September 2013, based on the Bank's Published Exchange Rates and the rates published by the Central Bank are set out in "**Exchange Rates**".

(2) For the convenience of the reader, these figures have been translated into U.S. dollars at the rate of TL 1.7380 = U.S.$1.00, which corresponds with the Bank's Published Exchange Rate on 31 December 2012. Such translation should not be construed as a representations that the TL amounts have been converted into U.S. dollars pursuant to BRSA. The high, low, average and period end exchange rates for the year ended 31 December 2012, based on the Bank's Published Exchange Rates and the rates published by the Central Bank are set out in "**Exchange Rates**".

Income Statement Data

	For the nine months ended 30 September			For the year ended 31 December			
	2013	2013	2012	2012	2012	2011	2010
	(U.S. $, thousands)[1]	*(TL, thousands)*		*(U.S. $, thousands)*[2]	*(TL, thousands)*		
Income statement Data:							
Interest income	3,972,869	7,346,232	7,472,345	5,789,796	10,117,090	7,839,559	6,389,724
Interest expense	(1,907,609)	(3,527,359)	(3,978,696)	(2,958,399)	(5,169,506)	(4,094,381)	(2,807,571)
Net interest income	**2,065,260**	**3,818,873**	**3,493,649**	**2,831,398**	**4,947,584**	**3,745,178**	**3,582,153**
Fees and commissions received	1,002,893	1,854,450	1,685,962	1,339,332	2,340,348	2,369,225	2,071,264
Fees and commissions paid	(158,968)	(293,948)	(323,473)	(314,285)	(549,181)	(400,011)	(333,177)
Net fees and commissions income	**843,925**	**1,560,502**	**1,362,489**	**1,025,047**	**1,791,167**	**1,969,214**	**1,738,087**
Dividend income	8,423	15,575	1,661	951	1,661	5,891	1,082
Trading gain/(loss) (net)	140,614	260,009	(115,324)	19,065	33,315	(137,246)	(32,138)
Other operating income	148,006	273,677	193,793	348,710	609,336	1,050,117	1,353,599
Provision for impairment of loans and other receivables	(602,070)	(1,113,288)	(871,278)	(801,300)	(1,400,192)	(860,585)	(1,162,305)
Other operating expenses	(1,377,444)	(2,547,031)	(2,251,518)	(1,875,912)	(3,277,968)	(2,910,825)	(2,693,198)
Net operating income/loss	**1,226,714**	**2,268,317**	**1,813,472**	**1,547,959**	**2,704,903**	**2,861,744**	**2,787,280**
Income/(loss) from investments accounted based on equity method	1,222	2,259	12,535	10,181	17,791	14,420	6,419
Tax provisions for continuing operations	(264,199)	(488,528)	(418,304)	(357,636)	(624,934)	(584,784)	(538,996)
Net profit/loss from continuing operations	**963,737**	**1,782,048**	**1,407,703**	**1,200,504**	**2,097,760**	**2,291,380**	**2,254,703**
Net profit/loss from discontinued operations	**722,423**	**1,335,833**	**69,808**	—	—	—	—

Notes:

(1) For the convenience of the reader, these figures have been translated into U.S. dollars at the average rate of TL 1.8491 = U.S.$1.00, which corresponds with average of the Bank's Published Exchange Rate for the nine months ended 30 September 2013. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to the requirements of BRSA.

(2) For the convenience of the reader, these figures have been translated into U.S. dollars at the average rate of TL 1.7474 = U.S.$1.00, which corresponds with average of the Bank's Published Exchange Rate for the year ended 31 December 2012. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to the requirements of BRSA.

Key Ratios

	As of and for the nine months ended 30 September	As of and for the year ended 31 December		
	2013	2012	2011	2010
		(Percentages)		
Return on average shareholders' equity excluding minority interest	27.0%[3]	16.2%	21.7%	26.7%
Net interest margin[1]	3.7%	4.1%	3.5%	4.6%
Capital adequacy ratio	15.6%	15.2%	14.9%	15.4%
Cost to income[2]	42.9%	44.3%	43.8%	40.5%
Free capital ratio	9.8%	10.1%	8.3%	8.6%
Non performing loans to total cash loans	3.7%	3.2%	3.0%	3.4%
Cost to average total assets	2.4%	2.7%	2.7%	3.3%

Notes:

(1) Net interest income divided by average interest earning assets.

(2) Total shareholders' equity excluding investment in associates, goodwill, other intangible assets, property and equipment and deferred income tax assets divided by total assets.

(3) On 12 July 2013, the sale of insurance businesses to Allianz was finalised. This included a 94% stake in YK Sigorta which owns 100% of YK Emeklilik. However, a 20% stake in YK Emeklilik was retained. Capital gains in the third quarter of 2013 amounted to TL 1,284 thousand post tax (5% capital gains tax). Excluding insurance sale capital gains, return on average shareholders' equity excluding minority interest is 15.9%.

EXCHANGE RATES

The following table sets forth, for the periods indicated, information concerning the period average and period-end buying rates for U.S. dollars for the periods indicated. The rates set forth below are provided solely for your convenience and were not used by the Group in the preparation of the Group's consolidated financial statements incorporated by reference in this Prospectus. No representation is made that Turkish Lira could have been, or could be, converted into U.S. dollars at that rate or at any other rate.

Period Average(1)	**TL per U.S.$**	**Period End**(2)	**TL per U.S.$**
November 2013 (through 8 November 2013)	2.0211	8 November 2013	2.0258
October 2013	1.8631	31 October 2013	1.9888
For the nine months ended 30 September 2013	1.8491	30 September 2013	2.0342
2012	1.7474	31 December 2012	1.7380
2011	1.6700	31 December 2011	1.8889
2010	1.5004	31 December 2010	1.5376
2009	1.5471	31 December 2009	1.4873
2008	1.2929	31 December 2008	1.5218
2007	1.3015	31 December 2007	1.1593
2006	1.4311	31 December 2006	1.4056
2005	1.3408	31 December 2005	1.3418
2004	1.4223	31 December 2004	1.3363
2003	1.4931	31 December 2003	1.3933
2002	1.5058	31 December 2002	1.6397
2001	1.2254	31 December 2001	1.4466
2000	0.6237	31 December 2000	0.6718

Source: Central Bank of Turkey

(1) For the periods between 2000 and 2008: Represents the arithmetic average of the month end closing rates of the TL/U.S.$ exchange rates.
For the periods after 2008: Represents the arithmetic average of the monthly averages, where monthly averages were calculated by taking the daily average of the TL/U.S.$ exchange rates.
Amounts in Turkish Lira with respect to periods before 2005 have been translated into New Turkish Lira at an exchange rate of TL 1,000,000 = TL 1.00.

(2) Represents the TL/U.S.$ exchange rates for the purchase of U.S. Dollars determined by the Central Bank on the previous working day. Amounts in Turkish Lira with respect to periods before 2005 have been translated into New Turkish Lira at an exchange rate of TL 1,000,000 = TL 1.00.

CAPITALISATION OF THE BANK

The following table sets forth the consolidated capitalisation of the Group as of 30 September 2013. The information in this table has been extracted from the Group's Interim BRSA Financial Statements without material adjustment. This table should be read in conjunction with "*Use of Proceeds*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Interim BRSA Financial Statements incorporated by reference in this Prospectus.

	As of 30 September 2013	
	(U.S.$, thousands)(1)	*(TL, thousands)*
Indebtedness		
Subordinated debts borrowings	3,034,563	6,172,908
Debt securities in issue(2)	3,138,418	6,384,169
Other borrowings	12,382,339	25,188,154
Total Indebtedness	**18,555,320**	**37,745,231**
Equity		
Paid in capital and share premium	2,404,352	4,890,932
Other reserves	4,428,170	9,007,783
Retained earnings	1,988,837	4,045,692
Equity attributable to equity holders of the Parent	**8,821,359**	**17,944,407**
Minority interests	1,209	2,460
Shareholders' equity	**8,822,568**	**17,946,867**
Total capitalisation	**27,377,888**	**55,692,098**

Note:

(1) For the convenience of the reader, these figures have been translated into U.S. dollars at the rate of TL 2.0342 = U.S.$1.00, which corresponds with the Bank's Published Exchange Rate on 30 September 2013. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to the requirements of BRSA.

(2) The Bank issued U.S.$500 million 4.0% senior notes due 2020 on 22 January 2013.

There has been no material change in the Bank's capitalisation since 30 September 2013.

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

The following discussion and analysis of the consolidated financial condition and results of operations of the Group covers the nine-month periods ended 30 September 2013 and 2012 and the financial years ended 31 December 2012, 2011, and 2010. Unless otherwise specified, the financial information presented in this discussion has been extracted from the Group's Interim BRSA Financial Statements and Annual BRSA Financial Statements without material adjustment. This section should be read in conjunction with such BRSA Financial Statements, the notes thereto and the other financial information incorporated by reference or included in this Offering Memorandum (including the section entitled "Presentation of Financial and Other Information"). The BRSA Financial Statements have been prepared in accordance with BRSA regulations as described in "Presentation of Financial and Other Information". For a discussion of the main differences between the BRSA Financial Statements and IFRS, see Annex A: "Summary of Differences Between IFRS and BRSA Accounting Principles".

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

Introduction

Yapı ve Kredi Bankası A.Ş. is a full service bank with its headquarters in Istanbul, Turkey. According to BRSA statistics, as of 30 September 2013 the Bank was the fourth largest private bank in Turkey by total assets. The Bank has 939 branches covering all regions of Turkey and serves 9.4 million customers[1] in Turkey. It maintains leading positions in key segments and products, supported by its strong franchise, large network and leading brand. The Bank provides financial products and services including retail banking (which includes individual, SME and card payment systems), private banking and wealth management, and corporate and commercial banking through its network of branches in Turkey. Internationally, the Group operates through subsidiaries in the Netherlands, Russia and Azerbaijan and maintains a foreign branch in Bahrain.

Recent Developments

Change in provisioning/capitalisation of credit cards, auto loans, SME and export loans

On 8 October 2013, the BRSA introduced new regulations which aimed to limit the expansion of individual loans (especially credit card installments). The proposed rules would: (a) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements, (b) set a limit for credit cards issued to consumers with an income of TL 1,000 a month or less, (c) require credit card issuers to monitor cardholders' income levels regularly, (d) increase the risk weight for installment payments of credit cards with a term: (i) between one and six months from 75% to 100%, (ii) between six and twelve months from 150% to 200% and (iii) greater than 12 months from 200% to 250% and (e) increase the minimum monthly payment required to be made by cardholders.

In addition, the BRSA reduced the general provision requirements for export loans to 0% from 1% and for SME loans to 0.5% from 1%. With these actions, the BRSA is seeking to improve the country's balance of trade by promoting export-related loans and reducing domestic consumption.

Turkish Tax Penalty

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[1] Includes customers who meet the active customer criteria at least once and are assigned to a portfolio within the past 1.5 years.

On 11 November 2013, the Bank was ordered to pay a penalty of TL 103.2 million by the Turkish Ministry of Finance for banking and insurance tax due on loans and advances between 2008 and 2010 from the Bank's branch in Bahrain. The Bank intends to use its legal rights to appeal and resolve this decision, including through mutual agreement negotiations. The Bank has maintained provisions for possible tax penalties since 2010, which the Bank's management believes are adequate to cover the full risk associated with the penalty. Such provisions are reflected in the BRSA Financial Statements incorporated by reference in this Prospectus.

Subordinated Loan Facility Refinancing

On 21 November 2013, the Bank's Board of Directors authorised the Bank to repay the Bank's existing EUR350 million subordinated loan facility advanced by Goldman Sachs International with UniCredito Italiano S.p.A. guaranteeing the Bank's obligation thereunder, and to enter into a new subordinated loan facility with UniCredit Bank Austria AG amounting to EUR350 million (or the U.S. Dollar equivalent). The new facility will have either a fixed ten-year maturity or a ten-year maturity with a repayment option at the end of five years. See "*—Sources of Funding—Funds Borrowed*".

Significant Factors Affecting Results of Operations

Numerous factors affect the Group's results of operations, some of which are outside the Group's control. The following discussion identifies certain of those factors that are significant to the Group.

Turkish Economy

The majority of the Group's operations are in Turkey and its business and results of operations are affected by general economic conditions in Turkey. As of 30 September 2013, 96.2% of the Group's total assets were located in Turkey. Accordingly, the Bank's results of operations and financial condition have been and will continue to be significantly affected by Turkish political and economic factors, including the economic growth rate, the rate of inflation and fluctuations in exchange and interest rates. In addition, because the Bank is reliant on deposits from retail customers for a significant portion of its funding and generates a significant amount of its net income from retail customers, the Bank's performance is affected by changes in wages, consumer spending and GDP growth generally. See "*Risk Factors—Risks Related to the Group's Business—The Group's business, results of operations, financial condition and prospects are affected by general economic conditions*", "*Risk Factors—Risks Related to Turkey—Turkey is subject to political risk*" and "*Risk Factors—Risks Related to Turkey—Turkey's economy is subject to macroeconomic factors*" in the Base Prospectus.

In 2011, the Central Bank started implementing an unconventional monetary policy and regulatory changes, aimed at controlling the widening current account deficit and discouraging short-term capital inflows. Despite these restricting steps taken by the Central Bank, Turkey recorded growth of 8.8% in 2011. The policy measures implemented since the beginning of 2011 include increased reserve requirements, increased general provisioning requirements, higher risk-weighting for general purpose loans (other than mortgages and auto loans), the introduction of reserve option coefficients and an unofficial limit of credit growth of 25% in 2011 and of 15% in 2012 (see "*Turkish Regulatory Environment*" in the Base Prospectus).

Global uncertainties continued in 2012, driven by the European debt crisis, U.S. monetary policies and high inflation risk in emerging markets. In Turkey, GDP grew 2.2%. In line with the BRSA's and the Central Bank's aim of curbing the current account deficit, domestic demand sharply moderated whereas external demand (net exports) had a positive contribution to growth. The current account deficit decreased from 10% of GDP at the end of 2011 to 6% of GDP in 2012, but increased to 7% of GDP in the first eight months of 2013. The decline between 2011 and 2012 was mainly driven by the non-energy portion of the deficit resulting from a reduction in domestic demand, while the increase in 2013 has mainly been driven by the negative contribution of gold imports. The CPI and core inflation were also lower in 2012 at 6.2% and 5.8%, respectively.

During the first six months of 2013, the Turkish economy grew 3.7% year on year driven by private consumption and inventory building. As of August 2013, CPI stood at 8.2%. As of September 2013, CPI decreased to 7.9% due to a high base of September 2012 while core inflation rose to 7%, due to the foreign exchange pass-through from depreciation of the Turkish Lira and higher food prices. Inflation is expected to decline in the coming months. The Central Bank's official 2013 year-end headline inflation expectation stands at 6.8%.

On 5 November 2012, Fitch upgraded Turkey's long-term foreign currency Issuer Default Rating ("**IDR**") to "BBB-" from "BB+" and the long-term local currency IDR to "BBB" from "BB+". The outlook on the long-term ratings is stable. Fitch has also upgraded Turkey's short-term foreign currency IDR to "F3" from "B" and the Country Ceiling to "BBB" from "BBB-". On 16 May 2013, Moody's also upgraded Turkey to investment grade by upgrading the sovereign foreign and domestic bond ratings by one notch to "Baa3" from "Ba1". The outlook on the ratings is stable.

There was acceleration in credit growth in the Turkish banking sector during the first nine months of 2013, with loans increasing by 31% year on year and deposits increasing by 22% year on year. As of 30 September 2013, the NPL ratio was 2.7% compared with 2.8% at the end of 2012. In addition, as of September 2013, loan and deposit growth rates stood at 25% and 17% year to date, respectively.

In late May through July 2013, there were a series of political protests in Turkey which resulted in increased volatility in the Turkish economy. The Bank continued in the ordinary course of business, although the on-going impact of such developments is unpredictable. In addition, statements by the U.S. Federal Reserve regarding the tapering of monetary stimulus had increased volatility and interest rates across emerging markets, including Turkey. However, the continuation of the asset purchasing program led to a relief in emerging economies and interest rates have declined globally since September 2013. International tensions with Syria continue to cause volatility.

The following table presents selected macroeconomic data with respect to the Turkish economy as of or for the nine months ended 30 September 2013 and as of and for the years ended 31 December 2012, 2011, 2010, 2009 and 2008:

	As of or for the nine months ended 30 September[1]	As of or for the years ended 31 December				
	2013	2012	2011	2010	2009	2008
Nominal GDP at current prices (in millions of Turkish Lira)	1,481,155	1,416,816	1,297,713	1,098,799	953,974	950,534
Real GDP growth (%)[2]	3.7	2.2	8.8	9.2	(4.7)	(0.7)
Deficit/surplus of consolidated budget (%)[3]	(1.3)	(2.0)	(1.4)	(3.6)	(5.5)	(1.8)
Inflation (end of period) (%)	7.9	6.2	10.4	6.4	6.5	10.1
Central Bank reference overnight interest rate	4.5	5.5	5.75	6.5	6.5	15.0
Refinancing rate of the Central Bank (%)	7.75	9.0	12.5	8.8	9.0	17.5
Nominal appreciation (depreciation) of the Turkish Lira against the U.S. dollar (%)	(14.1)	5.9	(22.8)	(3.4)	2.3	(31.3)
Real effective exchange rate appreciation (depreciation) (%)[4]	(6.9)	8.0	(12.9)	7.6	1.6	(12.7)
Total gross gold and international currency reserves (in millions of U.S. dollars)	**131,060**	**120,290**	**88,218**	**85,984**	**74,836**	**74,236**

Notes:

(1) Real GDP growth, inflation, nominal depreciation of the Turkish Lira against the U.S. dollar and real effective exchange rate are presented on a year to year basis

(2) Real GDP growth represents annual growth as of 31 March 2013

(3) Last 12 months deficit over last 12 months GDP

(4) CPI based real effective exchange rate is used

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

Interest Rates

One of the primary factors affecting the Group's profitability is the level of fluctuations in interest rates in Turkey, which in turn influence the return on its securities portfolio and its loan and deposit rates. The Turkish Central Bank reference overnight interest rate declined from 17.5% as of 31 December 2006 to 15.0% as of 31 December 2008 and further declined significantly to 6.5% as of 31 December 2009. In May 2010, the Central Bank policy rate changed to the one week lending reference rate, which was 6.5% as of 31 December 2010 and 6.25% as of 30 June 2011. In August 2011, the Central Bank reduced its policy rate by 50 basis points to 5.75% in response to concerns regarding EU sovereign debt levels and anticipated levels of global growth while at the same time increasing the overnight borrowing rate significantly from 1.5% to 5% to narrow the interest rate gap from the overnight lending rate of 9%. The overnight lending rate was later increased to 12.5% in October 2011 in order to widen the interest corridor to protect mid-term inflation expectations in light of the Turkish Lira depreciation. In December 2012, the Central Bank reduced the policy rate to 5.5%. There were also consecutive borrowing and lending rate cuts in 2012 to bolster domestic demand and year-end rates stood at 5% and 9%, respectively. During the first six months of 2013, the Turkish economy had grown 3.7% year on year driven by private and public consumption and inventory building. Due to uncertain global liquidity conditions, the Central Bank continued its flexible interest rate corridor policy in 2013. During the first nine months of 2013, the Central Bank cut the policy, overnight borrowing and overnight lending rates to 4.5%, 3.5% and 7.75%, respectively to support economic growth and control acceleration in capital inflows amid Turkey's second investment grade upgrade. Following announcements by the United States Federal Reserve and domestic political developments during May, the Central Bank focused on limiting depreciation of the Turkish Lira and started to adopt a tightening policy bias. Thus, the Central Bank increased the overnight lending rate to 7.75% in August (from 7.25% in July and 6.5% in June) and to 7.75% in August whilst keeping the overnight borrowing rate and policy rate stable

Interest earned and paid on the Group's assets and liabilities reflects, to a certain degree, inflation, expectations regarding inflation, shifts in short-term interest rates set by the Central Bank and movements in long-term real interest rates.

As is the case for the Turkish banking system generally, the Group's assets have a longer maturity and reprice more slowly than its liabilities. As a result, changes in short-term interest rates are generally reflected in the rates of interest paid by the Group on its liabilities before such changes can be reflected in the rates of interest earned by the Group on its assets. Therefore, when interest rates fall, as had occurred since 2008 in Turkey, the Group's interest margin was positively affected, but when interest rates increase, as has been the case in the third quarter of 2013 the Group's interest margin is generally negatively affected.

The current environment remains intensely competitive, and there has been sustained margin compression across the Turkish banking sector. In light of these conditions, the Group is focusing on customer business, optimal allocation of loans in higher yielding segments, optimisation of deposit pricing, diversification of funding sources and service income generating segments.

The Group has generally been able to generate a substantial portion of its revenue from service income and fees which it views as sustainable, for example, as of 30 September 2013, 26% of the operating revenues of the Group consisted of net fees and commissions. A strong contributor to the Group's service income and fees is the credit card sector where the Group is a market leader with a 20.5% market share in volume of outstanding credit card balances, 17.7% market share in issuing volume and 17.3% market share in number of cards as of 30 September 2013. The Group is ranked second with 19.2% market share in acquiring volume. In order to further enhance service income and fees, the Group has been focusing on new product launches, fee collection, introduction of fees in new areas and on increasing fee generating products like insurance policies distributed by the Bank's wide branch network, cash management and trade finance. However, the sustainability of such fees may be limited by recent regulatory actions. See "*Risk Factors—Risks Related to the Turkish Banking Industry—The profitability and profitability growth of Turkish banks, including the Group, in recent* *periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector*" in the Base Prospectus.

Expansion of Branch Network

Since late 2009, the Group has continued its branch expansion plan with 8 new retail branches opened in the fourth quarter of 2009, 30 retail branches in 2010 and 39 retail branches in 2011. In 2012, the Bank opened 21 retail branches, followed by 11 retail branches in the first nine months of 2013.

Although newly opened branches are generally not immediately profitable, they tend to experience an initial period of high growth, which may not be sustainable in the longer term. The financial performance of newly opened branches is monitored independently from that of the existing branch network and is consolidated with that of the existing branch network only once the newly opened branches reach a cumulative break-even threshold. On average it can take approximately 26 months for such branches to reach this threshold. As of 30 September 2013, the Bank is currently monitoring the financial performance of the remaining 74 new branches under the newly opened branches category.

As of 30 September 2013, the Bank had the fifth largest branch network in Turkey with 939 branches (8.7% market share).

Exchange Rates

A significant portion of the Group's assets and liabilities are denominated in foreign currencies, particularly in U.S. dollars and euros (43% of total assets and 47% of total liabilities as of 30 September 2013). While the Group monitors its net open position in foreign currencies and the Group is required to comply with foreign currency net open position limits set by the BRSA, the Group has maintained and is likely to continue to maintain gaps between the balances of its foreign currency assets and liabilities. The limit imposed by the BRSA is defined as an amount plus/minus 20% of the total capital, which is the basis for capital adequacy calculation. Foreign currency trading is primarily performed for client servicing transactions, and positions should not exceed the Group's end of day limit of EUR60 million. The Group's net foreign currency open position as of 30 September 2013 and as of 31 December 2012, 2011 and 2010 was as follows:

	Foreign Currency			
	EUR	**U.S.$**	**Other**	**Total**
		(thousands)		
As of 30 September 2013	578,922	2,360,957	4,085,135	1,145,256
As of 31 December 2012	204,635	971,503	191,601	1,367,739
As of 31 December 2011	1,177,689	1,794,275	372,655	243,931
As of 31 December 2010	945,123	972,724	158,756	131,155

Because the Group translates such assets and liabilities and interest earned from and paid on those assets and liabilities into local currency (Turkish Lira), the Group's income statement is affected by changes in exchange rates. The overall effect of exchange rate movements on the Group's results of operations depends on the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies. For the nine months ended 30 September 2013 and for the years ended 31 December 2012, 2011 and 2010 the Group recorded net foreign exchange gains/(losses) of TL (849,982) thousand, TL 478,991 thousand, TL 361,871 thousand and TL 323,170 thousand, respectively. The TL/U.S. dollar exchange rate has experienced increased volatility since mid-2011, increasing to 1.8889 per dollar as of 31 December 2011 and decreasing in 2012 to 1.7380 per dollar as of 31 December 2012. As of 30 September 2013, the TL/U.S. dollar exchange rate stood at 2.0342. However, as the Group minimises its open foreign currency positions, the net balance sheet position of the Group is not significant, and thus exchange rate fluctuations generally do not have a significant impact on the Group.

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

Since February 2001, the Central Bank has adopted a floating exchange rate regime. Consequently, the monetary policy of the Central Bank does not include any commitment to the level of exchange rates. The Central Bank intervenes in the market via direct sales or purchases only when there is deemed excessive volatility in the market. See "*Risk Factors—Risks Related to Turkey—The value of the Turkish Lira fluctuates against other currencies*".

Marketable Securities Portfolio

The Group's marketable securities portfolio is comprised of trading financial assets, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. The portfolio primarily includes Government debt securities, both in local and foreign currency. In the fourth quarter of 2012, the Bank sold U.S.$378.4 million in principal amount of Republic of Turkey Eurobonds from its "held-to-maturity" portfolio. In December 2012, the Bank reclassified U.S.$2.96 billion in principal amount of Republic of Turkey Eurobonds from "held-to-maturity" to "available-for-sale", following transition to Basel II which led to changes in capital requirements.

The Group's net financial assets available-for-sale amounted to TL 14,405,509 thousand as of 30 September 2013 and TL 15,650,448 thousand as of 31 December 2012, and the Group's net held-to-maturity investments amounted to TL 6,429,381 thousand and TL 5,827,694 thousand as of 30 September 2013 and 31 December 2012, respectively. The Group also had a portfolio of trading financial assets amounting to TL 1,238,380 thousand as of 30 September 2013 and TL 1,002,995 thousand as of 31 December 2012, though the Group did not maintain financial assets at fair value through profit or loss as at either date. Interest income derived from the Group's marketable securities portfolio amounted to TL 1,114,201 thousand for the nine months ended 30 September 2013 and TL 1,655,011 thousand for the year ended 31 December 2012, accounting for 15.16% and 16.36% of total interest income for the respective periods. The Group's securities portfolio has been negatively impacted by the recent depreciation of the Turkish Lira, although such impact may be more limited than other Turkish banks given the Group's recent reductions in its securities portfolio to improve its capital position.

Reserve Requirement Ratios

Within the framework of its policy of reducing interest rates while increasing Turkish Lira reserve requirements, since 2010, the Central Bank has announced significant increases in bank reserve requirements for Turkish Lira deposits as part of its strategy to lengthen the maturities of assets flowing into the country and to address concerns that maturities of liabilities in the Turkish banking sector are shorter than those of assets, which in turn expose the sector to liquidity and interest rate risk. See "*Risk Factors—Risks Related to the Turkish Banking Industry—The profitability and profitability growth of Turkish banks, including the Group, in recent periods may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector*" and "*Turkish Regulatory Environment—Liquidity Reserve Requirement*" in the Base Prospectus.

On 30 January 2013, the Central Bank increased reserve requirement ratios for Turkish Lira deposits from 11.00% to 11.25% (for demand deposits, notice deposits, private current accounts, deposits up to 1-month maturity and deposits up to 3-month maturity), from 8.00% to 8.25% (for deposits up to 6-month maturity), from 6.00% to 6.25% (for deposits up to 1-year maturity) and from 11.00% to 11.25% (for other liabilities up to 1-year maturity). For Foreign Currency deposits, the Central Bank raised reserve requirement ratios from 12.00% to 12.50% (foreign exchange and gold demand deposits, notice deposits, foreign exchange private current accounts, and deposits/participation/gold accounts up to 1-month, 3-month, 6-month and 1-year maturities), from 12.00% to 12.50% (other liabilities up to 1-year maturity) and from 10.00% to 10.50% (other liabilities between 1 and 3-year maturity). Moreover, on 21 February 2013, the Central Bank further raised the reserve requirement ratios for Turkish Lira deposits from 11.25% to 11.50% (demand deposits, notice deposits, private current accounts, deposits up to 1-month maturity, deposits up to 3-month maturity), from 8.25% to 8.50% (deposits up to 6-month maturity), from 6.25% to 6.50% (deposits up to 1-year maturity) and from 11.25% to 11.50% (other liabilities up to 1-year maturity). For Foreign Currency deposits, reserve requirement ratios were increased from 12.50% to 13.0% (foreign exchange and gold demand deposits, notice deposits, foreign exchange private current accounts, and deposits/ participation/gold accounts up to 1-month, 3-month, 6-month, 1-year maturities), from 12.50% to 13.00% (other liabilities up to 1-year maturity) and from 10.50% to 11.00% (other liabilities between 1 and 3-year maturities). As of 30 September 2013, the Central Bank had kept the reserve requirement rates on hold.

The Central Bank has also implemented reserve option coefficients for the calculation of the respective foreign currency and gold amounts. Reserve option coefficient mechanism acts as an auto-stabiliser for currency movements as it provides banks the flexibility to adjust their reserves at the Central Bank depending on their liquidity needs.

On 7 March 2013, the BRSA introduced a draft communiqué on incremental additional reserve requirements to be applicable for banks depending on their leverage ratios specifically defined by the Central Bank which may result in slight increase of reserve requirements.

Basel III Transition

In 2013, the BRSA announced its intention to adopt the Basel III requirements and, as published in the Official Gazette dated 5 September 2013 and numbered 28756, adopted a new Regulation on Equities of Banks and amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks, both of which will enter into effect on 1 January 2014. In addition to these new regulations: (a) Regulation on the Capital Maintenance and Cyclical Capital Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, was published in the Official Gazette dated 5 November 2013 and numbered 28812 (b) the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which regulation the BRSA would seek to constrain leverage in the banking system and maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach), was published in the Official Gazette dated 5 November 2013 and numbered 28812 and (c) in order to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, the BRSA has published a regulation on a liquidity coverage ratio. The above implies possible implementation of Basel III in Turkey by as early as the beginning of 2014. In the future, Turkish banks' capital adequacy requirements may be further affected by the requirements of Basel III regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements.

Consumer Protection Law

On 5 June 2013, the draft of the consumer protection law was submitted to the Grand National Assembly (TBMM). The draft regulation's main aim is to increase transparency and comparability between banks so that customers can make more informed decisions. Such law may reduce fees and other charges, although the eventual impact of such law is unknown at this time.

Change in credit cards and overdraft accounts cap rates

The Central Bank has reduced the monthly cap on individual credit card interest rates from 2.34% in 2012 to 2.22% as of 1 April 2013, 2.12% as of 1 July 2013 and 2.02% as of 16 September 2013. On 5 August 2013, the Central Bank introduced caps on commercial credit cards interest rates in line with the caps on individual cards. Accordingly, the ceiling for commercial cards contractual interest rate is set at 2.02%.

On 27 May 2013, the Central Bank made an amendment in the Communiqué on Interest Rates of Deposits and Loans and Other Benefits from Lending Transactions. In this regard, the Central Bank introduced an interest rate cap on overdraft loans. Accordingly, the maximum interest rates charged on overdraft accounts will not exceed that of credit cards.

Analysis of Results of Operations for the nine-month periods ended 30 September 2013 and 2012

The following discussion of the Group's results of operations for the nine months ended 30 September 2013 and 2012 is based upon information which has been extracted without material adjustment from the Interim BRSA Financial Statements. This information should be read in conjunction with the Interim BRSA Financial Statements and the notes thereto. See "*Presentation of Financial and Other Information*" in the Base Prospectus.

	For the nine months ended 30 September			Change
	2013	2013	2012	2013/2012
	(U.S.$, thousands)[1]	*(TL, thousands)*		*(%)*
Income statement data:				
Interest income	**3,972,869**	**7,346,232**	**7,472,345**	**(1.69)**
Interest on loans	3,117,063	5,763,761	5,765,827	(0.04)
Interest received from reserve deposits	52	97	146	(33.56)
Interest received from banks	44,957	83,130	81,179	2.40
Interest received from money market transactions	50,460	93,306	104,166	(10.43)
Interest received from marketable securities portfolio	602,564	1,114,201	1,218,681	(8.57)
Financial lease income	109,611	202,681	176,052	15.13
Other interest income	48,162	89,056	126,294	(29.49)
Interest expense	**(1,907,609)**	**(3,527,359)**	**(3,978,696)**	**(11.34)**
Interest on deposits	(1,381,396)	(2,554,339)	(3,115,694)	(18.02)
Interest on funds borrowed	(312,699)	(578,212)	(463,792)	24.67
Interest on expense on money market transactions	(101,096)	(186,937)	(220,979)	(15.41)
Interest on securities issued	(99,930)	(184,781)	(171,072)	8.01
Other interest expenses	(12,487)	(23,090)	(7,159)	222.53
Net interest income	**2,065,260**	**3,818,873**	**3,493,649**	**9.31**
Net fees and commissions income	**843,925**	**1,560,502**	**1,362,489**	**14.53**
Fees and commissions received	1,002,893	1,854,450	1,685,962	9.99
Non cash loans	113,310	209,522	199,550	5.00
Other	889,583	1,644,928	1,486,412	10.66
Fees and commissions paid	(158,968)	(293,948)	(323,473)	(9.13)
Non cash loans	(4,156)	(7,684)	(5,627)	36.56
Other	(154,813)	(286,264)	(317,846)	(9.94)
Dividend income	**8,423**	**15,575**	**1,661**	**837.69**
Trading gain/(loss) (net)	**140,614**	**260,009**	**(115,324)**	**(325.46)**
Trading gain/(losses) on securities	185,271	342,584	73,621	365.33
Derivative financial transactions gains/ (losses)	415,016	767,407	(777,584)	(198.69)
Foreign exchange gains/(losses)	(459,673)	(849,982)	588,639	(244.40)
Other operating income	**148,006**	**273,677**	**193,793**	**41.22**
Total operating income/(loss)	**3,206,228**	**5,928,636**	**4,936,268**	**20.10**
Provision for impairment of loans and other receivables	**(602,070)**	**(1,113,288)**	**(871,278)**	**27.78**
Other operating expenses	**(1,377,444)**	**(2,547,031)**	**(2,251,518)**	**13.13**
Net operating income/(loss)	**1,226,714**	**2,268,317**	**1,813,472**	**25.08**
Income/(loss) from investments accounted based on equity method	**1,222**	**2,259**	**12,535**	**(81.98)**
Tax provisions for continuing operations	**(246,198)**	**(488,528)**	**(418,304)**	**16.79**
Current tax provision	(104,064)	(192,425)	(513,334)	(62.51)
Deferred tax provision	(160,134)	(296,103)	95,030	(411.59)
Net profit/(loss) from continuing operations	**963,738**	**1,782,048**	**1,407,703**	**26.59**
Net profit/(loss) from discontinued operations	**862,731**	**1,595,275**	**353,962**	**350.69**
Net profit/(loss)	**1,686,162**	**3,117,881**	**1,477,511**	**111.02**

(1) For the convenience of the reader, these figures have been translated into U.S. dollars at the rate of TL 1.8491= U.S.$1.00, which corresponds with the average of the Bank's Published Exchange Rate for the nine month period ended 30 September 2013. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to the requirements of BRSA.

Net Interest Income and Net Interest Margin

Declines in short-term interest rates are generally reflected in the rates of interest paid by the Group on its liabilities before such changes are reflected in the rates of interest earned by the Group on its assets. Therefore, when short-term interest rates fall, the Group's interest margin is positively affected, notwithstanding the corresponding declines in interest income.

The Group's total interest income amounted to TL 7,946,232 thousand (U.S.$3,972,869 thousand) for the nine-month period ended 30 September 2013, compared to TL 7,472,345 thousand for the nine-month period ended 30 September 2012. The Bank's net interest margin decreased by 15 basis points to 3.8% for the nine-month period ended 30 September 2013, compared with 3.9% for the nine-month period ended 30 September 2012, primarily due to a decline in deposit costs in the first half of 2013, although such trend has reversed since 30 June 2013 leading to margin compression in the third quarter as deposits repriced faster than loans.

Interest Income

The Group's interest income decreased by TL 126,113 thousand, or 1.69%, to TL 7,346,232 thousand for the nine-month period ended 30 September 2013, compared to TL 7,472,345 thousand for the nine-month period ended 30 September 2012. The Group's interest income is primarily derived from interest on loans and the Group's marketable securities portfolio. Interest income on loans decreased slightly to TL 5,763,761 thousand and constituted 78.46% of total interest income for the nine-month period ended 30 September 2013, compared to TL 5,765,827 thousand for the nine-month period ended 30 September 2012, when it constituted 77.16% of total interest income. Interest received from the Group's marketable securities portfolio decreased to TL 1,114,201 thousand and constituted 15.17% of total interest income for the nine-month period ended 30 September 2013, compared to TL 1,218,681 thousand for the nine-month period ended 30 September 2012, when it constituted 16.31% of total interest income.

The most significant factor affecting the Bank's interest income and interest expense for the nine-month period ended 30 September 2013, was increasing business volumes in the first nine months of 2013, compared with a lower interest rate environment in the first half of 2013, although this was offset somewhat by upward repricing of deposits and, to a lesser extent, loans in the third quarter of 2013.

The Bank's marketable securities portfolio is largely available-for-sale. The average balance for the nine-month period ended 30 September 2013 increased 67.37% from the nine-month period ended 30 September 2012, due to the transfer of U.S.$2.96 billion from "held-to-maturity" portfolio in light of the implementation of Basel II which led to changes in capital requirements. The average interest rate on the marketable securities portfolio declined, resulting in lower interest income, mainly due to the decreasing interest rate environment especially in Turkish Lira-denominated securities.

The following table sets out the weighted average interest rates on financial instruments by major currency outstanding as of 30 September 2013 and 2012:

	As of 30 September					
	2013			2012		
	U.S.$	*€*	*TL*	*U.S.$*	*€*	*TL*
			(%)			
Cash and balances with Central Bank	—	0.05	—	—	—	—
Loans and receivables	5.07	4.90	13.24	5.21	5.63	13.91
Financial assets at fair value through profit/loss	4.47	2.40	7.48	4.62	3.29	6.65
Investment securities						
– Available for sale	6.85	5.33	9.24	6.08	4.02	10.21
– Held to maturity investments	5.51	4.48	8.10	6.70	5.39	10.09

The overall interest rates on the Bank's Turkish Lira-denominated interest earning assets declined as of 30 September 2013 as compared with 30 September 2012. Although there were also general declines in the interest rates payable on the Bank's foreign currency interest earning assets, these were less significant. Loans in foreign currencies totalled TL 31,407,820 thousand (U.S.$15,439,888 thousand) as of 30 September 2013, accounting for 33.0% of the Group's loan portfolio, compared to TL 23,559,828 thousand as of 30 September 2012 as their percentage contribution to the Group's loan portfolio remained stable.

Interest Expense

The Group's interest expense for the nine-month period ended 30 September 2013 decreased by TL 451,337 thousand, or 11.3%, to TL 3,527,359 thousand (U.S.$1,907,608 thousand) from TL 3,978,696 thousand for the year ended for the nine-month period ended 30 September 2012, due to the decreasing interest rate environment in the first half of 2013.

The following table sets out the weighted average interest rates for financial instruments by major currency as of 30 September 2013 and 2012:

	As of 30 September					
	2013			2012		
	U.S.$	*€*	*TL*	*U.S.$*	*€*	*TL*
			(%)			
Bank deposits	2.28	1.63	7.62	0.78	0.28	8.78
Other deposits	3.22	3.01	9.25	3.28	3.31	9.46
Funds from money market	0.90	—	7.77	1.29	0.79	6.22
Funds borrowed from other financial institutions	3.21	2.23	9.01	3.61	2.31	10.76
Marketable securities issued	5.45	—	7.22	6.86	—	—

Changes in interest rates on interest bearing liabilities are the most significant factor on the Group's interest expense. Deposits make up the largest part of the Group's interest bearing liabilities representing 54.11% and 54.56% as of 30 September 2013 and 2012, respectively and as a result changes in interest rates on deposits are most likely to have a significant effect on the Group's interest expense.

The interest rates on Turkish Lira-denominated deposits from banks and customers increased from 8.78% and 9.46%, respectively, as of 30 September 2012 to 7.62% and 9.25%, respectively, as of 30 September 2013, mainly due to the low interest rate environment. Deposits in foreign currencies are primarily denominated in U.S. dollars and, to a lesser extent, in Euro.

As of 30 September 2013, 46.0% of the Group's deposits, or TL 38,151,401 thousand (U.S.$18,754,990 thousand), were denominated in foreign currencies, with the remaining 54.0%, or TL 44,764,804 thousand (U.S.$22,006,098 thousand), denominated in Turkish Lira, including interest expense accrual. However, since 30 June 2013, the Group has experienced an increase in deposit costs, principally for TL deposits, due to conditions in Turkey and across emerging markets. See "*Risk Factors—Risks Related to the Group's Business—The Group's business, results of operations, financial condition and prospectus are affected by general economic conditions.*"

Historically, interest expenses on deposits from banks and other borrowed funds have represented a relatively small percentage of the Group's total interest expenses because the Group has not relied on these as a principal source of its funding, although the Group is increasing this component to access longer term funding (principally Eurobonds) to address the maturity gap frequently encountered by Turkish banks.

Net Fees and Commissions Income

Net fees and commissions income increased by TL 198,013 thousand, or 14.5%, to TL 1,560,502 thousand for the nine-month period ended 30 September 2013, from TL 1,362,489 thousand for the nine-month period ended 30 September 2012. The increase was due primarily to an increase in other fees and commissions, which increased by TL 190,098 thousand, or 16.0%, to TL 1,358,664 thousand in the first nine months of 2013 from TL 1,168,566 thousand in the first nine months of 2012. This increase was driven by increasing banking activity volumes.

Fees and commissions paid decreased by TL 29,525 thousand, or 9.13%, to TL 293,948 thousand for the nine-month period ended 30 September 2013, from TL 323,473 thousand for the nine-month period ended 30 September 2012. This decrease was primarily due to a drop in credit card related commission expenses as a result of caps imposed by the regulator. Such caps are expected to continue, although the Group expects to focus on alternate products (such as business credits cards) that are not subject to such caps.

Other fees and commissions expenses consist mainly of agency and dealing room commissions, collection and payment services (electronic fund transfer charges), commissions paid for options and credit reference system inquiry commissions.

Due to a decrease in fees and commissions paid and an increase in fees and commissions received, net fees and commissions income increased by TL 198,013 thousand or 14.53% to TL 1,560,502 thousand for the nine-month period ended 30 September 2013 from TL 1,362,489 thousand for the nine-month period ended 30 September 2012.

Trading Gain/(Loss) (Net)

The Group recorded a trading gain (comprising the aggregate of trading gains/(losses) on securities, derivative financial transactions gains/(losses) and foreign exchange gains/(losses)) of TL 260,009 thousand (U.S.$140,614 thousand) for the nine-month period ended 30 September 2013, compared to a trading loss of TL 115,324 thousand for the nine-month period ended 30 September 2012.

Trading gains on securities increased by TL 268,963 thousand (U.S.$145,456 thousand), or 365.3%, to TL 342,584 thousand for the nine-month period ended 30 September 2013, from TL 73,621 thousand for the nine-month period ended 30 September 2012. This increase was primarily a result of the sale of a portion of foreign currency denominated government bonds due to changes in capital requirements in light of the transition to Basel II.

Derivative financial transaction gains increased by TL 1,544,991 thousand (U.S.$835,537 thousand), or 199%, to TL 767,407 thousand for the nine-month period ended 30 September 2013, from a loss of TL 777,584 thousand for the nine-month period ended 30 September 2012. This increase was primarily a result of marked to market valuation changes in the derivative portfolio.

The Group also recorded a decrease in foreign exchange losses of TL 849,982 thousand (U.S.$459,673 thousand) for the nine-month period ended 30 September 2013, compared to a gain of TL 588,639 thousand for the nine-month period ended 30 September 2012, which represents a decrease of TL 1,438,621 thousand or 244.3%.

Other Operating Income

The Group's other operating income mainly results from collections from provisions recorded as expense, release of provisions and sale of fixed assets. Other operating income increased by TL 79,884 thousand, or 41.22% to TL 273,677 thousand (U.S.$148,005 thousand) for the nine-month period ended 30 September 2013, from TL 193,793 thousand for the nine-month period ended 30 September 2012. This increase was primarily the result of stronger collections in 2013.

Provision for Impairment of Loans and Other Receivables

Provision for impairment of loans and other receivables increased by TL 242,010 thousand, or 27.78%, to TL 1,113,288 thousand (U.S.$602,070 thousand) for the nine-month period ended 30 September 2013, from TL 871,278 thousand for the nine-month period ended 30 September 2012 due to some deterioration in asset quality and higher regulatory provisioning requirements on general purpose and rescheduled loans.

The Bank's ratio of NPLs to total gross loans increased to 3.7% as of 30 September 2013, compared with 3.2% as of 31 December 2012. There was steady asset quality evolution in all segments supported by improvements in monitoring, delinquency management and scoring.

As a result of macroeconomic deterioration driven by the global crisis and the Bank's retail-oriented product mix, the Bank began to experience deteriorating asset quality beginning in the fourth quarter of 2008, which continued at an increased pace in the first half of 2009. In response, the Bank undertook several projects to improve its credit systems and collection infrastructure and also undertook a series of proactive restructuring measures beginning in April 2009 with respect to its SME, credit card and commercial loan portfolios, which were intended to control asset quality deterioration. One of the key features of these initiatives is the proactive restructuring of watch loans, in order to prevent them from deteriorating to the point of becoming NPLs. By 30 September 2013, the Bank had restructured loans in an aggregate amount of TL 1,673,101 thousand, corresponding to 1.8% of the Bank's aggregate loan portfolio. Of the aggregate amount, approximately 48% were credit card and individual loans. In 2012, the Bank also began determining branch managers' lending approval authority based on their personal historical NPL ratios.

Other Operating Expenses

Other operating expenses are primarily composed of general and administrative expenses, and increased by TL 295,513 thousand, or 13.13%, to TL 2,547,031 thousand (U.S.$1,377,444 thousand) for the nine-month period ended 30 September 2013 from TL 2,251,518 thousand for the nine-month period ended 30 September 2012. This increase was mainly due to increases in salaries and sundry taxes which were in turn primarily due to the increase in the number of employees and the expansion of the branch network.

The cost to income ratio of the Group was 43% and 46.0% for the nine-month periods ended 30 September 2013 and 2012, respectively. The improvement of this ratio was due to the Bank's continued focus on disciplined cost management and strong revenue generation.

Net Operating Income/(Loss)

Net operating income, comprised of operating income less other expenses, increased by TL 454,845 thousand, or 25.08%, to TL 2,268,317 thousand (U.S.$1,226,714 thousand) for the nine-month period ended 30 September 2013 from TL 1,813,472 thousand for the nine-month period 30 September 2012.

Tax Provision for Continuing Obligations

Tax provision for continuing obligations increased by TL 70,224 thousand, or 16.79%, to TL 488,528 thousand (U.S.$264,198 thousand) for the nine-month period ended 30 September 2013 from TL 418,304 thousand for the nine-month period ended 30 September 2012.

Under the Corporate Tax Law 5520, the applicable corporate tax rate was 20% for 2013 and 2011. Corporate tax is payable at a rate of 20% over the corporate tax base of the company after adjusting for certain disallowable expenses, exempt income, investment allowance and other additions and deductions. The annual corporate income tax return is required to be filed by the 25th day of the fourth month following the close of the related fiscal year. Payments will be carried out in a single instalment until the end of the month in which the tax return is to be filed.

Net Profit/(Loss)

The Group's net profit increased by TL 1,640,370 thousand, or 111.0%, to TL 3,117,881 thousand (U.S.$1,686,161 thousand) for the nine-month period ended 30 September 2013 from TL 1,477,511 thousand for the nine-month period ended 30 September 2012.

Average shareholders' equity (excluding minority interest) is calculated by adding the quarterly consolidated BRSA shareholders' equity amounts (excluding minority interest) and the current year's profit from the beginning of the period (including last year) until the end of the period and dividing the total by the number of periods.

The Group's return on average shareholders' equity (excluding minority interest) was 27.0% and 15.5% for the nine-month periods ended 30 September 2013 and 2012, respectively. For the nine months ended 30 September 2013, net income incorporates a capital gain of TL 1,284 million from the sale of the insurance business. ROAE excluding capital gains is 15.9% as of 30 September 2013.

Analysis of Results of Operations for the years ended 31 December 2012 and 2011

The following discussion of the Group's results of operations for the years ended 31 December 2012 and 2011 is based on information which has been extracted without material adjustment from the Annual BRSA Financial Statements. This information should be read in conjunction with the Annual BRSA Financial Statements and the notes thereto. See "*Presentation of Financial and Other Information*" in the Base Prospectus.

	For the year ended 31 December			Change
	2012	2012	2011	2012/2011
	(U.S.$, thousands)[1]	*(TL, thousands)*		*(%)*
Income statement data:				
Interest income	**5,789,796**	**10,117,090**	**7,839,559**	**29.05**
Interest on loans	4,459,118	7,791,862	5,738,756	35.78
Interest received from reserve deposits	106	186	505	(63.17)
Interest received from banks	73,435	128,321	115,615	10.99
Interest received from money market transactions	83,691	146,241	33,007	343.06
Interest received from marketable securities portfolio	947,128	1,655,011	1,574,371	5.12
Financial lease income	136,140	237,891	222,355	6.99
Other interest income	90,179	157,578	154,950	1.70
Interest expense	**(2,958,399)**	**(5,169,506)**	**(4,094,381)**	**26.26**
Interest on deposits	(2,309,941)	(4,036,391)	(3,137,304)	28.66
Interest on funds borrowed	(357,878)	(625,356)	(537,565)	16.33
Interest on expense on money market transactions	(159,156)	(278,109)	(317,144)	(12.31)
Interest on securities issued	(125,718)	(219,679)	(77,445)	183.66
Other interest expenses	(5,706)	(9,971)	(24,923)	(59.99)
Net interest income	**2,831,398**	**4,947,584**	**3,745,178**	**32.11**
Net fees and commissions income	**1,025,047**	**1,791,167**	**1,969,214**	**(9.04)**
Fees and commissions received	1,339,332	2,340,348	2,369,225	(1.22)
Non-cash loans	142,610	249,197	233,835	6.57
Other	1,196,721	2,091,151	2,135,390	(2.07)
Fees and commissions paid	(314,285)	(549,181)	(400,011)	37.29
Non-cash loans	(4,328)	(7,562)	(429)	1,662.70
Other	(309,957)	(541,619)	(399,582)	35.55
Dividend income	**951**	**1,661**	**5,891**	**(71.80)**
Trading gain/(loss) (net)	**19,065**	**33,315**	**(137,246)**	**(124.27)**
Trading gain/(losses) on securities	183,850	321,260	34,730	825.02
Derivative financial transactions gains/ (losses)	(438,901)	(766,936)	(533,847)	43.66
Foreign exchange gains/(losses)	274,116	478,991	361,871	32.37
Other operating income	**348,710**	**609,336**	**1,050,117**	**(41.97)**
Total operating income/(loss)	**4,225,171**	**7,383,063**	**6,633,154**	**11.31**
Provision for impairment of loans and other receivables	**(801,300)**	**(1,400,192)**	**(860,585)**	**62.70**
Other operating expenses	**(1,875,912)**	**(3,277,968)**	**(2,910,825)**	**12.61**
Net operating income/(loss)	**1,547,959**	**2,704,903**	**2,861,744**	**(5.48)**
Income/(loss) from investments accounted based on equity method	**10,181**	**17,791**	**14,420**	**23.38**
Tax provisions for continuing operations	**(357,636)**	**(624,934)**	**(584,784)**	**6.87**
Current tax provision	(441,745)	(771,905)	(512,317)	50.67
Deferred tax provision	84,108	146,971	(72,467)	(302.81)
Net profit/(loss) from continuing operations	**1,200,504**	**2,097,760**	**2,291,380**	**(8.45)**
Net profit/(loss) from discontinued operations	—	—	—	—
Net profit/(loss)	**1,200,504**	**2,097,760**	**2,291,380**	**(8.45)**

(1) For the convenience of the reader, these figures have been translated into U.S. dollars at the rate of TL 1.7474= U.S.$1.00, which corresponds with the average of the Bank's Published Exchange Rate for the year ended 31 December 2012. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to the requirements of BRSA.

Net Interest Income and Net Interest Margin

Declines in short-term interest rates are generally reflected in the rates of interest paid by the Group on its liabilities before such changes are reflected in the rates of interest earned by the Group on its assets. Therefore, when short-term interest rates fall, the Group's interest margin is positively affected, notwithstanding the corresponding declines in interest income.

The Group's net interest income amounted to TL 4,947,584 thousand (U.S.$2,831,398 thousand) for the year ended 31 December 2012, compared to TL 3,745,178 thousand for the year ended

31 December 2011. The Bank's net interest margin increased by 55 basis points to 4.1% for the year ended 31 December 2012, compared with 3.5% for the year ended 31 December 2011, primarily due to upward loan repricing in the first half of 2012 and declining deposit costs in the second half of 2012.

Interest Income

The Group's interest income increased by TL 1,202,406 thousand, or 32.11%, to TL 4,947,584 thousand for the year ended 31 December 2012, compared to TL 3,745,178 thousand for the year ended 31 December 2011. The Group's interest income is primarily derived from interest on loans and the Group's marketable securities portfolio. Interest income on loans increased to TL 7,791,862 thousand and constituted 77.02% of total interest income for the year ended 31 December 2012, compared to TL 5,738,756 thousand for the year ended 31 December 2011, when it constituted 73.20% of total interest income. Interest received from the Group's marketable securities portfolio increased to TL 1,655,011 thousand and constituted 16.36% of total interest income for the year ended 31 December 2012, compared to TL 1,574,371 thousand for the year ended 31 December 2011, when it constituted 20.08% of total interest income.

The most significant factor affecting the Bank's interest income and interest expense for the year ended 31 December 2012, was increasing volumes, upward loan repricing in the first half of 2012 and the benefit of faster downward repricing of deposits compared to loans in the second half of 2012 due to lower interest rate environment.

The Bank's marketable securities portfolio is largely available-for-sale. The average balance for the year ended 31 December 2012 increased 74.39% from the year ended 31 December 2011, due to the transfer of U.S.$2.96 billion from "held-to-maturity" portfolio in light of the implementation of Basel II which led to changes in capital requirements. The average interest rate on the marketable securities portfolio declined, resulting in lower interest income, mainly due to the decreasing interest rate environment especially in Turkish Lira-denominated securities.

The following table sets out the weighted average interest rates on financial instruments by major currency outstanding as of 31 December 2012 and 2011:

	As of 31 December					
	2012			**2011**		
	U.S.$	*€*	*TL*	*U.S.$*	*€*	*TL*
			(%)			
Cash and balances with Central Bank	—	0.15	—	—	0.07	—
Loans and receivables	5.15	5.24	12.48	5.61	4.92	13.74
Derivative financial assets held for trading	3.80	0.89	6.81	4.20	4.20	8.32
Investment securities						
– Available-for-sale	7.05	4.49	9.16	6.80	5.83	9.80
– Held-to-maturity investments	5.51	4.68	8.97	6.70	5.00	9.91

The overall interest rates on the Bank's Turkish Lira-denominated interest earning assets declined significantly as of 31 December 2012 as compared with 31 December 2011. Although there were also general declines in the interest rates payable on the Bank's foreign currency interest earning assets, these were less significant. Loans in foreign currencies totalled TL 26,742,384 thousand (U.S.$15,386,872 thousand) as of 31 December 2012, accounting for 33,94% of the Group's loan portfolio, compared to TL 28,653,908 thousand as of 31 December 2011 as their percentage contribution to the Group's loan portfolio remained stable.

Interest Expense

The Group's interest expenses for the year ended 31 December 2012 increased by TL 1,075,125 thousand, or 26.26%, to TL 5,169,506 thousand (U.S.$2,958,399 thousand) from TL 4,094,381 thousand for the year ended 31 December 2011, due to increasing volumes.

The following table sets out the weighted average interest rates for financial instruments by major currency as of 31 December 2012 and 2011:

	As of 31 December					
	2012			2011		
	U.S.$	*€*	*TL*	*U.S.$*	*€*	*TL*
			(%)			
Deposits	0.90	3.49	6.23	3.00	1.89	9.46
Funds borrowed	2.95	2.98	8.34	3.97	4.70	10.91
Expenses on money market transactions	1.41	0.71	6.21	2.45	1.95	9.19
Marketable securities issued	6.86	—	7.88	2.20	3.00	10.40
Funds borrowed	3.81	2.34	8.29	3.09	2.44	11.45

Changes in interest rates on interest bearing liabilities are the most significant factor on the Group's interest expense. Deposits make up the largest part of the Group's interest bearing liabilities representing 70.4% and 70.8% as of 31 December 2012 and 2011, respectively and as a result changes in interest rates on deposits are most likely to have a significant effect on the Group's interest expense.

The interest rates on Turkish Lira-denominated deposits from banks and customers decreased substantially from 9.46% and 10.91%, respectively, as of 31 December 2011 to 6.23% and 8.34%, respectively, as of 31 December 2012, mainly due to the low interest rate environment. Deposits in foreign currencies are primarily denominated in U.S. dollars and, to a lesser extent, in euro.

As of 31 December 2012, 42.35% of the Group's deposits, or TL 30,127,126 thousand (U.S.$17,334,365 thousand), were denominated in foreign currencies, with the remaining 57.65%, or TL 41,026,265 thousand (U.S.$23,599,692 thousand), denominated in Turkish Lira, including interest expense accrual.

Historically, interest expenses on deposits from banks and other borrowed funds have represented a relatively small percentage of the Group's total interest expenses because the Group has not relied on these as a principal source of its funding, although the Group is increasing this component to access longer term funding (principally Eurobonds) to address the maturity gap frequently encountered by Turkish banks.

Net Fees and Commissions Income

Fees and commissions received decreased by TL 28,877 thousand, or 1.22%, to TL 2,340,348 thousand for the year ended 31 December 2012, from TL 2,369,225 thousand for the year ended 31 December 2011. The decrease was due primarily to a decline in fees and commissions on banking services, which decreased by TL 270,241 thousand, or 31.05%, to TL 600,176 thousand in 2012 from TL 870,417 thousand in 2011. This decrease was driven by a regulatory change on treatment of loan-related fees. Accordingly, as of 2012 all loan-related fees started to be deferred for the life of the loan whereas previously some fees were booked as upfront. This resulted in a decrease in 2012 as compared to 2011, although such deferred loan-related fees will be recognised in future periods.

Fees and commissions paid increased by TL 149,170 thousand, or 37.29%, to TL 549,181 thousand for the year ended 31 December 2012, from TL 400,011 thousand for the year ended 31 December 2011. This increase was primarily due to an increase in fee and commission expenses on credit/debit cards of TL 60,857 thousand, or 22.8%, to TL 327,889 thousand for the year ended 31 December 2012 from TL 267,032 thousand for the year ended 31 December 2011.

Other fees and commissions expenses consist mainly of agency and dealing room commissions, collection and payment services (electronic fund transfer charges), commissions paid for options and credit reference system inquiry commissions.

Due to an increase in fee and commission paid and a decrease in fees and commissions received, net fees and commissions income decreased by TL 178,047 or 9.04% to TL 1,791,167 for the year ended 31 December 2012 from TL 1,969,214 for the year ended 31 December 2011.

Trading Gain/(Loss) (Net)

The Group recorded a trading gain (comprising the aggregate of trading gains/(losses) on securities, derivative financial transactions gains/(losses) and foreign exchange gains/(losses)) of TL 321,260 thousand (U.S.$183,850 thousand) for the year ended 31 December 2012, compared to a trading gain of TL 34,730 thousand for the year ended 31 December 2011.

Trading gains on securities increased by TL 286,530 thousand (U.S.$163,975 thousand), or 825%, to TL 321,260 thousand in the year ended 31 December 2012, from TL 34,730 thousand for the year ended 31 December 2011. This increase was primarily a result of higher trading transactions.

Derivative financial transaction losses increased by TL 233,089 thousand (U.S.$133,392 thousand), or 44%, to TL 766,936 thousand in the year ended 31 December 2012, from TL 533,847 thousand for the year ended 31 December 2011. This increase was due to higher level of trading transactions for derivatives.

The Group also recorded an increase in foreign exchange gains of TL 478,991 thousand (U.S.$274,116 thousand) for the year ended 31 December 2012, compared to TL 361,871 thousand for the year ended 31 December 2011 which represents an increase of TL 177,120 thousand or 32%. These gains were primarily the result of the sale of foreign currency denominated investment securities under held-to-maturity, due to changes in capital requirements in light of the transition to Basel II.

Other Operating Income

The Group's other operating income mainly results from collections from provisions recorded as expense, release of provisions and sale of fixed assets. Other operating income decreased by TL 440,781 thousand, or 41.97% to TL 609,336 thousand (U.S.$348,710 thousand) for the year ended 31 December 2012, from TL 1,050,117 thousand for the year ended 31 December 2011. This decrease was primarily the result of one off income realised in 2011.

Provision for Impairment of Loans and Other Receivables

Provision for impairment of loans and other receivables increased by TL 539,607 thousand, or 62.70%, to TL 1,400,192 thousand (U.S.$801,300 thousand) for the year ended 31 December 2012, from TL 860,585 thousand for the year ended 31 December 2011 due to higher NPL inflows and higher regulatory provisioning requirements for existing NPLs.

In 2012, the Bank's ratio of NPLs to total loans increased to 3.27% as of 31 December 2012, compared with 3.05% as of 31 December 2011 and 3.49% as of 31 December 2010. Particularly in the area of SME loans, the Bank's NPL ratio increased to 4.7% as of 31 December 2012 as compared with 3.9% as of 31 December 2011, which had represented a decrease from 5.1% as of 31 December 2010. The main reason for the increasing ratio was a slowdown in domestic activity in 2012 compared to the robust growth in 2011, particularly in the Group's SME loan portfolio.

As a result of macroeconomic deterioration driven by the global crisis and the Bank's retail-oriented product mix, the Bank began to experience deteriorating asset quality beginning in the fourth quarter of 2008, which continued at an increased pace in the first half of 2009. In response, the Bank undertook several projects to improve its credit systems and collection infrastructure and also undertook a series of proactive restructuring measures beginning in April 2009 with respect to its SME, credit card and commercial loan portfolios, which were intended to control asset quality deterioration. One of the key features of these initiatives is the proactive restructuring of watch loans, in order to prevent them from deteriorating to the point of becoming NPLs. By 31 December 2012, the Bank had restructured loans in an aggregate amount of TL 3,188,016 thousand, corresponding to

4.05% of the Bank's aggregate loan portfolio. Of the aggregate amount, 84.4% were credit card and individual loans. In 2012, the Bank also began determining branch managers' lending approval authority based on their personal historical NPL ratios.

Other Operating Expenses

Other operating expenses are primarily composed of general and administrative expenses. Other operating expenses increased by TL 367,143 thousand, or 12.61%, to TL 3,227,968 thousand (U.S.$1,875,912 thousand) for the year ended 31 December 2012 from TL 2,910,825 thousand for the year ended 31 December 2011. This increase was mainly due to increases in salaries and sundry taxes which were in turn primarily due to the increase in the number of employees and the expansion of the branch network.

The cost to income ratio of the Group was 44.3% and 43.8% for the years ended 31 December 2012 and 2011, respectively. The improvement of this ratio was due to the Bank's continued focus on disciplined cost management and strong revenue generation.

Net Operating Income/(Loss)

Net operating income, comprised of operating income less other expenses, decreased by TL 156,841 thousand, or 5.48%, to TL 2,704,903 thousand (U.S.$1,547,959 thousand) for the year ended 31 December 2012 from TL 2,861,744 thousand for the year ended 31 December 2011.

Tax Provision for Continuing Obligations

Tax provision for continuing obligations increased by TL 40,150 thousand, or 6.87%, to TL 624,934 thousand (U.S.$357,636 thousand) for the year ended 31 December 2012 from TL 584,784 thousand for the year ended 31 December 2011.

Under the Corporate Tax Law 5520, the applicable corporate tax rate was 20% for 2012 and 2011. Corporate tax is payable at a rate of 20% over the corporate tax base of the company after adjusting for certain disallowable expenses, exempt income, investment allowance and other additions and deductions. The annual corporate income tax return is required to be filed by the 25th day of the fourth month following the close of the related fiscal year. Payments will be carried out in a single instalment until the end of the month in which the tax return is to be filed.

Net Profit/(Loss)

The Group's net profit decreased by TL 193,620 thousand, or 8.45%, to TL 2,097,760 thousand (U.S.$1,200,504 thousand) for the year ended 31 December 2012 from TL 2,291,380 thousand for the year ended 31 December 2011.

Average shareholders' equity (excluding minority interest) is calculated by adding the quarterly consolidated BRSA shareholders' equity amounts (excluding minority interest) and the current year's profit from the beginning of the period (including last year) until the end of the period and dividing the total by the number of periods.

The Group's return on average shareholders' equity excluding minority interest was 16.2% and 21.7% for the years ended 31 December 2012 and 2011, respectively, largely driven by regulatory changes on fees and provisions.

Analysis of Results of Operations for the years ended 31 December 2011 and 2010

The following discussion of the Group's results of operations for the years ended 31 December 2011 and 2010 is based on information which has been extracted without material adjustment from the Annual BRSA Financial Statements. This information should be read in conjunction with the Annual BRSA Financial Statements and the notes thereto. See "*Presentation of Financial and Other Information*" in the Base Prospectus.

	For the year ended 31 December			Change
	2011	2011	2010	2011/2010
	(U.S.$, thousands)[1]	*(TL, thousands)*		*(%)*
Income statement data:				
Interest income	**4,812,498**	**7,839,559**	**6,389,724**	**22.69**
Interest on loans	3,522,870	5,738,756	4,649,422	23.43
Interest received from reserve deposits	310	505	58,431	(99.14)
Interest received from banks	70,973	115,615	75,741	52.65
Interest received from money market transactions	20,262	33,007	46,856	(29.56)
Interest received from marketable securities Portfolio	966,465	1,574,371	1,251,191	25.83
Financial lease income	136,498	222,355	199,400	11.51
Other interest income	95,120	154,950	108,683	42.57
Interest expense	**(2,513,432)**	**(4,094,381)**	**(2,80 7,571)**	**45.83**
Interest on deposits	(1,925,908)	(3,137,304)	(2,330,761)	34.60
Interest on funds borrowed	(329,997)	(537,565)	(377,625)	42.35
Interest on expense on money market transactions	(194,686)	(317,144)	(66,447)	377.29
Interest on securities issued	(47,541)	(77,445)	(24,674)	213.87
Other interest expenses	(15,300)	(24,923)	(8,064)	209.06
Net interest income	**2,299,066**	**3,745,178**	**3,582,153**	**4.55**
Net fees and commissions income	**1,208,848**	**1,969,214**	**1,738,087**	**13.30**
Fees and commissions received	1,454,405	2,369,225	2,071,264	14.39
Non-cash loans	143,545	233,835	219,730	6.42
Other	1,310,859	2,135,390	1,851,534	15.33
Fees and commissions paid	(245,556)	(400,011)	(333,177)	20.06
Non-cash loans	(263)	(429)	(3,836)	(88.82)
Other	(245,293)	(399,582)	(329,341)	21.33
Dividend income	**3,616**	**5,891**	**1,082**	**444.45**
Trading gain/(loss) (net)	**(84,252)**	**(137,246)**	**(32,138)**	**327.05**
Trading gain/(losses) on securities	21,320	34,730	115,205	(69.85)
Derivative financial transactions gains/ (losses)	(327,715)	(533,847)	(470,513)	13.46
Foreign exchange gains/(losses)	222,143	361,871	323,170	11.98
Other operating income	**644,639**	**1,050,117**	**1,353,599**	**(22.42)**
Total operating income/(loss)	**4,071,918**	**6,633,154**	**6,642,783**	**(0.14)**
Provision for impairment of loans and other receivables	**(528,290)**	**(860,585)**	**(1,162,305)**	**(25.96)**
Other operating expenses	**(1,786,878)**	**(2,910,825)**	**(2,693,198)**	**8.08**
Net operating income/(loss)	**1,756,749**	**2,861,744**	**2,787,280**	**2.67**
Income/(loss) from investments accounted based on equity method	**8,852**	**14,420**	**6,419**	**124.65**
Tax provisions for continuing operations	**(358,983)**	**(584,784)**	**(538,996)**	**8.50**
Current tax provision	(314,498)	(512,317)	(550,611)	(6.95)
Deferred tax provision	(44,486)	(72,467)	11,615	(723.91)
Net profit/(loss) from continuing operations	**(1,406,618)**	**2,291,380**	**2,254,703**	**1.63**
Net profit/(loss) from discontinued operations	—	—	—	—
Net profit/(loss)	**(1,406,618)**	**2,291,380**	**2,254,703**	**1.63**

Note:

(1) For the convenience of reader, these figures have been translated into U.S. dollars at the rate of TL 1.6290 = U.S.$1.00, which corresponds with average of the Bank's Published Exchange Rate for the year ended 31 December 2011. Such translation should not be construed as a representation that the TL amounts have been converted into U.S. dollars pursuant to the requirements of BRSA.

Net Interest Income and Net Interest Margin

The Group's net interest income amounted to TL 3,745,178 thousand (U.S.$2,299,066 thousand) for the year ended 31 December 2011, compared to TL 3,582,153 thousand for the year ended 31 December 2010. The Bank's net interest margin declined to 3.5% for the year ended 31 December 2011, compared with 4.6% for the year ended 31 December 2010, primarily due to the low interest rate environment and the significant regulatory changes within the Turkish banking sector such as increased reserve requirements.

Interest Income

The Group's interest income increased by TL 163,025 thousand, or 4.55%, to TL 3,745,178 thousand for the year ended 31 December 2011, compared to TL 3,582,153 thousand for the year ended 31 December 2010. The Group's interest income is primarily derived from interest on loans and the Group's marketable securities portfolio. Interest income on loans increased to TL 5,738,756 thousand and constituted 73.20% of total interest income for the year ended 31 December 2011, compared to TL 4,649,422 thousand for the year ended 31 December 2010, when it constituted 72.76% of total interest income. The increase in the Group's interest income for the year ended 31 December 2011 compared to the year ended 31 December 2010 was primarily attributable to increases in average interest rates and increasing loan volumes in 2011.

The Bank's marketable securities portfolio is largely held-to-maturity. The average balance for the year ended 31 December 2011 decreased 1.36% from the year ended 31 December 2010. The average interest rate on the foreign currency denominated marketable securities portfolio slightly declined, whereas interest rate on Turkish Lira securities (mainly Available for Sale Securities, which increased to 9.80% from 7.72% primarily due to the CPI-linked securities) increased resulting in higher interest income. This increase was primarily driven by increased interest income generated from existing floating rate securities as a result of upward inflation related adjustments in coupon rates.

The following table sets out the weighted average interest rates on financial instruments by major currency outstanding as of 31 December 2011 and 2010:

	As of 31 December					
	2011			**2010**(1)		
	U.S.$	*€*	*TL*	*U.S.$*	*€*	*TL*
			(%)			
Cash and balances with Central Bank	—	0.07	—	—	—	—
Loans and receivables	4.92	5.61	13.74	4.35	4.95	12.87
Derivative financial assets held for trading	4.20	5.76	8.32	4.62	8.02	8.24
Investment securities						
– Available-for-sale	6.80	5.83	9.80	6.81	6.89	7.72
– Held-to-maturity investments	6.70	5.00	9.91	5.23	6.76	9.98

(1) Interest rates represent Bank-only figures as of 31 December 2010.

Loans in foreign currencies totalled TL 28,653,908 thousand (U.S.$15,558,401 thousand) as of 31 December 2011, accounting for 40.89% of the Group's loan portfolio, compared to TL 21,841,980 thousand as of 31 December 2010, accounting for 31.17% of the Group's loan portfolio.

Interest Expense

Interest expense for the year ended 31 December 2011 increased by TL 1,286,810 thousand, or 45.83%, to TL 4,094,381 thousand (U.S.$2,513,432 thousand) from TL 2,807,571 thousand for the year ended 31 December 2010, due to the positive impact of upward loan repricing, which was partially offset by pressure on deposit costs driven by intense competition. During this period, the Bank maintained its strong focus on selective high margin Turkish Lira consumer loans, SME and project finance lending.

The following table sets out the weighted average interest rates for financial instruments by major currency as of 31 December 2011 and 2010:

	As of 31 December					
	2011			2010		
	U.S.$	*€*	*TL*	*U.S.$*	*€*	*TL*
			(%)			
Bank deposits	0.44	0.41	9.46	1.05	0.55	8.13
Other deposits	4.74	4.16	10.91	2.78	2.54	8.71
Funds from money markets	1.95	2.45	6.25	1.49	1.75	5.42
Marketable securities issued	—	—	10.40	—	—	—
Funds borrowed	2.42	3.09	11.45	2.46	2.44	10.74

Changes in interest rates on interest bearing liabilities are the most significant factor on the Group's interest expense. Deposits make up the largest part of the Group's interest bearing liabilities representing 70.8% and 76.2% as of 31 December 2011 and 2010, respectively and as a result changes in interest rates on deposits are most likely to have a significant effect on the Group's interest expense.

The interest rates on Turkish Lira-denominated deposits from banks and customers increased substantially from 9.46% and 10.91%, respectively, as of 31 December 2010 to 8.13% and 8.71%, respectively, as of 31 December 2011 despite a stable and low base interest rate environment mainly due to higher competition in the market and increased liquidity and reserve requirements instituted by the Central Bank. Deposits in foreign currencies are primarily denominated in U.S. dollars and, to a lesser extent, in euro.

As of 31 December 2011, 47.00% of the Group's deposits, or TL 31,110,930 thousand (U.S.$16,892,507 thousand), were denominated in foreign currencies, with the remaining 53.00%, or TL 35,075,620 thousand (U.S.$19,045,241 thousand), denominated in Turkish Lira, including interest expense accrual. In 2011, the Bank experienced a slight shift in the balance of deposits from Turkish Lira deposits towards foreign currency deposits as a result of the Bank's focus on foreign currency lending.

Historically, interest expenses on deposits from banks and other borrowed funds have represented a relatively small percentage of the Group's total interest expense because the Group has not relied upon these as a principal source of its funding, although the Group is increasing this component to access longer term funding (principally Eurobonds) to address the maturity gap typical of Turkish banks.

Net Fees and Commissions Income

Fees and commissions received increased by TL 297,961 thousand, or 14.39%, to TL 2,369,225 thousand for the year ended 31 December 2011, from TL 2,071,264 thousand for the year ended 31 December 2010. This increase was primarily due to an increase in credit/debit cards expenses of TL 57,914 thousand, or 27.7%, to TL 267,032 thousand for the year ended 31 December 2011 from TL 209,118 thousand for the year ended 31 December 2010 as a result of an increase in credit card volume.

This increase was mainly driven by loan volume growth and repricing of certain consumer loan fees, new products launches and strong performance of fee generating products such as, among others, bancassurance, trade finance and cash management, offset to some extent by lower caps on certain mutual fund and credit card fees.

Fees and commissions paid increased by TL 66,834 thousand, or 20.06%, to TL 400,011 thousand for the year ended 31 December 2011, from TL 333,177 thousand for the year ended 31 December 2010. This increase was primarily due to an increase in credit/debit cards expenses as a result of an increase in credit card volume.

Net fees and commissions income increased by TL 231,127, or 13% to TL 1,969,214 for the year ended 31 December 2011 from TL 1,738,087 for the year ended 31 December 2010.

Trading Gain/(Loss) (Net)

The Group recorded a trading gain (comprising the aggregate of trading gains/(losses) on securities, derivative financial transactions gains/(losses) and foreign exchange gains/(losses)) of TL 34,730 thousand (U.S.$21,320 thousand) for the year ended 31 December 2011, compared to a trading gain of TL 115,205 thousand for the year ended 31 December 2010.

Foreign exchange gains increased by TL 38,701 thousand (U.S.$23,758 thousand), or 12%, to TL 361,871 thousand in the period ended 31 December 2011, from TL 323,170 thousand for the period ended 31 December 2010. This increase was primarily a result of increasing exchange rate and devaluation of the Turkish Lira against hard currencies.

Trading gains on securities decreased by TL 80,475 thousand for the year ended 31 December 2010 to an income of TL 34,730 thousand (U.S.$21,320 thousand) for the year ended 31 December 2011. This reversal was primarily due to a lower level of sale activity in trading business as a result of the one-time income in 2010 with respect to disposal of available-for-sale securities.

The Group recorded losses from derivative financial transaction of TL 533,847 thousand (U.S.$327,715 thousand) for the year ended 31 December 2011, compared to TL 470,513 thousand for the year ended 31 December 2010, an increase of TL 63,334 thousand or 13%. The increase is primarily due to increasing marked to market valuations of the derivative portfolio.

Other Operating Income

The Group's other operating income mainly results from collections from provisions recorded as expense, release of provisions and sale of fixed assets. Other operating income decreased by TL 303,482 thousand, or 22.42% to TL 1,050,117 thousand (U.S.$644,639 thousand) for the year ended 31 December 2011, from TL 1,353,599 thousand for the year ended 31 December 2010. This decrease was primarily the result of one-time other operating income in 2010 with respect to gains on sale of fixed assets and NPLs.

Provision for Impairment of Loans and Other Receivables

Provision for impairment of loans and other receivables decreased by TL 301,270 thousand, or 25.96%, to TL 860,585 thousand (U.S.$528,290 thousand) for the year ended 31 December 2011, from TL 1,162,305 thousand for the year ended 31 December 2010 due to lower NPLs inflows, improved collections, sales of NPLs and credit infrastructure improvements.

The Bank's ratio of NPLs to total loans decreased to 3.05% as of 31 December 2011, compared with 3.49% as of 31 December 2010. The main reason for the decreasing ratio is an improvement in the Bank's ratio of collections to NPL inflows to 43.09% as of 31 December 2011, compared with 37.33% as of 31 December 2010.

As a result of macroeconomic deterioration and the Bank's retail-oriented product mix, the Bank began to experience deteriorating asset quality beginning in 2008, which continued at an increased pace in the first half of 2009. In response, the Bank undertook several projects to improve its credit systems and collection infrastructure and also undertook a series of proactive restructuring measures beginning in April 2009 with respect to its SME, credit card and commercial loan portfolios, which were intended to control asset quality deterioration. One of the key features of these initiatives is the proactive restructuring of watch loans, in order to prevent them from deteriorating to the point of becoming NPLs. By 31 December 2011, the Bank had restructured loans in an aggregate amount of TL 70,447 thousand, as compared with TL 109,821 thousand as of 31 December 2010, corresponding to 0.10% and 0.20% of the Bank's aggregate loan portfolio, respectively. Of the aggregate amount, as of 31 December 2011, 21.89% were credit card and individual loans.

Other Operating Expenses

Other operating expenses increased by TL 217,627 thousand, or 8.08%, to TL 2,910,825 thousand (U.S.$1,786,878 thousand) for the year ended 31 December 2011 from TL 2,693,198 thousand for the year ended 31 December 2010. Other operating expense is primarily composed of general and administrative expenses. This increase was mainly due to staff costs.

The cost to income ratio of the Group was 43.8% and 40.5% for the years ended 31 December 2011 and 2010, respectively.

Net Operating Income/(Loss)

Net operating income, comprised of operating income less other expenses, increased by TL 74,464 thousand, or 2.67%, to TL 2,861,744 thousand (U.S.$1,756,749 thousand) for the year ended 31 December 2011 from TL 2,787,280 thousand for the year ended 31 December 2010.

Tax Provision for Continuing Obligations

Tax provision for continuing obligations increased by TL 45,788 thousand, or 8.50%, to TL 584,784 thousand (U.S.$358,983 thousand) for the year ended 31 December 2011 from TL 538,996 thousand for the year ended 31 December 2010.

Under the Corporate Tax Law 5520, the applicable corporate tax rate was 20% for 2012 and 2011. Corporate tax is payable at a rate of 20% over the corporate tax base of the company after adjusting for certain disallowable expenses, exempt income, investment allowance and other additions and deductions. The annual corporate income tax return is required to be filed by the 25th day of the fourth month following the close of the related fiscal year. Payments will be carried out in a single instalment until the end of the month in which the tax return is to be filed.

Net Profit/(Loss)

The Group’s net profit increased by TL 36,677 thousand, or 1.63%, to TL 2,291,380 thousand (U.S.$1,406,618 thousand) for the year ended 31 December 2011 from TL 2,254,703 thousand for the year ended 31 December 2010.

Average shareholders’ equity excluding minority interest is calculated by adding the quarterly consolidated BRSA shareholders’ equity amounts excluding minority interest and current year’s profit from the beginning of the period (including last year) until the end of the period and dividing the total by number of periods.

The Group’s return on average shareholders’ equity was 21.7% and 26.7% for the years ended 31 December 2011 and 2010, respectively.

Analysis by Segment

Since the launch of its new organisational structure in February 2009, the Group has carried out its banking operations through three main business units: (a) retail banking (including credit cards, individual and SME banking), (b) corporate and commercial banking, and (c) private banking and wealth management. The Group also has foreign and other operations.

The following tables set forth certain data for the Group's segments for the nine months ended 30 September 2013 and 2012 and the years ended 31 December 2012, 2011 and 2010:

	30 September 2013								
	Retail Banking	Corporate and Commercial Banking	Private Banking and Wealth Management	Other Foreign Operations	Other Domestic Operations	Insurance and Retirement	Treasury, Asset-Liability Management and Other	Consolidation Adjustments[1]	Total
					(TL, thousands)				
Operating revenue continuing[4]	2,345,280	1,254,524	115,483	136,691	662,091	—	1,636,315	(237,323)	5,913,061
Operating expenses continuing[4]	(1,856,141)	(338,486)	(53,077)	(72,898)	(132,315)	—	(1,212,046)	4,644	(3,660,319)
Net operating income continuing	**489,139**	**916,038**	**62,406**	**63,793**	**529,776**	**—**	**424,269**	**(232,679)**	**2,252,742**
Dividend income[2][4]	—	—	—	—	—	—	15,575	—	15,575
Income/loss from investments accounted based on equity method[4]	—	—	—	—	—	—	2,259	—	2,259
Profit before tax	**489,139**	**916,038**	**62,406**	**63,793**	**529,776**	**—**	**442,103**	**(232,679)**	**2,270,576**
Tax expense[2][4]	—	—	—	—	—	—	(488,528)	—	(488,528)
Net period income from continuing operations	**489,139**	**916,038**	**62,406**	**63,793**	**529,776**		**(46,425)**	**(232,679)**	**1,782,048**
Minority interest (-)[4]	—	—	—	—	—	—	(173)	—	(173)
Net period income from discontinued operations[4]	—	—	—	—	—	—	—	1,335,833	1,335,833
Group income/loss	**489,139**	**916,038**	**62,406**	**63,793**	**529,776**	**—**	**(46,598)**	**1,103,154**	**3,117,708**
Segment assets[3]	45,609,187	37,579,486	177,526	5,887,590	9,149,733	—	56,848,644	(2,479,689)	152,772,477
Investments in associates, subsidiaries and joint ventures	—	—	—	—	—	—	443,161	—	443,161
Assets held for resale and related to discontinued operations	—	—	—	—	—	—	—	—	—
Total assets	**45,609,187**	**37,579,486**	**177,526**	**5,887,590**	**9,149,733**	**—**	**57,291,805**	**(2,479,689)**	**153,215,638**
Segment liabilities[3]	32,592,883	31,586,232	17,631,604	4,835,937	7,458,344	—	43,684,961	(2,521,190)	135,268,771
Shareholders' equity							17,946,867		17,946,867
Assets held for resale and related to discontinued operations	—	—	—	—	—	—	—	—	—
Total liabilities	**32,592,883**	**31,586,232**	**17,631,604**	**4,835,937**	**7,458,344**	**—**	**61,631,828**	**(2,521,190)**	**153,215,638**

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.
(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset-Liability Management and Other".
(3) Segment asset and liability balances are extracted from Management Information Systems (MIS).
(4) Income statement figures represent balances for the nine months ended 30 September 2013.

	30 September 2012								
	Retail Banking	Corporate and Commercial Banking	Private Banking and Wealth Management	Other Foreign Operations	Other Domestic Operations	Insurance and Retirement	Treasury, Asset-Liability Management and Other	Consolidation Adjustments[1]	Total
					(TL, thousands)				
Operating revenue continuing[4]	2,141,984	1,184,841	92,222	119,273	318,087	225,994	1,104,588	(252,382)	4,934,607
Operating expenses continuing[4]	(1,526,741)	(218,782)	(43,365)	(47,167)	(133,669)	(138,625)	(1,145,554)	131,107	(3,122,796)
Net operating income continuing	**615,243**	**966,059**	**48,857**	**72,106**	**184,418**	**87,369**	**(40,966)**	**(121,275)**	**1,811,811**
Dividend income[2][4]	—	—	—	—	—	—	1,661		1,661
Income/loss from investments accounted based on equity method[4]	—	—	—	—	—	—	12,535		12,535
Profit before tax	**615,243**	**966,059**	**48,857**	**72,106**	**184,418**	**87,369**	**(26,770)**	**(121,275)**	**1,826,007**
Tax expense[2][4]							(418,304)		(418,304)
Net period income from continuing operations	**615,243**	**966,059**	**48,857**	**72,106**	**184,418**	**87,369**	**(445,074)**	**(121,275)**	**1,407,703**
Minority interest (-)[4]							(7,100)		(7,100)
Net period income from discontinued operations[4]								69,808	69,808
Group income/loss	**615,243**	**966,059**	**48,857**	**72,106**	**184,418**	**87,369**	**(452,174)**	**(51,467)**	**1,470,411**
Segment assets[3]	38,170,950	31,191,828	169,225	4,955,523	7,149,217	2,019,163	48,760,496	(1,137,837)	131,278,565
Investments in associates, subsidiaries and joint ventures	—	—	—	—	—	—	219,196	—	219,196
Total assets	**38,170,950**	**31,191,828**	**169,225**	**4,955,523**	**7,149,217**	**2,019,163**	**48,979,692**	**(1,137,837)**	**131,497,761**
Segment liabilities[3]	30,189,733	25,936,583	17,125,662	4,095,876	5,626,880	1,578,500	32,066,188	(1,161,199)	115,458,223
Shareholders' equity	—	—	—	—	—	—	16,039,538	—	16,039,538
Total liabilities	**30,189,733**	**25,936,583**	**17,125,662**	**4,095,876**	**5,626,880**	**1,578,500**	**48,105,726**	**(1,161,199)**	**131,497,761**

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.
(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset-Liability Management and Other".
(3) Segment asset and liability balances are extracted from Management Information Systems (MIS).
(4) Income statement figures represent balances for the nine months ended 30 September 2012.

	31 December 2012								
	Retail Banking	**Corporate and Commercial Banking**	**Private Banking and Wealth Management**	**Other Foreign Operations**	**Other Domestic Operations**	**Insurance and Retirement**	**Treasury, Asset-Liability Management and Other**	**Consolidation Adjustments(1)**	**Total**
					(TL, thousands)				
Operating revenue	3,003,309	1,565,201	123,909	159,724	434,233	326,476	1,859,785	(91,235)	7,381,402
Operating expenses	(2,283,382)	(424,478)	(67,650)	(72,831)	(173,799)	(192,777)	(1,510,829)	47,586	(4,678,160)
Net operating income	719,927	1,140,723	56,259	86,893	260,434	133,699	348,956	(43,649)	2,703,242
Dividend income(2)	—	—	—	—	—	—	**1,661**	—	**1,661**
Income/loss from investments accounted based on equity method	—	—	—	—	—	—	17,791	—	17,791
Profit before tax	**719,927**	**1,140,723**	**56,259**	**86,893**	**260,434**	**133,699**	**368,408**	**(43,649)**	**2,722,694**
Tax provision(2)	—	—	—	—	—	—	(624,934)	—	(624,934)
Net profit	**719,927**	**1,140,723**	**56,259**	**86,893**	**260,434**	**133,699**	**(256,526)**	**(43,649)**	**2,097,760**
Minority interest (-)	—	—	—	—	—	—	(10,087)	—	(10,087)
Group income/loss	**719,927**	**1,140,723**	**56,259**	**86,893**	**260,434**	**133,699**	**(266,613)**	**(43,649)**	**2,087,673**

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.
(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset-Liability Management and Other".

	31 December 2011								
	Retail Banking	**Corporate and Commercial Banking**	**Private Banking and Wealth Management**	**Other Foreign Operations**	**Other Domestic Operations**	**Insurance and Retirement**	**Treasury, Asset-Liability Management and Other**	**Consolidation Adjustments(1)**	**Total**
					(TL, thousands)				
Operating revenue	2,685,663	1,325,890	128,391	166,037	419,034	269,858	1,553,626	78,764	6,627,263
Operating expenses	(1,551,352)	(480,026)	(65,899)	(92,821)	(123,717)	(164,068)	(1,369,431)	75,904	(3,771,410)
Net operating income	1,134,311	845,864	62,492	73,216	295,317	105,790	184,195	154,668	2,855,853
Dividend income(2)	—	—	—	—	—	—	**5,891**	—	**5,891**
Income/loss from investments accounted based on equity method	—	—	—	—	—	—	—	—	14,420
Profit before tax	**1,134,311**	**845,864**	**62,492**	**73,216**	**295,317**	**105,790**	**204,506**	**154,668**	**2,876,164**
Tax provision(2)	—	—	—	—	—	—	(584,784)	—	(584,784)
Net profit	**1,134,311**	**845,864**	**62,492**	**73,216**	**295,317**	**105,790**	**(380,278)**	**154,668**	**2,291,380**
Minority interest (-)	—	—	—	—	—	—	(6,676)	—	(6,676)
Group income/loss	**1,134,311**	**845,864**	**62,492**	**73,216**	**295,317**	**105,790**	**(386,954)**	**154,668**	**2,284,704**

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.
(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset-Liability Management and Other".

	31 December 2010						
	Retail Banking	Corporate and Commercial Banking	Private Banking and Wealth Management	Other Foreign Operations	Other	Consolidation adjustments(1)	Total
				(TL, thousands)			
Operating revenue	2,791,902	1,326,630	338,760	167,124	2,082,432	(65,147)	6,641,701
Operating expenses	(1,347,294)	(631,115)	(104,023)	(55,293)	(1,770,637)	52,859	(3,855,503)
Net operating income	**1,444,608**	**695,515**	**234,737**	**111,831**	**311,795**	**(12,288)**	**2,786,198**
Dividend income(2)	—	—	—	—	1,082	—	1,082
Income/loss from investments accounted based on equity method	—	—	—	—	6,419	—	6,419
Profit before tax	**1,444,608**	**695,515**	**234,737**	**111,831**	**319,296**	**(12,288)**	**2,793,699**
Tax provision(2)	—	—	—	—	(538,996)	—	(538,996)
Net profit	**1,444,608**	**695,515**	**234,737**	**111,831**	**(219,700)**	**(12,288)**	**2,254,703**
Minority interest (-)	—	—	—	—	(6,672)	—	(6,672)
Group income/loss	**1,444,608**	**695,515**	**234,737**	**111,831**	**(226,372)**	**(12,288)**	**2,248,031**

(1) Consolidation adjustments include transactions with subsidiaries and investments consolidated in these financial statements.

(2) Dividend income and tax provision expenses have not been distributed based on operating segments and have been presented under "Treasury, Asset-Liability Management and Other".

Retail Banking

Retail banking products and services offered to customers include credit cards, consumer loans (including general purpose loans, auto loans and mortgages), SME loans, time and demand deposits, investment accounts, life and non-life insurance products and payroll services. The Bank's credit card business was moved within the retail banking division as part of the 2009 reorganisation. Credit card operations cover the management of products and services for member merchants as well as the sales and marketing operations for a variety of customer types. Operating profit for the retail banking segment decreased by TL 126,104 thousand, or 20.5%, to TL 489,139 thousand (U.S.$264,528 thousand) for the nine-month period ended 30 September 2013 from TL 615,243 thousand for the nine-month period ended 30 September 2012. The decrease resulted primarily from decreasing business volumes due to macroeconomic conditions in Turkey. Operating profit for the retail banking segment decreased by TL 414,204 thousand, or 36.5%, to TL 719,927 thousand (U.S.$411,999 thousand) for the year ended 31 December 2012 from TL 1,134,311 thousand for the year ended 31 December 2011, as compared with TL 2,791,902 for the year ended 31 December 2010. The decrease in the operating profit for the retail banking segment was primarily due to a continuous decrease in the cap rate of credit cards, being the maximum chargeable interest on credit cards receivables set by the Central Bank and decreasing commission income due to the new regulation on the deferral of commission income related to loans.

Corporate and Commercial Banking

The Corporate and Commercial Banking segment is organised into three subgroups: Corporate Banking for large-scale companies, Commercial Banking for medium-sized enterprises and Multinational Companies Banking for multinational companies. The primary business lines in the commercial banking segment are working capital, financing, foreign trade finance, project finance, leasing and factoring, domestic and international non-cash credit line facilities such as letters of credit and guarantees, cash management and e-banking services to mid-size and large corporates.

Operating profit for the corporate and commercial banking segment decreased to TL 916,038 thousand (U.S.$495,396 thousand) for the nine-month period ended 30 September 2013 from TL 1,097,864 thousand for the nine-month period ended 30 September 2012. It increased to TL 1,140,723 thousand (U.S.$652,811 thousand) for the year ended 31 December 2012 from TL 845,864 thousand for the year ended 31 December 2011, which in turn had represented an increase from TL 695,515 thousand for the year ended 31 December 2010. The decrease for the nine months ended 30 September 2013 as compared to the nine months ended 30 September 2012 was mainly driven by decreasing volumes, while the increases from 2010 through 2012 were primarily attributable to increasing volumes and decreasing cost of funding.

Private Banking and Wealth Management

Through its private banking and wealth management activities, the Group serves high net worth individuals and delivers investment products to its customer segment. Among the products and services offered to private banking customers are time deposits, fiduciary deposits, mutual funds, derivative products such as forwards, futures and options, personal loans, foreign exchange, gold and equity trading, safe deposit boxes and e-banking services. The Group also provides investment advisory and portfolio management services through the Group's portfolio management and brokerage subsidiaries. The Group also previously provided pension plans and insurance products, but recently completed a transaction to sell this business to Allianz. See "*—Insurance and Retirement*" and "*Business of the Bank—Associates—Yapi Kredi Insurance (Yapı Kredi Sigorta) and Yapi Kredi Pension (Yapı Kredi Emeklilik)*".

Operating profit for the private banking and wealth management segment increased to TL 62,406 thousand (U.S.$33,749 thousand) for the nine-month period ended 30 September 2013 from TL 48,857 thousand for the nine-month period ended 30 September 2012. It decreased to TL 56,259 thousand (U.S.$32,195 thousand) for the year ended 31 December 2012 from TL 62,492 thousand for the year ended 31 December 2011, which in turn had represented a decrease from TL 6,233 thousand for the year ended 31 December 2010.

Foreign Operations

Foreign operations include the Group's banking operations in the Netherlands, Azerbaijan and Russia. Operating profit for the foreign operations segment increased to TL 63,793 thousand (U.S.$34,499 thousand) for the nine-month period ended 30 September 2013 from TL 72,106 thousand for the nine-month period ended 30 September 2012. It decreased to TL 86,893 thousand (U.S.$49,727 thousand) for the year ended 31 December 2012 from TL 73,216 thousand for the year ended 31 December 2011, which was a further decrease from TL 111,831 thousand for the year ended 31 December 2010. The decreases were primarily attributable to the sale of bonds in the Netherlands, deterioration of macroeconomic conditions in Russia, and the launch of a new credit card program, which increased IT and HR costs.

Other Domestic Operations

Other operations mainly consist of treasury transactions of supporting business units, insurance operations and other unallocated transactions, including the effect of free capital. Operating profit for the other operations segment decreased to TL 529,776 thousand (U.S.$286,505 thousand) for the nine-month period ended 30 September 2013 from TL 184,418 thousand for the nine-month period ended 30 September 2012. It decreased to TL 260,434 thousand (U.S.$149,041 thousand) for the year ended 31 December 2012 from TL 295,317 thousand for the year ended 31 December 2011. The decreases were primarily due to higher operating expenses.

Insurance and Retirement

On 26 March 2013, the Group agreed to sell its life and non-life insurance businesses to Allianz and to establish a 15-year strategic distribution partnership for non-life insurance, life insurance and pension products in Turkey. Following regulatory approvals, the transaction was finalised on 12 July 2013.

Treasury, Asset-Liability Management

Treasury, asset-liability and management mainly consist of treasury and asset-liability management activities of the Group. Operating loss for the treasury, asset-liability and management segment increased to TL 46,598 thousand (U.S.$25,200 thousand) for the nine-month period ended 30 September 2013 from TL 452,174 thousand for the nine-month period ended 30 September 2012.

It increased to TL 256,526 thousand (U.S.$138,730 thousand) for the year ended 31 December 2012 from TL 380,278 thousand for the year ended 31 December 2011. The increase was primarily due to a higher volume of treasury activities as the Group continued to expand its overall product and service offerings.

Financial Condition

ASSETS	As of 30 September 2013	As of 31 December 2012	2011	2010
	(TL, thousands)			
Cash and balances with Central Bank	**18,164,551**	**11,487,948**	**10,081,703**	**6,034,426**
Financial assets at fair value through profit or (loss) (net)	**1,238,380**	**1,002,995**	**556,830**	**1,070,115**
Trading financial assets	1,238,380	1,002,995	556,830	1,070,115
Government debt securities	50,209	493,996	227,090	300,552
Share certificates	59,511	34,715		6,448
Derivative financial assets held for trading	1,124,730	420,483	274,618	693,524
Other marketable securities	3,930	53,801	55,122	69,591
Financial assets designated at fair value through profit/(loss)	—	—	—	—
Government debt securities	—	—	—	—
Share certificates	—	—	—	—
Loans	—	—	—	—
Other marketable securities	—	—	—	—
Banks	**3,132,254**	**5,342,497**	**3,428,524**	**2,563,730**
Money markets	**1,766,505**	**2,773,236**	**2,173,561**	**970,970**
Interbank money market placements	—	330,046	—	—
Receivables from Istanbul Stock Exchange Money Market	764,141	1,510,796	51,835	—
Receivables from reverse repurchase agreements	1,002,364	932,394	2,121,726	970,970
Financial assets available for sale (net)	**14,405,509**	**15,650,448**	**8,011,276**	**5,875,980**
Share certificates	36,186	18,627	17,426	16,600
Government debt securities	12,088,503	13,710,445	6,236,030	4,416,989
Other marketable securities	2,280,820	1,921,376	1,757,820	1,442,391
Loans and receivables	**94,259,061**	**78,788,847**	**70,070,914**	**54,675,862**
Loans and receivables	93,084,677	77,812,658	69,326,017	54,242,980
Loans to bank's risk group	1,174,286	1,106,500	1,127,298	1,228,516
Government debt securities	—	—	—	—
Other	91,910,391	76,706,158	68,198,719	53,014,464
Loans under follow up	3,576,854	2,574,103	2,138,118	1,907,966
Specific provisions (-)	(2,402,470)	(1,597,914)	(1,393,221)	(1,475,084)
Factoring receivables	**2,053,505**	**1,640,067**	**1,790,761**	**1,824,892**
Held to maturity investments (net)	**6,429,381**	**5,827,694**	**12,710,622**	**12,974,944**
Government debt securities	6,412,822	5,765,659	12,710,622	12,974,944
Other marketable securities	16,559	62,035	—	—
Investments in associates (net)	**431,429**	**198,437**	**188,443**	**75,846**
Consolidated based on equity method	426,926	193,934	183,940	71,906
Unconsolidated	4,503	4,503	4,503	3,940
Investments in financial associates	—	—	—	3,940
Investments in non financial associates	4,503	4,503	4,503	
Subsidiaries (net)	**2,300**	**2,300**	**2,300**	**2,300**
Unconsolidated financial subsidiaries	—			
Unconsolidated non financial subsidiaries	2,300	2,300	2,300	2,300
Joint ventures (net)	**9,432**	**18,459**	**19,650**	**22,265**
Accounted based on equity method	9,432	18,459	19,650	22,265
Unconsolidated	—	—	—	—
Financial joint ventures	—	—	—	—
Non financial joint ventures	—	—	—	—
Lease receivables	**3,704,700**	**3,096,493**	**2,794,483**	**1,989,614**
Financial lease receivables	4,295,371	3,595,918	3,298,845	2,331,454
Operation lease receivables	—	—	—	—
Other	—	—	—	—
Unearned income (-)	(590,671)	(499,425)	(504,362)	(341,840)
Derivative financial assets held for hedging	**383,529**	**94,166**	**377,335**	**38,201**
Fair value hedge	299,816	93,996	369,747	34,463
Cash flow hedge	83,713	170	7,588	3,738
Foreign net investment hedge	—	—	—	—
Property and equipment (net)	**958,141**	**1,055,463**	**1,063,384**	**1,156,515**
Intangible assets (net)	**1,354,932**	**1,361,391**	**1,284,165**	**1,243,080**
Goodwill	979,493	979,493	979,493	979,493
Other	375,439	381,898	304,672	263,587
Investment property (net)	—	—	—	—
Tax assets	**125,092**	**168,231**	**364,462**	**319,428**
Current tax assets	4,667	753	2,584	1,223
Deferred tax assets	120,425	167,478	361,878	318,205
Assets held for resale and related to discontinued operations (net)	**153,526**	**139,653**	**103,572**	**82,416**
Held for sale purposes	153,526	139,653	103,572	82,416
Related to discontinued operations	—	—	—	—
Other assets	**4,643,411**	**2,849,436**	**2,428,146**	**1,893,474**
Total assets	**153,215,638**	**131,497,761**	**117,450,131**	**92,814,058**

LIABILITIES & EQUITY	As at 30 September 2013	For the year ended 31 December 2012	2011	2010
		(TL, thousands)		
Deposits	**82,916,205**	**71,143,391**	**66,186,550**	**55,207,002**
Deposits of the Bank's risk group	11,185,884	9,095,539	7,337,948	6,865,557
Other	71,730,321	62,047,852	58,848,602	48,341,445
Derivative financial liabilities held of trading	**814,275**	**384,481**	**540,339**	**359,168**
Funds borrowed	**17,648,612**	**14,294,331**	**14,682,902**	**10,073,070**
Money markets	**7,539,542**	**6,473,675**	**6,885,893**	**3,651,016**
Funds from interbank money market	—	—	19,137	29,843
Funds from Istanbul stock exchange money market	2,015,561	1,654,814	942,043	401,755
Funds provided under repurchase agreement	5,523,981	4,818,861	5,924,713	3,219,418
Marketable securities issued (net)	**6,384,169**	**3,946,505**	**3,248,717**	**1,394,904**
Bills	1,249,547	716,171	956,586	19,485
Asset backed securities	2,628,136	1,641,731	2,147,781	1,375,419
Bonds	2,506,486	1,588,603	144,350	—
Funds	—	—	—	—
Borrower funds	—	—	—	—
Other	—	—	—	—
Miscellaneous payables	**6,952,235**	**5,775,482**	**4,795,500**	**4,205,971**
Other liabilities	**3,171,902**	**2,707,052**	**1,610,109**	**1,044,483**
Factoring payables	—	—	—	—
Lease payables (net)	—	—	—	—
Financial lease payables	—	—	—	—
Operational lease payables	—	—	—	—
Other	—	—	—	—
Deferred lease expenses (-)	—	—	—	—
Derivative financial liabilities held for hedging	**432,478**	**904,687**	**502,841**	**453,663**
Fair value hedge	—	90,233	18,959	313,917
Cash flow hedge	432,478	814,454	483,882	139,746
Foreign net investment hedge	—	—	—	—
Provisions	**2,923,861**	**4,194,196**	**3,544,905**	**3,279,738**
General loan loss provision	1,409,663	1,339,681	1,052,268	826,853
Restructuring provision	—	—	—	—
Reserve for employee rights	241,976	246,395	206,341	181,967
Insurance technical provisions (net)	—	1,179,216	1,063,894	930,707
Other provisions	1,272,222	1,428,904	1,222,402	1,340,211
Tax liability	**312,584**	**438,781**	**293,325**	**289,000**
Current tax liability	312,356	438,781	293,325	286,868
Deferred tax liability	228	—	—	2,132
Liabilities for property and equipment held for sale and related to discontinued operations (net)	—	—	—	—
Held for sale	—	—	—	—
Related to discontinued operations	—	—	—	—
Subordinated loans	**6,172,908**	**5,195,642**	**2,523,816**	**2,110,274**
Shareholders' equity	**17,946,867**	**16,039,538**	**12,635,234**	**10,745,769**
Paid in capital	4,347,051	4,347,051	4,347,051	4,347,051
Capital reserves	673,083	1,667,466	153,525	733,973
Share premium	543,881	543,881	543,881	543,881
Share cancellation profits	—	—	—	—
Marketable securities valuation differences	239,534	1,487,423	(114,866)	252,797
Property and equipment revaluation differences	—	—	—	—
Intangible assets revaluation differences	—	—	—	—
Revaluation differences of investment property	—	—	—	—
Bonus shares from investments in associates, subsidiaries and joint ventures	—	—	—	—
Hedging funds (effective portion)	(408,946)	(657,543)	(421,304)	(143,436)
Value increase in assets held for sale and related to discontinued operations	—	—	—	—
Other capital reserves	298,614	293,705	145,814	80,731
Profit reserves	8,878,581	7,118,712	5,443,918	3,202,502
Legal reserves	463,786	359,847	266,973	163,959
Status reserves	—	—	—	—
Extraordinary reserves	8,051,473	6,546,849	4,930,128	3,038,543
Other profit reserves	363,322	212,016	246,817	
Income or (loss)	4,045,692	2,841,517	2,623,562	2,399,148
Prior years' income or (loss)	927,984	753,844	338,858	151,117
Current year income or (loss)	3,117,708	2,087,673	2,284,704	2,248,031
Minority interest	2,460	64,792	67,178	63,095
Total liabilities and shareholders' equity	**153,215,638**	**131,497,761**	**117,450,131**	**92,814,058**

Assets

As of 30 September 2013, the Group had total assets of TL 153,215,638 thousand (U.S.$75,319,850 thousand), which represented an increase of 17.0% compared to TL 131,497,761 thousand as of 31 December 2012, an increase of 11.96% from TL 117,450,131 thousand as of 31 December 2011, and an increase of 26.54% from TL 92,814,058 thousand as of 31 December 2010. The overall increase in the Group's total assets was primarily attributable to the increase in the volume of loans, driven by growth in the Turkish economy and continued expansion of the Group through branch growth and new products.

Liabilities

As of 30 September 2013, the Group had total liabilities of TL 153,215,638 thousand (U.S.$75,319,850 thousand), which represented an increase of 17.0% from TL 131,497,761 thousand as of 31 December 2012, an increase of 11.96% from TL 117,450,131 thousand as of 31 December 2011, and an increase of 26.54% from TL 92,814,058 thousand as of 31 December 2010. The increase was mainly attributable to an increase in deposits, also driven by growth in the Turkish economy and branch expansion.

Shareholders' Equity

As of 30 September 2013, the Group's total shareholders' equity amounted to TL 17,946,867 thousand (U.S.$8,822,568 thousand), or 12.0% of the Group's total assets, compared to TL 16,039,538 thousand, or 12.20% of the Group's total assets as of 31 December 2012, TL 12,635,234 thousand, or 10.76% of the Group's total assets, as of 31 December 2011, and TL 10,745,769 thousand, or 11.58% of the Group's total assets, as of 31 December 2010. The Group paid dividends to its minority shareholders of TL 2,460 thousand in the first nine months of 2013, TL 64,792 thousand in 2012, TL 67,178 thousand in 2011, and TL 63,095 thousand in 2010. As of 30 September 2013, the Group had TL 4,347,051 thousand in share capital outstanding.

Cash and Balances with the Central Bank

Cash and balances with the Central Bank represent a relatively small percentage of the Group's total assets, making up 11.86%, 8.74%, 8.58% and 6.50%, as of 30 September 2013, 31 December 2012, 2011 and 2010, respectively. The increase in cash and balances with the Central Bank across all periods was primarily due to the increase in reserve deposits at central banks which increased by TL 6,284,355 thousand or 65.7% to TL 15,845,476 thousand as of 30 September 2013 from TL 9,561,121 thousand as of 31 December 2012, which represented an increase from TL 8,720,922 thousand as of 31 December 2011. This increase in reserve deposits with the Central Bank was mainly due to an increased rate of reserve requirements of the Central Bank and the volume growth of the Bank.

Loans and Receivables

Loans and receivables represent the largest component of the Group's assets. As of 30 September 2013, loans and receivables amounted to TL 94,259,061 thousand (U.S.$46,337,165 thousand), which represented 61.52% of the Group's total assets compared to TL 78,788,847 thousand (or 59.92% of total assets) as of 31 December 2012, TL 70,070,914 thousand (or 59.66% of total assets) as of 31 December 2011 and TL 54,675,862 thousand (or 58.91% of total assets) as of 31 December 2010.

The global financial crisis in 2009 resulted in macroeconomic contraction (including a 4.7% drop in GDP) in Turkey. In this period, loan growth remained stagnant in the Turkish banking sector due to the lack of demand, concerns regarding asset quality and macroeconomic uncertainty. In 2010, following a recovery in the macroeconomic environment, evidenced by a 9.2% growth in GDP in Turkey, and taking advantage of a relatively underpenetrated banking sector, the Group recorded strong loan growth of 40% driven by increased demand, new clients and improved productivity and efficiency. In 2011, rapid growth also continued and the Turkish GDP growth of 8.8% resulted in strong credit demand and loan growth of 28% for the Bank. In 2012, the Group continued its customer business focus and increased its loan portfolio by 12%, reflecting slower growth in the first half of 2012 followed by a rise in the second half of the year as loan rates decreased due to reductions in market interest rates. In the first nine months of 2013, the Group recorded a 19.64% growth in the size of its loan portfolio.

The Group provides financing for various purposes, the majority of which are corporate and commercial loans and loans to SMEs, with maturities of 12 months on average. However, as demand for longer term financing from existing customers and other high quality corporate credits increases, the Group expects the maturity profile of its portfolio to increase further.

Loans according to Maturity Structure

The following tables set out certain information relating to the maturity structure of the Group's loan portfolio (including NPLs) based upon the division between 1) short-term (less than 1 year) and 2) medium and long-term loans (greater than 1 year) and other receivables in line with BRSA Principles as of the dates indicated:

	As of 31 December 2012			
	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
	(TL, thousands)			
Short-term loans and other receivables	**34,318,288**	**497,259**	**639,779**	**60,224**
Non specialised loans	34,318,288	497,259	639,779	60,224
Specialised loans	—	—	—	—
Other receivables	—	—	—	—
Medium and long-term loans and other receivables	**38,151,943**	**2,261,825**	**1,515,936**	**367,404**
Non specialised loans	38,151,943	2,261,825	1,515,936	367,404
Specialised loans	—	—	—	—
Other receivables	—	—	—	—

	As of 31 December 2011			
	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
	(TL, thousands)			
Short-term loans and other receivables	**26,685,363**	**—**	**512,971**	**6,777**
Non specialised loans	26,685,363	—	512,971	6,777
Specialised loans	—	—	—	—
Other receivables	—	—	—	—
Medium and long-term loans and other receivables	**41,148,499**	**—**	**908,707**	**63,700**
Non specialised loans	41,148,499	—	908,707	63,700
Specialised loans	—	—	—	—
Other receivables	—	—	—	—

	As of 31 December 2010			
	Standard loans and other receivables		Loans and other receivables under close monitoring	
	Loans and other receivables	Agreement conditions modified	Loans and other receivables	Agreement conditions modified
	(TL, thousands)			
Short-term loans and other receivables	**25,847,614**	**—**	**627,115**	**38,100**
Non specialised loans	25,847,614	—	627,115	38,100
Specialised loans	—	—	—	—
Other receivables	—	—	—	—
Medium and long-term loans and other receivables	**26,717,919**	**—**	**940,511**	**71,721**
Non specialised loans	26,717,919	—	940,511	71,721
Specialised loans	—	—	—	—
Other receivables	—	—	—	—

Consumer Loans, Individual Credit Cards, Personnel Loans and Personnel Credit Cards

Total lending to individuals through consumer loans, individual credit cards, personnel loans and personnel credit cards amounted to TL 32,949,009 thousand as of 30 September 2013 (U.S.$16,197,527 thousand), which represented 21.5% of the Group's total assets compared to TL 28,109,366 thousand (or 21.38% of total assets) as of 31 December 2012, TL 23,231,682 thousand (or 19.78% of total assets) as of 31 December 2011 and TL 17,871,352 thousand (or 19.26% of total assets) as of 31 December 2010.

The Bank expects that its primary growth opportunities in its retail segment will be in mortgages, general purpose loans to individuals and SMEs, which are presently underdeveloped markets in Turkey. The credit card market is also expected to continue to be a focus area for the Bank, although with lower growth as it is a well-developed and relatively more penetrated market.

Commercial Instalment Loans and Corporate Credit Cards

Lending through commercial instalment loans and corporate credit cards amounted to TL 10,527,695 thousand as of 30 September 2013 (U.S.$5,175,349 thousand), which represented 6.9% of the Group's total assets compared to TL 8,910,903 thousand (or 6.78% of total assets) as of 31 December 2012, TL 10,027,923 thousand (or 8.54% of total assets) as of 31 December 2011 and TL 5,418,202 thousand (or 5.84% of total assets) as of 31 December 2010.

Non-performing Loan Sale

On 31 October 2012, the Bank sold a TL 626,078 NPL portfolio (which includes the capital and uncollected interest and other receivables), comprising corporate, commercial, retail, SME and credit card loans for TL 66,823 to LBT Varlık Yönetimi A.Ş, Girişim Varlık Yönetimi A.Ş., Anadolu Varlık Yönetim A.Ş. and İstanbul Varlık Yönetimi A.Ş. The loans were sold through a tender process. The Bank had set aside provisions of TL 559,806 on these loans. In 2013, the Bank has not realised any non-performing loan sales.

Derivatives

The Group's derivative transactions primarily include interest rate and foreign exchange swaps, forward foreign exchange purchase and sale transactions, and options. The following table sets out certain information on derivative financial assets based upon management data in line with BRSA requirements:

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
		(TL, thousands)		
Types of derivative transactions				
Foreign currency related derivative transactions	**105,680,743**	**46,874,973**	**36,308,658**	**43,599,038**
FC trading forward transactions	12,323,831	8,262,586	10,638,749	5,287,933
Trading swap transactions	74,377,786	28,529,302	19,227,426	26,468,079
Futures transactions	—	—	—	—
Trading option transactions	18,979,126	10,083,085	6,442,483	11,843,026
Interest related derivative transactions	**11,591,058**	**8,077,995**	**9,038,470**	**3,541,599**
Forward interest transactions	—	—	—	—
Interest rate swaps	6,993,634	3,695,772	4,579,348	3,541,598
Interest rate options	4,597,424	4,382,223	4,459,122	—
Interest rate futures	—	—	—	1
Other trading derivative transactions	**1,463,516**	**1,361,104**	**1,490,091**	**903,830**
Total trading derivative transactions	**118,735,317**	**56,314,072**	**46,837,219**	**48,044,467**
Types of hedging derivative transactions				
Transactions for fair value hedge	2,962,097	3,821,809	6,206,854	4,317,238
Cash flow hedges	37,717,616	36,959,906	32,437,197	8,527,020
Transactions for foreign net investment hedge	—	—	—	—
Total hedging related derivatives	**40,679,713**	**40,781,715**	**38,644,051**	**12,844,258**
Total derivative transactions	**159,415,030**	**97,095,787**	**85,481,270**	**60,888,725**

Marketable Securities Portfolio

The Group's marketable securities portfolio comprises of trading financial assets, financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity investments. Trading financial assets are acquired or incurred principally for the purpose of selling or repurchasing them in the near term or to form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Trading financial assets are initially recognised and subsequently re-measured at fair value. Securities with fixed maturity, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity. Securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or client's servicing activity, are classified as available-for-sale. Management determines the appropriate classification of investments at the time of their purchase.

Financial assets at fair value through profit or loss are trading financial assets measured at fair value which are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Investment securities are initially recognised at fair value. Available-for-sale financial assets are subsequently re-measured at fair value. Gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is transferred to income statement.

Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

The Group also enters into purchases or sales of investments under agreements to resell or repurchase substantially identical investments at a certain date in the future at a fixed price. Investments sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for the asset held in the portfolio, as appropriate.

The following table sets out a breakdown of investments held by the Group as on the dates indicated:

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
		(TL, thousands)		
Trading financial assets	1,238,380	1,002,995	556,830	1,070,115
Available-for-sale financial assets	14,405,509	15,650,448	8,011,276	5,875,980
Held-to-maturity investments	6,429,381	5,827,694	12,710,622	12,974,944
Total marketable securities	**22,073,270**	**22,481,137**	**21,278,728**	**19,921,039**

As of 30 September 2013, the size of the Group's marketable securities portfolio decreased by 2.0% to TL 22,073,270 thousand (U.S.$10,851,082 thousand) from TL 22,481,137 thousand as of 31 December 2012, which in turn was a 5.7% increase from TL 21,278,728 thousand as of 31 December 2011, which in turn was an increase of 6.8%, compared to TL 19,921,039 thousand as of 31 December 2010. The increase resulted primarily from the Bank's strategy of maintaining the ratio of security to assets at a relatively stable level. In 2012, the Group reclassified U.S.$2.96 billion of Republic of Turkey Eurobonds from "held-to-maturity" to "available-for-sale" following the transition to Basel II which resulted in such bonds having a higher risk-weighting in Basel II compared to Basel I.

The weighted average interest rates for securities by major currencies outstanding at 30 September 2013 and 31 December 2012, 2011 and 2010 based on yearly contractual rates are as follows:

	As of 30 September			As of 31 December								
	2013			2012			2011			2010		
	U.S.$	*EUR*	*TL*	*U.S.$*	*EUR*	*TL*	*U.S.$*	*EUR*	*TL*	*U.S.$*	*EUR*	*TL*
Investment securities												
Available-for-sale	6.85	5.33	9.24	7.05	4.49	9.16	6.80	5.83	9.80	6.81	6.89	7.72
Held-to-maturity	5.51	4.48	8.10	5.51	4.68	8.97	6.70	5.00	9.81	6.76	5.23	9.98

Trading Financial Assets

Trading financial assets include Government bonds and treasury bills, i.e., securities issued by the Turkish Treasury, as well as open ended mutual funds, derivatives and also equity securities that are either listed or unlisted.

The following table sets out a breakdown of the trading financial assets portfolio of the Group as of the dates indicated:

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
		(TL, thousands)		
Government debt securities	50,209	493,996	227,090	300,552
Share certificates	59,511	34,715	0	6,448
Derivative financial assets held for trading	1,124,730	420,483	274,618	693,524
Other marketable securities	3,930	53,801	55,122	69,591
Total trading financial assets	**1,238,380**	**1,002,995**	**556,830**	**1,070,115**

As of 30 September 2013, the size of the Group's trading financial assets portfolio increased by 23.46% to TL 1,238,380 thousand (U.S.$608,780 thousand) from TL 1,002,995 thousand as of 31 December 2012, compared to TL 556,830 thousand as of 31 December 2011 and TL 1,070,115 thousand as of 31 December 2010. The recent increase was mainly attributable to increasing trading financial assets portfolio activities of the Treasury.

Available-for-Sale Financial Assets

Available-for-sale assets are financial assets that are not held for trading purposes, nor intended by the Group to be held-to-maturity. The portfolio of securities available-for-sale consists of Government bonds, treasury bills and Eurobonds that are discounted and coupon securities issued by the Turkish Treasury, as well as open-ended mutual funds incorporated in Turkey, credit linked notes ("**CLNs**"), other bonds issued by domestic and foreign financial institutions and also equity securities that are either listed or unlisted.

The following table sets out certain information relating to the portfolio of the Group's financial assets available-for-sale as of 30 September 2013 and 31 December 2012, 2011 and 2010:

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
	(TL, thousands)			
Debt securities	**14,511,128**	**15,703,687**	**8,046,603**	**5,804,928**
Quoted on stock exchange[(1)]	12,600,655	14,067,931	6,376,457	4,494,573
Not quoted[(2)]	1,910,473	1,635,756	1,670,146	1,310,355
Share certificates	**81,486**	**63,927**	**64,717**	**58,401**
Quoted on stock exchange	156	133	140	354
Not quoted	81,330	63,794	64,577	58,047
Impairment provision (-)[(2)]	**(322,891)**	**(198,106)**	**(187,463)**	**(44,332)**
Other[(3)]	**135,786**	**80,940**	**87,419**	**56,983**
Total financial assets available-for-sale	**14,405,509**	**15,650,448**	**8,011,276**	**5,875,980**

(1) Includes credit linked notes amounting to TL 992,657 as of 30 September 2013, TL 895,659 as of 31 December 2012, TL 951,989 as of 31 December 2011, and TL 729,227 as of 31 December 2010.
(2) The figure includes the negative differences between the cost and the market price of the securities and the impairment provisions, if any.
(3) As of 30 September 2013, other available-for-sale financial assets include mutual funds amounting to TL 135,786 (TL 80,940 as of 31 December 2012, TL 87,419 as of 31 December 2011, and TL 56,983 as of 31 December 2010).

As of 30 September 2013, the size of the available-for-sale financial assets portfolio decreased to TL 14,405,509 thousand (U.S.$7,081,658 thousand) from TL 15,650,448 thousand as of 31 December 2012, which in turn represented an increase from TL 8,011,276 thousand as of 31 December 2011, which had in turn increased 36.34% from TL 5,875,980 thousand as of 31 December 2010. In 2012, the Group reclassified U.S.$2.96 billion of Republic of Turkey Eurobonds from "held-to-maturity" to "available-for-sale" following the transition to Basel II which led to changes in capital requirements. Over the same period, the size of total securities increased from 6.33% as of 31 December 2010 to 9.40% of total assets as of 30 September 2013.

Held-to-Maturity Investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Group intends and has the ability to hold to maturity. These include certain debt investments. The Group cannot classify any financial asset as held-to-maturity if it has, during the current financial year or during two preceding financial years, sold or transferred held-to-maturity investments before maturity.

The held-to-maturity investments portfolio of the Group consists of quoted on stock exchange Government bonds, treasury bills and other debt securities, all issued by the Turkish Treasury and foreign government bonds.

The following table sets out certain information relating to the Group's portfolio of held-to-maturity investments as of 30 September 2013 and 31 December 2012, 2011 and 2010:

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
	(TL, thousands)			
Government bonds	6,412,822	5,765,659	12,710,622	12,974,944
Treasury bills	—	—	—	—
Other debt securities	16,559	62,035	—	—
Total held-to-maturity investments	**6,429,381**	**5,827,694**	**12,710,622**	**12,974,944**

As of 30 September 2013, the size of the held-to-maturity portfolio increased by 10.32% to TL 6,429,381 thousand (U.S.$3,160,643 thousand) from TL 5,827,694 thousand as of 31 December 2012, which had represented a 54.15% decrease from TL 12,710,622 thousand as of 31 December 2011, which in turn represented a 2.04% decrease from TL 12,974,944 thousand as of 31 December 2010.

Property and Equipment

The following table sets out movements in the Group's tangible assets:

	As of 31 December		
	2012	2011	2010
		(TL, thousands)	
Book value at the beginning of the period	**1,063,384**	**1,156,515**	**1,147,547**
Additions	159,435	143,277	144,172
Transfers from intangible assets	—	—	—
Disposals (-), net	(5,756)	(185,202)	(45,171)
Reversal of impairment, net	1,015	99,374	53,977
Impairment (-)	—	—	(1,324)
Depreciation (-)	(162,197)	(153,433)	(142,925)
Foreign exchange differences, net	(418)	2,853	239
Book value at the end of the period	**1,055,463**	**1,063,384**	**1,156,515**
Cost at the end of the period	3,387,516	3,320,705	3,330,321
Accumulated depreciation at the period end (-)	2,332,053	2,257,321	2,173,806

As of 31 December 2012, the Bank had total provision amounting to TL 327,804 thousand for property and commitment, as compared to TL 328,682 thousand and TL 545,324 thousand as of 31 December 2011 and 2010, respectively.

Intangible Assets

The following table sets out the Group's goodwill and other intangible assets:

	As of 31 December		
	2012	2011	2010
		(TL, thousands)	
Balance at the beginning of the period	**1,284,165**	**1,243,080**	**1,194,649**
Additions during the period	157,074	104,367	90,675
Unused and disposed items (-)	(6,762)	(3,666)	(159)
Transfers	—	—	—
Impairment reversal	—	—	4,015
Amortisation expenses (-)	(72,957)	(60,014)	(46,100)
Foreign exchange valuation differences, net	(129)	398	—
Balance at the end of the period	**1,361,391**	**1,284,165**	**1,243,080**

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment to goodwill identified as of 30 September 2013 or 31 December 2012, 2011 or 2010.

Sources of Funding

As of 30 September 2013, the Group's major sources of funds for its lending and investment activities were deposits, which accounted for 68.7% of total funding and, to a lesser extent, funds borrowed, which accounted for 19.7% of total funding, money markets, which accounted for 6.2% of total funding, and marketable securities issued, which accounted for 5.3% of total funding compared to 70.40%, 70.77% and 76.21%, respectively, as of 31 December 2012 to 2010, 19.29%, 18.40% and 16.82%, respectively, as of 31 December 2012 to 2010, 6.41%, 7.36% and 5.04%, respectively, as of 31 December 2012 to 2010 and 3.91%, 3.47% and 1.93% as of 31 December 2012 to 2010.

The following table sets out the Group's sources of funding as of the dates indicated:

	As of 30 September		As of 31 December					
	2013	%	2012	%	2011	%	2010	%
				(TL, thousands)				
Deposits	82,916,205	68.72	71,143,391	70.40	66,186,550	70.77	55,207,002	76.21
Funds borrowed	23,821,520	19.74	19,489,973	19.29	17,206,718	18.40	12,183,344	16.82
Money markets	7,539,542	6.25	6,473,675	6.41	6,885,893	7.36	3,651,016	5.04
Marketable securities issued	6,384,169	5.29	3,946,505	3.91	3,248,717	3.47	1,394,904	1.93
Total	**120,661,436**	**100.0**	**101,053,544**	**100.0**	**93,527,878**	**100.0**	**72,436,266**	**100.0**

The availability of such funds is influenced by factors such as prevailing interest rates, market conditions and the level of competition prevailing.

Deposits

Deposits consist of customer demand and time deposits. Customer current accounts generally bear no interest and can be withdrawn upon demand. For time deposits, different interest rates are paid on the various types of account offered by the Group. Deposits from customers comprise local deposits, foreign currency deposits, savings, and commercial deposits.

Deposit growth across all periods was driven largely by the growth in local currency deposits.

The following tables set out the maturity structure of the Group's deposits/collected funds:

	As of 30 September 2013							
	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Total
Savings deposits	2,590,906	—	680,514	18,965,118	895,111	348,758	231,548	23,711,955
Foreign currency deposits	5,376,329	22,462	1,643,256	21,840,580	2,683,041	1,026,572	3,208,990	35,801,230
Residents in Turkey	4,343,088	43	1,577,738	21,422,091	866,871	535,119	1,220,105	29,965,055
Residents abroad	1,033,241	22,419	65,518	418,489	1,816,170	491,453	1,988,885	5,836,175
Public sector deposits	1,866,574	—	31	254,619	1,737	1,752,232	29	3,875,222
Commercial deposits	3,737,076	32,124	2,453,220	6,661,870	378,089	239,979	113,887	13,616,245
Other institutions deposits	74,864	—	52,569	2,221,779	10,777	394,499	3,598	2,758,086
Precious metals vault	808,973	—	46,974	105,742	69,883	94,111	165,662	1,291,345
Bank deposits	286,669	68,341	247,551	555,514	379,481	195,034	129,532	1,862,122
The CBRT	—	—	—	—	—	—	—	—
Domestic banks	4,937	—	100,263	157,594	193,028	72,714	640	529,176
Foreign banks	—	68,341	147,288	397,920	186,453	122,320	128,892	1,051,214
Participation banks	281,732	—	—	—	—	—	—	281,732
Other	—	—	—	—	—	—	—	—
Total	**14,741,391**	**122,927**	**5,124,115**	**50,605,222**	**4,418,119**	**4,051,185**	**3,853,246**	**82,916,205**

	As of 31 December 2012							
	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Total
Savings deposits	1,989,253	21	1,449,688	18,992,918	1,125,611	132,465	409,769	24,099,725
Foreign currency deposits	4,850,304	97,757	3,955,412	13,700,918	1,940,964	389,794	2,936,105	27,871,254
Residents in Turkey	4,072,979	—	3,847,280	12,287,829	1,059,186	264,835	1,098,881	22,630,990
Residents abroad	777,325	97,757	108,132	1,413,089	881,778	124,959	1,837,224	5,240,264
Public sector deposits	598,082	—	130,389	19,479	132,524	407	32	880,913
Commercial deposits	3,124,645	2,602	1,941,039	6,355,783	2,049,293	156,353	191,445	13,821,160
Other institutions deposits	31,789	—	25,529	783,989	865,862	298	598	1,708,065
Precious metals vault	856,210	—	—	158,010	75,288	79,255	144,228	1,312,991
Bank deposits	315,172	87,454	71,838	352,113	68,683	448,365	105,658	1,449,283
The CBRT	—	—	—	—	—	—	—	—
Domestic banks	1,868	—	55,042	155,268	65,190	51,170	6,836	335,374
Foreign banks	209,357	87,454	16,796	196,845	3,493	397,195	98,822	1,009,962
Participation banks	103,947	—	—	—	—	—	—	103,947
Other	—	—	—	—	—	—	—	—
Total	**11,765,455**	**187,834**	**7,573,895**	**40,363,210**	**6,258,225**	**1,206,937**	**3,787,835**	**71,143,391**

	As of 31 December 2011							
	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Total
Savings deposits	1,940,416	3,167	1,382,500	15,301,949	1,106,198	302,340	1,272,065	21,308,635
Foreign currency deposits	4,708,743	130,728	3,832,802	15,696,455	2,330,317	357,924	1,507,173	28,564,142
Residents in Turkey	4,045,617	50,442	3,445,831	13,773,807	2,046,671	123,073	723,724	24,209,165
Residents abroad	663,126	80,286	386,971	1,922,648	283,646	234,851	783,449	4,354,977
Public sector deposits	136,025	—	281	101,058	564	139	17	238,084
Commercial deposits	3,038,540	4,968	1,263,337	5,506,015	1,750,784	199,152	159,582	11,922,378
Other institutions deposits	31,314	—	23,494	584,712	485,866	7,940	48,570	1,181,896
Precious metals vault	993,545	—	380	166,607	132,281	64,377	51,736	1,408,926
Bank deposits	178,739	77,714	685,174	165,957	279,759	33,559	141,587	1,562,489
The CBRT	—	—	—	—	—	—	—	—
Domestic banks	12,673	—	391,434	—	—	—	3,104	407,211
Foreign banks	117,216	77,714	293,740	165,957	279,759	33,559	138,483	1,106,428
Participation banks	48,850	—	—	—	—	—	—	48,850
Other	—	—	—	—	—	—	—	—
Total	**11,027,322**	**216,577**	**7,187,968**	**37,522,753**	**6,085,769**	**965,431**	**3,180,730**	**66,186,550**

	As of 31 December 2010							
	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Total
Savings deposits	1,812,754	22,181	4,586,189	10,872,860	210,498	37,412	114,112	17,656,006
Foreign currency deposits	4,514,769	30,503	4,023,430	11,273,139	528,832	262,680	722,673	21,356,026
Residents in Turkey	3,838,021	16,092	3,864,195	9,765,581	250,273	149,836	341,088	18,225,086
Residents abroad	676,748	14,411	159,235	1,507,558	278,559	112,844	381,585	3,130,940
Public sector deposits	320,906	—	14,937	60,880	543	—	—	397,266
Commercial deposits	2,404,752	—	3,069,321	6,377,905	143,864	3,206	70,318	12,069,366
Other institutions deposits	34,853	—	85,306	1,478,796	288	65	990	1,600,298
Precious metals vault	237,777	—	—	45,422	16,774	17,917	26,252	344,142
Bank deposits	193,023	149,383	419,083	163,480	196,727	229,668	432,534	1,783,898
The CBRT	—	—	—	—	—	—	—	—
Domestic banks	68,087	—	357,762	4,022	—	—	246,138	676,009
Foreign banks	110,663	149,383	61,321	159,458	196,727	229,668	186,396	1,093,616
Participation banks	14,273	—	—	—	—	—	—	14,273
Other	—	—	—	—	—	—	—	—
Total	**9,518,834**	**202,067**	**12,198,266**	**30,272,482**	**1,097,526**	**550,948**	**1,366,879**	**55,207,002**

The following table sets out the currency basis analysis of the deposits (including interest expense accruals for all deposits) as of the dates indicated:

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
		(TL, thousands)		
TL	44,764,804	41,016,265	35,075,620	32,261,175
U.S.$	19,468,927	17,768,776	19,485,649	13,921,560
€	16,458,933	10,276,300	9,626,276	7,603,185
Other	2,223,541	2,082,050	1,999,005	1,000,359
Total	**82,916,205**	**71,143,391**	**66,186,550**	**55,207,002**

Funds Borrowed

The following table sets out the Group's borrowings as of the dates indicated:

	As of 30 September		As of 31 December					
	2013		2012		2011		2010	
	TL	*FC*	*TL*	*FC*	*TL*	*FC*	*TL*	*FC*
The CBRT borrowings..........	—	—	—	—	—	—	—	—
From domestic banks and institutions...........	1,134,382	311,631	830,303	259,396	713,873	394,273	1,078,428	360,655
From foreign banks, institutions and funds....................	638,497	15,564,102	510,259	12,694,373	653,211	12,921,545	948,183	7,685,804
Total.......................	**1,772,879**	**15,875,733**	**1,340,562**	**12,953,769**	**1,367,084**	**13,315,818**	**2,026,611**	**8,046,459**

On 27 September 2013, the Bank obtained a syndicated loan from 37 international banks, comprised of two tranches in the amount of U.S.$302.5 million and EUR657 million with total cost of LIBOR + 0.75% and EURIBOR + 0.75%, respectively. The loan is under a dual tranche multi-currency term loan facility agreement and matures on 26 September 2014. This loan facility replaced the syndicated loan that was signed in October 2012.

On 27 June 2013, the Bank entered into a Loan Agreement with the European Bank for Reconstruction and Development ("**EBRD**") in the amount of EUR100 million to be used by private sector micro, small and medium-size enterprises for the purposes of energy efficiency. The loan will be disbursed in tranches. The Bank utilised the first tranche, in the amount of U.S.$55 million, on 11 July 2013.

On 29 May 2013, the Bank entered into a Framework Loan Agreement with the CEB in the amount of EUR100 million, to be used by private sector micro, small and medium-size enterprises. The loan will be disbursed in tranches. For each tranche, the amount, the interest rate (fixed or floating), the currency (EUR or U.S. dollar), the disbursement date, the repayment period, and the parties' accounts for remittance shall be agreed between the CEB and the Bank. The Bank utilised the first tranche, in the amounts of EUR30 million and U.S.$26 million, on 17 July 2013.

On 30 April 2013, the Bank signed a one-year dual tranche dual-currency club term loan facility comprising a U.S. dollar tranche of U.S.$437 million and a Euro tranche of EUR759.5 million. This syndication refinanced the Bank's existing syndicated loan signed in April 2012 with a roll-over ratio above 100%. The all-in cost was LIBOR/EURIBOR plus 1.00% per annum.

On 22 January 2013, the Bank issued U.S.$500 million 4.0% senior notes due 2020.

On 6 December 2012, the Bank issued U.S.$1 billion subordinated notes with a ten-year maturity at a 5.5% coupon rate. The proceeds of the issuance have been qualified for Tier 2 capital treatment.

On 14 November 2012, the Bank signed two Framework Agreements with Japan Bank for International Cooperation ("**JBIC**"), Global Bank Loan and Renewable Energy Bank Loan, in the amount of U.S.$350 million and U.S.$150 million for the financing of Japanese exports or renewable energy projects, respectively.

On 5 June 2012, the Bank executed two loan agreements with the Export-Import Bank of Korea (KEXIM) in the amount of U.S.$50 million and U.S.$100 million, respectively. Between June 2012 and May 2013, the Bank borrowed U.S.$48 million in six separate tranches under the U.S.$100 million loan agreement with maturities of up to 10 years.

On 28 May 2012, the Board authorised the head office of the Bank regarding the execution of the necessary procedures for the issuance of covered bonds in an aggregate amount of EUR300 million for sale to qualified investors and the filing of the necessary applications with the CMB. Following its application in June 2012, the Bank obtained the CMB's approval for the issuance of covered bonds in an aggregate amount of EUR300 million on 27 July 2012. The first issuance amount on 16 November 2012 was the Turkish Lira equivalent of EUR200 million, with a maturity of the notes of three to five years.

On 3 May 2012, the Bank obtained a syndicated loan from 44 international banks, comprised of two tranches in the amount of U.S.$264 million and EUR864.5 million with a total cost of LIBOR + 1.45% and EURIBOR + 1.45%, respectively. The loan was under a dual tranche multi-currency term loan facility agreement and matured on 2 May 2013. This loan facility replaced the syndicated loan that was signed in April 2011 and was intended to finance pre-export and export credit facilities available to Turkish exporters.

On 24 February 2012, the Bank obtained a U.S.$585 million subordinated loan from UniCredit Bank Austria AG with a ten-year maturity (callable after five years). The loan has an all-in-cost of three-month LIBOR + 8.30%. The subordinated loan replaced the existing loan that was received from UniCredit Bank Austria AG in the amount of EUR450 million, maturing on 28 September 2012. With written approval of the BRSA dated 20 February 2012, this loan was approved as subordinated loan and can be taken into consideration as supplementary capital when calculating the Bank's capital adequacy ratios. On 9 January 2013, the Bank repaid this loan in full and replaced it with a further U.S.$585 million subordinated loan from UniCredit Bank Austria AG with a ten-year maturity (callable after five years) subject to a fixed interest rate of 5.5%.

On 8 February 2012, the Bank issued U.S.$500 million 6.750% notes due 2017. The interest on the notes will be paid semi-annually with the principal payment due at maturity.

In November 2011, the Bank drew down a EUR50 million equivalent tranche (borrowed in U.S. dollars) under its EUR200 million Climate Change Facility signed with the EIB on December 2010, with a maturity of 15 years (with a five-year grace period), to support renewable energy and energy efficiency projects. This tranche will mature on 3 November 2026.

On 11 October 2010, the Bank signed a long-term loan agreement with UniCredit Luxembourg S.A. in the amount of U.S.$750 million funded by an issue of U.S.$750 million loan participation notes due 2015, The issue was managed by UniCredit Bank AG, Citibank Global Markets Limited and Deutsche Bank AG London Branch. The transaction was priced at a yield of 5.1875%. The loan has a maturity of five years with semi-annual interest payments and a lump sum principal payment at maturity.

In 2008, the Bank borrowed EUR100 million under a facility with the EIB with a ten-year maturity. In 2009, the Bank borrowed an additional EUR200 million from EIB with a 12-year maturity and in August 2010, the Bank borrowed an additional EUR50 million in a second tranche under the same terms.

The Bank obtained a subordinated loan on 25 June 2007 in the amount of EUR200 million, with a ten-year maturity and repayment option at the end of five years. The interest rate is determined as EURIBOR+1.85% for the first five years. The loan was obtained from Citibank, N.A., London Branch with UniCredito Italiano S.p.A. guaranteeing the Bank's obligation thereunder.

On 31 March 2006, the Group obtained a subordinated loan in the amount of EUR500 million. The loan has a ten-year maturity with a repayment option at the end of five years. The interest rate is calculated as EURIBOR+2% for the first five years. The loan was advanced by Merrill Lynch Capital Corporation with UniCredito Italiano S.p.A. guaranteeing the Bank's obligation thereunder.

In addition, the subordinated loan obtained by Koçbank on 28 April 2006 amounting to EUR350 million, with a ten-year maturity and repayment option at the end of five years has been transferred to the Group. The interest rate is calculated as EURIBOR+2.25% for the first five years. The loan was advanced by Goldman Sachs International with UniCredito Italiano S.p.A. guaranteeing the Bank's obligation thereunder. On 21 November 2013, the Bank's Board of Directors authorised the Bank to repay this facility and enter into a new subordinated loan facility with UniCredit Bank

Austria AG amounting to EUR350 million (or the U.S. Dollar equivalent). The new facility will have either a fixed ten-year maturity or a ten-year maturity with a repayment option at the end of five years.

With written approvals of the BRSA dated 3 April 2006, 2 May 2006 and 19 June 2007, the subordinated loans listed above were approved as subordinated loans and can be taken into consideration as supplementary capital when calculating the Bank's capital adequacy ratios.

Funds borrowed from domestic banks include funds obtained from the Industrial Development Bank of Turkey (Türkiye Sinai Kalkinma Bankasi A.Ş) in the context of Export Financing and International Loans sourced by the World Bank to finance certain export loans provided to customers in line with the prevailing regulations.

The following table sets out the maturity structure of the Group's borrowings as of the dates indicated:

	As of 30 September		As of 31 December					
	2013		2012		2011		2010	
	TL	*FC*	*TL*	*FC*	*TL*	*FC*	*TL*	*FC*
Short-term	1,355,323	8,056,476	918,643	5,999,319	915,891	6,938,501	1,510,635	4,099,579
Medium and Long-term	417,556	7,819,257	421,919	6,954,450	451,193	6,377,317	515,976	3,946,880
Total	**1,772,879**	**15,875,733**	**1,340,562**	**12,953,769**	**1,367,084**	**13,315,818**	**2,026,611**	**8,046,459**

The Group has entered into a number of Turkish Lira/Turkish Lira and foreign currency financings with banks and other financial institutions, which have an average maturity of 12 months.

As of 30 September 2013, the Group had outstanding borrowings of TL 17,648,612 thousand.

Money Markets

Funding from money markets comprises funds from the interbank money market, funds from the Istanbul stock exchange money market, and funds provided under repurchase agreements. The Group's funding from money markets increased by 16.46% to TL 7,539,542 thousand (U.S.$3,706,392 thousand) as of 30 September 2013 from TL 6,473,675 thousand as of 31 December 2012, driven mainly by a change of composition of funding on the cut-off date, compared to a decrease of 5.99% from TL 6,885,893 thousand as of 31 December 2011 and an 88.60% increase from TL 3,651,016 thousand as of 31 December 2010.

Marketable Securities Issued

The following table sets out a breakdown of the Group's marketable securities issued as of the dates indicated:

	As of 30 September		As of 31 December					
	2013		2012		2011		2010	
	TL	*FC*	*TL*	*FC*	*TL*	*FC*	*TL*	*FC*
Bills	1.249.547	—	716,171	—	951,004	5,582	—	19,485
Asset backed securities	—	2.628.136	—	1,641,731	—	2,147,781	—	1,375,419
Bonds	501,990	2,004,496	703,236	885,367	144,350	—	—	—
Total	**1,751,537**	**4,632,632**	**1,419,407**	**2,527,098**	**1,095,354**	**2,153,363**	**—**	**1,394,904**

The Bank registered its first programme for domestic bond issues of up to TL 3.5 billion in aggregate with the CMB in May 2011, under which bond issues can be undertaken in multiple tranches within a term of one year as of the date of registration. Within the framework of this TL 3.5 billion limit, the Bank issued several tranches of local currency plain and discounted bonds in an aggregate amount of TL 3.08 billion in the domestic capital markets targeted at retail and institutional investors in Turkey. The Bank registered another programme for domestic bond issues of up to TL 2.25 billion in aggregate with the CMB in May 2012, under which bond issues can be undertaken in multiple tranches within a term of one year as of the date of registration. After depletion of the limit, the Bank registered its latest programme in February 2013 with the CMB for domestic bond issuances up to

TL 2.4 billion and within the limit year-to- date the bank issued several tranches of discounted bank bills totalling TL 1.05 billion. Meanwhile another application was made to the CMB in February 2013 for domestic bond issuances of up to TL 1.1 billion in which a TL 0.6 billion limit has been set aside for private placement issuances. These bonds can be re purchased (upon investors' request) and re-sold according to applicable legislation.

On 6 September 2012, the Board authorised the head office of the Bank regarding the execution of the necessary procedures for domestic bond issuances of up to TL 2.4 billion and the filing of the necessary applications with the CMB.

In December 2006, the Group finalised a diversified payment rights securitisation transaction of U.S.$800 million and EUR300 million by securitising its foreign currency denominated present and future remittances created via payment orders. The deal securitises the Group's payment orders created via SWIFT MT 103 or similar payment orders accepted as derived primarily from the Group's trade finance and other retail and corporate businesses and paid through foreign depository banks.

Notes issued under the diversified payment rights ("**DPR**") programme are issued by Yapi Kredi Diversified Payment Rights Finance Company Ltd. ("**SPC**"), an exempted limited liability company incorporated under the laws of the Cayman Islands. The Group acts as the originator of the DPR and as the servicer. There were four tranches, which were insured by the monoline companies namely, Assured Guaranty Corporation, MBIA Insurance Corporation, Radian Asset Assurance Inc., and Ambac Assurance Corporation. The notes were offered for sale outside the United States in reliance upon Regulation S under the Securities Act. The Series 2006-D Notes are listed on the official list of the Luxembourg Stock Exchange. On 14 December 2006, the SPC also entered into a private placement of U.S.$310,000,000 Series 2006-E Floating Rate Notes due 2011, which ranked *pari passu* with the Series 2006-D Notes.

The Group had repaid U.S.$310 million of the credit as of 1 March 2007 when it issued an additional U.S.$400 million of notes under the DPR programme. The additional issuance was composed of two tranches, one for EUR115 million and one for U.S.$250 million, insured by Financial Guaranty Insurance Company and XL Capital Assurance Inc., respectively.

On 26 May 2010, the Bank mandated Standard Bank plc and UniCredit Bank AG London Branch for an exchange offer of these monoline wrapped notes with unwrapped notes. Investors were given the option to exchange U.S.$600 million of original monoline wrapped notes (volume at face value, U.S.$ equivalent) with unwrapped notes having the same maturity but with a higher coupon. The current outstanding amounts on the exchanged notes are U.S.$42,030,000 for Series 2010-A, U.S.$1,250,000 for Series 2010-B, €67,290,300 for Series 2010-C, €12,212,900 Series 2010-D, and U.S.$42,000,000 for Series 2010-E.

On 19 August 2011, Yapi Kredi Diversified Payment Rights Finance Company Ltd. issued four additional tranches amounting to EUR130 million and U.S.$225 million for the benefit of the Bank under the DPR programme, on a private placement basis with the involvement of four commercial banks and two supranational. The transaction has a maturity of five years with a two-year grace period.

On 22 September 2011, Yapi Kredi Diversified Payment Rights Finance Company Ltd. issued another EUR75 million notes for the benefit of the Bank through Series 2011-E Notes under the same DPR programme. The notes were privately placed with a supranational institution. The series has a final maturity of 12 years.

On 26 July 2013, five new tranches were issued from Yapi Kredi's DPR securitisation programme and the total proceeds amount to EUR115 million and U.S$355 million, with four series having a final maturity of five years and one series with a 13-year final maturity. The transaction was a private placement with the involvement of four commercial banks and one supranational.

Guarantees and Warranties

The Group enters into certain financial instruments with off-balance sheet risk in the normal course of business in order to meet the needs of its customers. These instruments, which include letters of guarantee, bank acceptances, import letters of acceptance and other commitments and liabilities, involve varying degrees of credit risk and are not reflected in the balance sheet. As of 30 September 2013, the Group had issued letters of credit amounting to TL 6,747,801 thousand (U.S.$3,317,177 thousand), letters of guarantee amounting to TL 25,277,134 thousand (U.S.$12,426,081 thousand), bank acceptances amounting to TL 105,706 thousand (U.S.$51,964 thousand) and prefinancing given as guarantee of TL 2,925 thousand (U.S.$1,438 thousand), compared to TL 5,783,925 thousand, TL 20,619,952 thousand, TL 121,325 thousand and TL 252 thousand, respectively, as of 31 December 2012, TL 5,006,984 thousand, TL 18,814,713 thousand, TL 158,915 thousand and TL 2,662 thousand, respectively, as of 31 December 2011 and TL 3,999,873 thousand, TL 14,947,463 thousand, TL 165,797 thousand and TL 2,205 thousand, respectively, as of 31 December 2010. Maximum exposure to credit losses for letters of guarantee, bank acceptances and letters of credit is represented by the contractual amount of these transactions. Since many of the guarantees and warrantees are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements. The ratio of non-cash commitments to cash loans was 37.51% as of 30 September 2013 and 36.36%, 37.64% and 36.02% as of 31 December 2012, 2011 and 2010, respectively.

The following table sets out certain details on guarantees and warrantees on a consolidated basis as of the dates indicated:

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
		(TL, thousands)		
Letters of guarantee	25,277,134	20,619,952	18,814,713	14,947,463
Bank acceptances	105,706	121,325	158,915	165,797
Letters of credit	6,747,801	5,783,925	5,006,984	3,999,873
Prefinancing given as guarantee	2,925	2,520	2,662	2,205
Endorsement	—	—	—	—
Other guarantees	1,866,738	1,147,715	1,352,486	274,604
Other warrantees	1,354,784	968,964	1,036,749	302,611
Total guarantees and warrantees	**35,355,088**	**28,644,401**	**26,372,509**	**19,692,553**

As of 30 September 2013, the volume of letters of guarantee amounted to TL 25,277,134 thousand (U.S.$12,426,081 thousand), compared to TL 20,619,952 thousand as of 31 December 2012, TL 18,814,713 thousand as of 31 December 2011 and TL 14,947,463 thousand as of December 2010. The increase was mainly driven by increasing non-cash loan activities and by growth in business sectors as a result of the recovering economic environment.

As of 30 September 2013, the volume of letters of credit amounted to TL 6,747,801 thousand (U.S$3,317,177 thousand), compared to TL 5,783,925 thousand as of 31 December 2012, TL 5,006,984 thousand as of 31 December 2011 and TL 3,999,873 thousand as of 31 December 2010.

Contractual Obligations

In the course of its business, the Group enters into various contractual arrangements that require it to make payments of various amounts over time. As a result of the relative short maturity of deposits in Turkey generally, the Group uses these types of financings to extend the maturity of its funding sources.

As of 31 December 2012, the Group had outstanding syndicated loans of TL 4,417,692 thousand compared to TL 4,609,477 thousand and TL 3,374,006 thousand as of 31 December 2011 and 2010, respectively. In addition, the Group had subordinated debt amounting to TL 6,172,908 thousand as of 30 September 2013, compared to TL 5,195,642 thousand, TL 2,523,816 thousand and TL 2,110,274 thousand as of 31 December 2012, 2011 and 2010, respectively.

Capital Adequacy

Banks in Turkey are required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements ("**BIS**"). These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures.

A bank's capital adequacy ratio is calculated by taking the aggregate of its Tier 1 capital (which comprises paid in capital, reserves, retained earnings and profit (or loss, if any) for the current periods), its Tier 2 capital (which comprises general loan and free reserves, revaluation funds and subordinated loans obtained) and its Tier 3 capital (which comprises certain qualified subordinated loans in accordance with BIS guidelines) *minus* deductions (which comprise participations to financial institutions, negative differences between fair and book values of subsidiaries, subordinated loans extended, goodwill and capitalised costs), and dividing the result by risk-weighted assets, which reflect both credit risk and market risk. In accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%. By taking into account banks' internal systems, assets and financial structure, the BRSA is authorised to (i) increase the minimum capital adequacy ratio, (ii) set different ratios for each bank, and (iii) revise the risk weighting of assets that are based upon participation accounts. If a bank's capital adequacy ratio is below the ratio set by the BRSA, certain restrictions are imposed.

The following table sets out information on the Group's consolidated capital and its capital adequacy ratios as of 30 September 2013, 31 December 2012, 2011 and 2010, all computed based upon BRSA guidelines under Basel I.

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
		(TL, thousands)		
Paid in Capital	4,347,051	4,347,051	4,347,051	4,347,051
Legal Reserves	8,878,581	7,118,712	5,197,101	3,202,502
Profit	4,045,692	2,841,517	2,623,562	2,399,148
Tier 1 Capital (I)	16,883,637	13,998,517	11,698,856	9,276,491
Tier 2 Capital (II)	5,761,450	6,013,921	4,027,644	3,037,830
Deductions (III)	601,436	412,372	333,464	86,551
Own Funds (I+II III)	22,043,741	19,600,066	15,393,036	12,227,770
Risk Weighted Assets (including market risk)	141,315,163	129,018,000	103,462,230	79,249,650
Capital Ratios (%):				
Tier 1 Capital/Risk Weighted Assets	11.53	10.53	10.99	11.60
Own Funds/Risk Weighted Assets	15.60	15.19	14.88	15.43

The Bank and its individually regulated operations were in compliance with all the above mentioned capital adequacy requirements throughout the above indicated periods.

The Basel II standard approach came into force as the primary standard in Turkey on 31 July 2012, following a one year period during which it ran in parallel with Basel I, which remained the primary standard. Accordingly, the Bank implemented Basel II starting from 1 July 2012. The Group's capital adequacy ratio under Basel II was 15.6% as at 30 September 2013.

In 2013, the BRSA announced its intention to adopt the Basel III requirements and, as published in the Official Gazette dated 5 September 2013 and numbered 28756, adopted a new Regulation on Equities of Banks and amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks, both of which will enter into effect on 1 January 2014. In addition to these new regulations: (a) Regulation on the Capital Maintenance and Cyclical Capital Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, was published in the Official Gazette dated 5 November 2013 and numbered 28812 (b) the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which regulation the BRSA would seek to constrain leverage in the banking system and maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach), was published in the Official Gazette dated 5 November 2013 and numbered 28812 and (c) in order to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, the BRSA has published a regulation on a liquidity coverage ratio. The above implies possible implementation of Basel III in Turkey by as early as the beginning of 2014. In the future, Turkish banks' capital adequacy requirements may be further affected by the requirements of Basel III regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements.

Critical Accounting Policies

The Group's accounting policies used in the preparation of financial statements in accordance with the BRSA are integral to understanding the results of operations and financial condition presented in the Annual and Interim BRSA Financial Statements and the notes thereto. The Group's significant accounting policies are described in Section three of the Annual BRSA Financial Statements. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the year. On an on-going basis, management evaluates its estimates and judgments, including those related to allowance for losses, investments, income taxes, financing operations and contingencies, litigation and arbitration. Management bases its estimates and judgment upon historical experience and various other factors that it considers to be reasonable under the circumstances. Actual results may differ from estimates under different assumptions or conditions.

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

Explanations on interest income and expense

Interest income and expenses is recognised in the income statement on an accrual basis by using the effective interest method each quarter. The Group ceases accruing interest income on non-performing loans and, any interest income accruals from such receivables are reversed and no income is accounted until collection is made according to the related regulation.

Explanations on fee and commission income and expenses

Fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognised either in the period when the transaction is realised or deferred based on the type of the underlying transaction. Other commission income and fees from various banking services are recorded as income at the time of realisation.

Explanations on financial assets

The Group classifies and accounts its financial assets as "Fair value through profit or loss", "Available-for-sale" "Loans and receivables" or "**Held-to-maturity**". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Group management, taking into consideration the purpose of holding the investment. Regular purchases and sales of financial assets are recorded based on settlement date. Settlement date of a financial asset is the date that the asset is received or delivered by the Group. Settlement date accounting requires; (a) accounting for the financial asset when the asset is received and (b) accounting of disposal of the financial asset and recording the related profit and loss when the asset is delivered. The fair value changes of an asset to be acquired between the trade date and settlement date is accounted in accordance with the basis of valuation of assets.

Financial assets at fair value through profit or loss

Financial assets, which are classified as "Financial assets at fair value through profit or loss" are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognised at fair value and are subsequently re-measured at their fair value. However, if fair values cannot be obtained from active market transactions, it is assumed that the fair value cannot be measured reliably and fair values are calculated by alternative models. All gains and losses arising from these valuations are recognised in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

Derivative financial assets are treated as trading financial assets unless they are designated as hedge instruments. The principles regarding the accounting of derivative financial assets are explained in detail in Section three, Note IV. to the Annual BRSA Financial Statements.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets other than loans and receivables, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity and that are not initially classified as financial assets at fair value through profit/loss or available for sale. Held-to-maturity financial assets are initially recognised at total of acquisition and transaction cost. Held-to-maturity securities are carried at "**Amortised cost**" using the "**Effective interest method**" after their initial recognition. Interest income related with held-to-maturity securities is recorded in "**Interest income**" and impairment arising from a decrease in cost or revalued amounts is recorded in "Provision for impairment of loans and other receivables" accounts.

There are no financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to breach of classification principles. In accordance with TAS 39, sales or reclassification to available for sale portfolio of insignificant amount of financial assets, sale or reclassification to available for sale portfolio of financial assets which are close to maturity less than three months, or sale or reclassification to available for sale portfolio of assets as a result of significant increase in the risk weights of held-to- maturity investments used for regulatory risk-based capital purposes will not result in tainting.

Loans and receivables

Loans and receivables are financial assets raised through lending without having the intention to trade in the short term. Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in active market. Loans and receivables are recognised initially at cost including transaction costs (which reflect fair values) and subsequently carried at the amortised cost using the "**effective interest method**". The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognised in the expense accounts.

Retail, commercial and corporate loans Included in cash loans are accounted for with their original maturities in accounts which are mentioned in the Uniform Chart of Accounts ("**UCA**"). Foreign currency indexed loans are initially measured at local currency accounts with the foreign exchange rate prevailing at date of the initial recognition and re-valued with the relevant foreign currency rates prevailing at the date of the financial statements. Increase or decrease in the value of the principal amount of the loan due to changes in foreign exchange rates is accounted in the related income and expense accounts. Repayment amounts are translated with the foreign exchange rates prevailing at the repayment dates, and the valuation differences is accounted for in foreign exchange gain/loss accounts.

The Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("**Provisioning Regulation**") published in the Official Gazette No. 26333 dated 1 November 2006. In this context the management estimates are determined, on the basis of the prudence principle and the Bank credit risk policies considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

Provision expenses are deducted from the net income of the year. If there is a subsequent collection from a receivable that was already provisioned in previous years, the recovery amount is classified under "**Other operating income**". Uncollectible receivables are written-off after all the legal procedures are finalised.

Available-for-sale financial assets

Available-for-sale financial assets are defined as financial assets other than the ones classified as "Loans and receivables", "Held-to-maturity assets" or "Financial assets at fair value through profit or loss".

Available-for-sale financial assets are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at fair values determined by using alternative models. Available for sale equity securities which are not quoted in a market and the fair values of which cannot be determined reliably, are carried at cost less any impairment. "Unrealised gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognised in the shareholders' equity as "Marketable securities valuation differences", until the related assets are impaired or disposed. When these financial assets are disposed or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement. Interest and dividends received from available for sale assets are recorded in interest income and dividend income as appropriate.

Interest income on available for sale financial assets are calculated by effective interest rate method and are accounted for in interest income account. At the time of sale of an available for sale financial assets before the maturity, the difference between the profit, which is the difference between the cost and sales price of the financial assets, and the interest income accrual are accounted under "Trading gains/(losses) on securities" due to UCA.

Explanations on impairment of financial assets

The existence of objective evidence whether a financial asset or group of financial assets is impaired, is assessed at each balance sheet date. If such evidence exists, impairment provision is provided based on the financial assets classification.

Impairment for held to maturity financial assets carried at amortised cost is calculated as the difference between the expected future cash flows discounted at the effective interest rate method and the carrying value. The impairment amount transferred from shareholders' equity to profit or loss for available for sale securities is calculated as the difference between the purchase cost (after deduction of principal repayments and redemption) and the fair value less any impairment that was previously recorded in profit or loss. This amount is recorded in expense accounts in accordance with the UCA.

The principles for the accounting of provisions for loans and receivables are explained in Note VII. of this section.

Explanations on obligations related to employee rights

Employee termination benefits

Obligations related to employee termination and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("**TAS 19**") and are classified under "**Reserve for employee rights**" account in the balance sheet.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total liability for the future probable obligation of the Group determined by using certain actuarial assumptions.

Pension rights

The Bank's personnel are members of the Yapi ve Kredi Bankasi Anonim Şirketi Mensuplari Yardim ve Emekli Sandiği Vakfi ("**the Fund**") which was established in accordance with the 20th temporary article of the Social Security Law No. 506. The technical financial statements of the Fund are audited in accordance with the Article 38 of the Insurance Supervision Law and the "**Regulation Regarding the Actuaries**" by a registered independent actuary.

Temporary article 23 paragraph one of the Banking Act published in the Official Gazette No 25983 dated 1 November 2005 stated that foundations like the Fund are to be transferred to the Social Security Institution ("**SSI**") within three years beginning from the publication date of the article.

The article of the Law related to the transfer was cancelled (pursuant to the application by the President on 2 November 2005) by the decision of Constitutional Court (decision no: E.2005/39, K. 2007/33 dated 22 March 2007) published in the Official Gazette No. 20479 dated 31 March 2007, and the effect of the law article was suspended from the date of the publication of the decision.

The reasoning of the Constitutional Court regarding the abrogation of the corresponding article was published in the Official Gazette dated 15 December 2007, No 26372. With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("**GNAT**") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health insurance Law and Other Related Laws and Regulations" No 5754 ("**the New Law**") regulating the transfer or the funds were approved by the GNAT on 17 April 2008. The New Law was published in the Official Gazette No. 26870 dated 8 May 2008. With the new law, the banks' pension funds will be transferred to SSI within three years from the date of publication of the decree and this period can be extended for a maximum of two years with the decision of the Council of Ministers. The transfer period was extended for another two years with the decision of the Council of Ministers No. 2011/1559 published in the Official Gazette dated 9 April 2011. According to the "Amendment of Social Insurance and General Health Insurance Law No. 6283" published in the Official Gazette dated 8 March 2012, Council of Ministers was authorised to increase the two-year extension period mentioned above to four years. It was decided to extend the transfer date by one year in accordance with the decision of the Council of Ministers dated 3 May 2013.

A commission is in charge of the calculation of the value of the payment that would need to be made to SSI to settle the obligation using a technical interest rate of 9.8% by law taking into consideration income and expenses by insurance branches of the funds and the excess of salaries and income paid by the funds over the salaries and income to be paid in accordance with the SSI arrangements which should not be less than SSI arrangements, related to the members of the Fund as of the date of the transfer including the members who have left the scheme. The members of the commission are representatives of the SSI, the Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, Saving Deposit Insurance Fund ("**SDIF**"). One member from the commission represents the Fund, while another member represents the members of the Fund.

In accordance with the New Law, after the transfer to SSI, any social rights and payments to Fund members and their beneficiaries which are not provided although they are included in the Fund Title Deed will continue to be provided by the Fund and the employers of the Fund members.

The Bank accounts for a provision for the technical deficit based on the report prepared by a registered actuary in accordance with the rates determined by the new law.

Defined contribution plans

The Bank is required to pay certain contributions to the Social Security Institution on behalf of their employees. Other than these payments the Group does not have any further obligation in this respect. Such premiums are charged to personnel expenses when incurred.

Short term benefits of employee

According to TAS 19, liabilities derived from unused vacation pay defined in “Short term benefits of employee” are accrued in the period in which they are realised and are not discounted.

Explanations on other matters

Foreign exchange differences arising from translation of foreign subsidiaries have been reclassified to “**Other profit reserves**”. The effect of these classifications on the financial statements as of 31 December 2011 and 2010 are summarised below:

	31 December 2011		
	Published	**Adjustments**	**Restated**
Marketable Securities Valuation Differences	131,124	(245.990)	(114,866)
Other capital reserves	146,641	(827)	145,814
Other profit reserves	—	246,817	246,817

	31 December 2010		
	Published	**Adjustments**	**Restated**
Marketable Securities Valuation Differences	252,797	(78,882)	173,915
Other capital reserves	80,731	(609)	80,122
Other profit reserves	—	79,491	79,491

Critical Accounting Estimates

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. These disclosures supplement the commentary significant accounting policies and financial risk management. Judgements, other than those involving estimations, that have the most significant effect on the amounts recognised in the consolidated financial statements include:

Held to maturity financial assets

Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, which includes assessing in particular the Group’s intention and ability to hold the assets to maturity. If the Group fails to keep these investments to maturity other than for certain specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value rather than amortised cost. If the entire class of held-to-maturity investments is tainted, the carrying amount would increase by TL 364,748 thousand in 2012, TL 264,720 in 2011 and TL 766,537 thousand in 2010, with a corresponding entry in the fair value reserve in equity. The increase was primarily attributable to changes in interest rates in the market.

Finance leases and derecognition of financial assets

Management applies judgement to determine if substantially all of the significant risks and rewards of ownership of financial assets and lease assets are transferred to counterparties, in particular which risks and rewards are the most significant and what constitutes substantially all risks and rewards.

Special purpose entities

Judgement is also required to determine whether the substances of the relationship between the Group and a special purpose entity indicates that the special purpose entity is controlled by the Group.

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of available-for-sale equity investments

The Group reviews its debt securities classified as available-for-sale investments at each statement of financial position, in order to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loans and receivables.

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgement. In making this judgement the Group evaluates, among other factors, the volatility in share price and the duration and extent to which the fair value of an investment is less than its cost. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational or financing cash flows. Had all the declines in fair value below cost been considered significant or prolonged, the Group would not suffer any additional loss, being the transfer of the total debt balance in the fair value reserve to profit or loss.

Impairment losses on loans and receivables

The Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" published in the Official Gazette No. 26333 dated November 1, 2006. In this context, the management estimates are determined, on the basis of the prudence principle and the Bank's credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture.

Fair value of derivatives

Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values. Changing the assumptions not supported by observable market data to a reasonably possible alternative would not result in a significantly different profit, income, total assets or total liabilities.

Tax legislation

Turkish tax, currency and customs legislation is subject to varying interpretations as disclosed in Section three, Note XVII. to the Annual BRSA Financial Statements for the period ended 30 September 2013.

Pension Fund

The Group determines the present value of funded benefit obligations in accordance with the New Law by using several critical actuarial assumptions, including the discount rate, mortality rate, and medical costs as disclosed in Section three, Note XXVI. to the Annual BRSA Financial Statements for the nine-month period ended 30 September 2013. This approach recognises the obligations of the Group to make payments to the SSI in respect of the benefits which will be transferred to the SSI rather than an obligation to make benefit payments to individuals.

Deferred income tax asset recognition

Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Goodwill

Recoverable amount of goodwill was estimated based on value in use calculation as disclosed in Section three, Note XII. to the Annual BRSA Financial Statements for the period ended 30 September 2013.

SELECTED STATISTICAL AND OTHER INFORMATION

Except as specifically noted herein, the information presented in this section is derived from the Annual and the Interim BRSA Financial Statements (and the notes thereto). This section should be read in conjunction with the Annual and Interim BRSA Financial Statements incorporated by reference in this Prospectus, as well as with "Presentation of Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

All financial information presented in this Prospectus is presented in accordance with BRSA Principles unless expressed to the contrary.

*Some of the information included in this section of the Prospectus is not extracted from the Bank's audited financial statements and is unaudited. Such information is derived from the Bank's internal accounting and management information systems ("**MIS**") in accordance with the BRSA principles.*

Average Balance Sheet Information and Information on Interest Rates

The following tables set forth the average consolidated balances of the Group's interest earning assets and interest bearing liabilities, the interest generated from such assets and liabilities and average return rate at each date presented. For purposes of the following tables, except as otherwise indicated, the average is calculated on a daily basis for each representative period and is based on consolidated figures derived from the Group's internal accounting and MIS in accordance with BRSA Principles.

	For the nine months ended 30 September			For the year ended 31 December								
	2013			2012			2011			2010		
	Average Balance[1]	Interest	Average Rate (%)	Average Balance[1]	Interest	Average Rate (%)	Average Balance[1]	Interest	Average Rate (%)	Average Balance[1]	Interest	Average Rate (%)
						(TL, thousands, except %)						
Assets												
Banks	14,826,250	83,227	1.12%	10,784,826	128,507	1.19%	8,058,065	116,120	1.44%	5,131,881	134,172	2.61%
Loans and receivables	86,523,954	5,763,761	13.32%	74,429,881	7,791,862	10.47%	62,373,388	5,738,756	9.20%	46,973,191	4,649,422	9.90%
Marketable securities	22,277,204	1,114,201	10.00%	21,879,933	1,655,011	7.56%	20,599,884	1,574,371	7.64%	18,123,600	1,251,191	6.90%
Liabilities												
Deposits	77,029,798	2,554,339	6.63%	68,664,971	4,036,391	5.88%	60,696,776	3,137,304	5.17%	49,290,944	2,330,761	4.73%
Money markets	7,006,609	186,937	5.34%	6,679,784	278,109	4.16%	5,268,455	317,144	6.02%	2,468,292	66,447	2.69%
Other funds borrowed	5,764,715	762,993	26.47%	4,060,021	845,035	20.81%	3,319,241	615,010	18.53%	1,883,533	402,299	21.36%

(1) Average balances are calculated based on the beginning and ending balances over the relevant period.

Average Interest Earning Assets, Yields, Margins and Spreads

Marketable Securities Portfolio

The Group's marketable securities portfolio comprises of trading financial assets, held-to-maturity investments and available-for-sale financial assets. Trading securities are acquired or incurred principally for the purpose of selling or repurchasing them in the near term or to form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

As of 30 September 2013, the size of the Group's marketable securities portfolio decreased by 1.81% to TL 22,073,270 thousand (U.S.$10,851,082 thousand) from TL 22,481,137 thousand as of 31 December 2012, which in turn was an increase of 5.7% compared to TL 21,278,728 thousand as of 31 December 2011, which had represented a further increase of 6.8% compared to TL 19,921,039 thousand as of 31 December 2010. The decrease resulted primarily from a decrease in available-for-sale financial assets. In line with the risk management policies of the Group, 29.12% of the Group's marketable securities portfolio comprised of held-to-maturity investments as of 30 September 2013, compared to 25.92% as of 31 December 2012, 59.73% as of 31 December 2011 and 65.13% as of 31 December 2010.

The following table sets out an analysis of the composition of the Group's marketable securities portfolio as of the dates indicated:

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
		(TL, thousands)		
Trading financial assets	1,238,380	1,002,995	556,830	1,070,115
Available-for-sale financial assets	14,405,509	15,650,448	8,011,276	5,875,980
Held-to-maturity investments	6,429,381	5,827,694	12,710,622	12,974,944
Total marketable securities portfolio	**22,073,270**	**22,481,137**	**21,278,728**	**19,921,039**

The interest rates on the Group's Turkish Lira and foreign currency denominated securities ranged between 8.10% to 9.24% and from 4.48% to 6.85% for the nine-month period ended 30 September 2013 compared to 8.97% to 9.16% and from 4.49% to 7.05%, respectively, for the year ended 31 December 2012, 9.80% to 9.91% and from 5.00% to 6.80%, respectively, for the year ended 31 December 2011 and 7.72% to 9.98% and 5.23% to 6.89%, respectively, for the year ended 31 December 2010.

Trading Portfolio

Trading securities include Government bonds and treasury bills that are discounted and coupon securities issued by the Turkish Treasury, as well as open ended mutual funds incorporated in Turkey, derivatives and also equity securities that are either listed or unlisted.

The following table sets out a breakdown of the trading portfolio of the Group as of the dates indicated:

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
		(TL, thousands)		
Government debt securities	50,209	493,996	227,090	300,552
Share certificates	59,511	34,715	—	6,448
Derivative financial assets held for trading	1,124,730	420,483	274,618	693,524
Other marketable securities	3,930	53,801	55,122	69,591
Total trading financial assets	**1,238,380**	**1,002,995**	**556,830**	**1,070,115**

As of 30 September 2013, the size of the Group's trading financial assets portfolio increased by 23.47% to TL 1,238,380 thousand (U.S.$608,780 thousand) from TL 1,002,995 thousand as of

31 December 2012, compared to TL 556,830 thousand as of 31 December 2011 and TL 1,070,115 thousand as of 31 December 2010. The decrease as of 31 December 2011 as compared to 31 December 2010 was primarily attributable to a decrease in derivative financial assets, while the increase as of 31 December 2012 as compared to 31 December 2011 was mainly driven by a subsequent rebound in derivative financial assets as a result of an improvement in general market conditions. The as of 30 September 2013 as compared to 31 December 2012 was primarily attributable to a higher trading marketable securities portfolio.

Available-for-Sale Portfolio

Available-for-sale assets are financial assets that are not held for trading purposes, nor intended by the Group to be held-to-maturity. The portfolio of financial assets available-for-sale consists of Government bonds, treasury bills and Eurobonds that are discounted and coupon securities issued by the Turkish Treasury, as well as open ended mutual funds incorporated in Turkey, CLNs, other bonds issued by domestic and foreign financial institutions and also equity securities that are either listed or unlisted.

The following table sets out certain information relating to the portfolio of available-for-sale financial assets of the Group as of the dates indicated:

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
		(TL, thousands)		
Debt securities	14,511,128	15,703,687	8,046,603	5,804,928
Quoted on stock exchange[(1)]	12,600,655	14,067,931	6,376,457	4,494,573
Not quoted[(2)]	1,910,473	1,635,756	1,670,146	1,310,355
Share certificates	81,486	63,927	64,717	58,401
Quoted on stock exchange	156	133	140	354
Not quoted	81,330	63,794	64,577	58,047
Impairment provision (-)[(2)]	(322,891)	(198,106)	(187,463)	(44,332)
Other[(3)]	135,786	80,940	87,419	56,983
Total financial assets available-for-sale	**14,405,509**	**15,650,448**	**8,011,276**	**5,875,980**

(1) Includes credit linked notes amounting to TL 992,657 as of 30 September 2013, TL 895,659 as of 31 December 2012, TL 951,989 as of 31 December 2011, and TL 729,227 as of 31 December 2010.
(2) The figure includes the negative differences between the cost and the market price of the securities and the impairment provisions, if any.
(3) As of 30 September 2013, other available-for-sale financial assets include mutual funds amounting to TL 135,786 (TL 80,940 as of 31 December 2012, TL 87,419 as of 31 December 2011, and TL 56,983 as of 31 December 2010).

Held-to-Maturity Investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Group intends and has the ability to hold to maturity. These include certain debt investments. The Group cannot classify any financial asset as held-to-maturity if it has, during the current financial year or during the two preceding financial years, sold or transferred held-to-maturity investments before maturity.

The held-to-maturity securities portfolio of the Group consists of Government bonds, treasury bills and Eurobonds that are purchased at discount and coupon securities issued by the Turkish Treasury and foreign government bonds.

The following table sets out certain information relating to the Group's portfolio of held-to-maturity investments as of the dates indicated:

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
		(TL, thousands)		
Government bonds	6,412,822	5,765,659	12,710,622	12,974,944
Treasury bills	—	—	—	—
Other debt securities	16,559	62,035	—	—
Total held-to-maturity investments	**6,429,381**	**5,827,694**	**12,710,622**	**12,974,944**

As of 30 September 2013, the size of the held-to-maturity portfolio increased by 10.32% to TL 6,429,381 thousand (U.S.$3,160,643 thousand) from TL 5,827,694 thousand as of 31 December 2012, which represented a decrease of 54.15% from TL 12,710,622 thousand as of 31 December 2011, which in turn represented a further decrease of 2.04% from TL 12,974,944 thousand as of 31 December 2010.

Maturities of Securities

The following tables set out the remaining maturities of the Group's securities based upon the original term to maturity (showing lifetime cash flows, which as a result are greater than the balance sheet amounts) as of the dates indicated:

	As of 30 September 2013					
	Demand and up to 3 months	3 months-1 year	1 year-5 years	Over 5 years	Term not specified	Total
			(TL, thousands)			
Trading(1) financial assets	518,680	441,526	167,660	51,003	59,511	1,238,380
Available-for-sale financial assets	132,171	733,075	5,309,630	8,194,447	36,186	14,405,509
Held-to-maturity investments	29,205	2,309,934	1,054,886	3,035,356	—	6,429,381

	As of 31 December 2012					
	Demand and up to 3 months	3 months-1 year	1 year-5 years	Over 5 years	Term not specified	Total
			(TL, thousands)			
Trading(1) financial assets	264,285	224,895	142,727	336,373	34,715	1,002,995
Available-for-sale financial assets	1,267,289	273,382	4,840,883	9,250,267	18,627	15,650,448
Held-to-maturity investments	46,353	24,094	3,350,519	2,406,728	—	5,827,694

	As of 31 December 2011					
	Demand and up to 3 months	3 months-1 year	1 year-5 years	Over 5 years	Term not specified	Total
			(TL, thousands)			
Trading(1) financial assets	155,919	227,321	109,798	63,792	—	556,830
Available-for-sale financial assets	357,014	1,050,207	2,400,612	4,186,017	17,426	8,011,276
Held-to-maturity investments	79,249	191,934	4,737,146	7,702,293	—	12,710,622

	As of 31 December 2010					
	Demand and up to 3 months	3 months-1 year	1 year-5 years	Over 5 years	Term not specified	Total
			(TL, thousands)			
Trading(1) financial assets	677,526	79,956	161,902	144,283	6,448	1,070,115
Available-for-sale financial assets	134,491	105,361	2,390,248	3,229,280	16,600	5,875,980
Held-to-maturity investments	1,627,452	555,664	4,188,211	6,603,617	—	12,974,944

(1) Including derivative financial assets.

Currency breakdown of marketable securities portfolio

The following table sets out the currencies of the Group's marketable securities portfolio as of the dates indicated:

	As of 30 September 2013					
	U.S.$	Euro	Other	Total Foreign Currency	TL	Total
	(TL, thousands)					
Trading[(1)] financial assets	94,800	49,659	354	144,813	1,093,567	1,238,380
Available-for-sale financial assets	5,688,381	369,012	61,330	6,118,723	8,286,786	14,405,509
Held-to-maturity investments	2,628,418	243,912	—	2,872,330	3,557,051	6,429,381

	As of 31 December 2012					
	U.S.$	Euro	Other	Total Foreign Currency	TL	Total
	(TL, thousands)					
Trading[(1)] financial assets	206,608	42,680	1,007	250,295	752,700	1,002,995
Available-for-sale financial assets	7,122,856	441,374	36,043	7,600,273	8,050,175	15,650,448
Held-to-maturity investments	2,281,950	227,237	—	2,509,187	3,318,507	5,827,694

	As of 31 December 2011					
	U.S.$	Euro	Other	Total Foreign Currency	TL	Total
	(TL, thousands)					
Trading[(1)] financial assets	106,269	7,843	2,011	116,123	440,707	556,830
Available-for-sale financial assets	1,270,495	165,851	54,537	1,490,883	6,520,393	8,011,276
Held-to-maturity investments	8,613,182	628,558	—	9,241,740	3,468,882	12,710,622

	As of 31 December 2010					
	U.S.$	Euro	Other	Total Foreign Currency	TL	Total
	(TL, thousands)					
Trading[(1)] financial assets	59,854	65,840	6,250	131,944	938,171	1,070,115
Available-for-sale financial assets	1,323,109	76,317	53,679	1,453,105	4,422,875	5,875,980
Held-to-maturity investments	6,880,673	774,441	—	7,655,114	5,319,830	12,974,944

(1) Including derivative financial assets.

Loan Portfolio

Loans and receivables represent the largest component of the Group's assets. As of 30 September 2013, total loans and receivables, amounted to TL 94,259,061 thousand (U.S.$46,337,165 thousand), which represented 61.52% of the Group's total assets compared to TL 78,788,847 thousand (or 59.92% of total assets) as of 31 December 2012, TL 70,070,914 thousand (or 59.66% of total assets) as of 31 December 2011 and TL 54,675,862 thousand (or 58.91% of total assets) as of 31 December 2010. The Group's net loans and receivables increased by 19.64% from 31 December 2012 to 30 September 2013, increased by 12.44% from 31 December 2011 to 31 December 2012 and by 28.16% from 31 December 2010 to 31 December 2011.

The Group provides financing for various purposes, the majority of which are corporate loans and loans to SMEs, with maturities of 12 months on average. However, as demand for longer-term financing from existing customers and other high quality corporate credits increases, the Group expects the maturity profile of its portfolio to increase further.

Distribution of Loans and Receivables by Sector

As part of its on-going lending strategy, the Group intends to focus on retail segment (including SME), higher yielding project finance loans and Turkish Lira mid-commercial loans. Lending to individuals through consumer loans grew 16.15% to TL 17,783,873 as of 30 September 2013, compared to TL 15,310,746 as of 31 December 2012, TL 13,461,586 thousand as of 31 December 2011 and TL 12,648,467 as of 31 December 2010.

The following table sets out the Group's performing retail and corporate loans by category as of the dates indicated in line with the Annual BRSA Financial Statements including watch list customers:

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
	(TL, thousands)			
Individual loans				
Housing	8,750,491	7,230,938	6,599,802	5,231,198
Credit cards	15,165,136	12,798,620	9,770,096	8,260,691
Auto	1,133,534	1,168,346	1,275,085	957,023
Other	7,899,848	6,911,462	5,586,699	6,460,246
Total individual loans	**32,949,009**	**28,109,366**	**23,231,682**	**20,909,158**
Loans to companies (including SMEs)	60,135,668	49,703,292	46,094,335	33,333,822
Total loans to companies	**60,135,668**	**49,703,292**	**46,094,335**	**33,333,822**
Total	**93,084,677**	**77,812,658**	**69,326,017**	**54,242,980**

The Bank expects that its primary growth opportunities in its retail segment will be in mortgages, general purpose loans to individuals and SMEs, which the Bank believes are presently underdeveloped markets in Turkey. The credit card market is also expected to continue to be a focus area for the Bank, although with lower growth as it is a well-developed and relatively more penetrated market.

Composition by Maturity and Interest Rate

The following table sets out certain information relating to the maturity profile of the Group's loan portfolio (including NPLs) based upon the original term to maturity (showing lifetime cash flows, which as a result are greater than the balance sheet amounts) as of the dates indicated:

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
	(TL, thousands)			
Unclassified	1,174,384	976,189	744,897	432,882
Up to 3 months	23,713,134	22,568,111	16,981,162	15,435,371
3 months to 1 year	21,627,946	19,661,444	16,498,220	11,969,759
1 year to 5 years	28,780,746	22,011,620	21,537,428	16,938,841
Over 5 years	18,962,851	13,571,483	14,309,207	9,899,009
Total loans	**94,259,061**	**78,788,847**	**70,070,914**	**54,675,862**

Composition of Loan Portfolio by Currency

As of 30 September 2013, foreign currency-denominated loans amounted to TL 35,483,832 thousand (U.S.$17,443,630 thousand), or 37.65% of total loans (of which U.S. dollar obligations were the most significant portion), compared to TL 26,742,384 thousand as of 31 December 2012, TL 28,653,908 thousand as of 31 December 2011 and TL 21,841,980 thousand as of 31 December 2010.

The following table sets out an analysis of the composition of the Group's cash loan portfolio by currency as of the dates indicated as of the dates indicated:

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
	(TL, thousands)			
TL	58,775,229	52,046,463	41,417,006	33,362,218
U.S.$	20,714,034	17,249,373	18,662,267	14,083,288
Euro	10,177,900	8,487,116	9,039,423	7,092,159
Other	4,591,898	1,005,895	952,218	138,197
Total	**94,259,061**	**78,788,847**	**70,070,914**	**54,675,862**

Foreign currency loans include FX indexed loans, which have been disclosed as Turkish Lira-denominated loans in the BRSA Financial Statements.

Comparison by Loan Classification and Allowances

The following tables set out a comparison of the Group's loan portfolio by loan classification and allowances as of the dates indicated as of the dates indicated:

	As of 31 December 2012					
	Corporate, commercial and other loans	**Consumer loans**	**Credit Cards**	**Financial leasing**	**Factoring**	**Total**
			(TL, thousands)			
Standard loans	46,876,167	14,209,929	14,143,219	2,853,576	1,542,319	79,625,210
Watch list	1,195,319	1,100,817	287,207	131,268	86,760	2,801,371
Loans under legal follow-up	1,580,473	565,084	428,546	251,433	62,048	2,887,584
Specific provisions (-)	(1,042,729)	(291,018)	(264,167)	(139,784)	(51,060)	(1,788,758)
Total	**48,609,230**	**15,584,812**	**14,594,805**	**3,096,493**	**1,640,067**	**83,525,407**

	As of 31 December 2011					
	Corporate, commercial and other loans	**Consumer loans**	**Credit Cards**	**Financial leasing**	**Factoring**	**Total**
			(TL, thousands)			
Standard loans	44,749,627	12,936,404	10,147,831	2,549,066	1,787,155	72,170,083
Watch list	720,622	525,182	246,351	131,498	—	1,623,653
Loans under legal follow-up	1,452,724	317,376	368,018	264,121	22,836	2,425,075
Specific provisions (-)	(977,538)	(156,082)	(259,601)	(150,202)	(19,230)	(1,562,653)
Total	**45,945,435**	**13,622,880**	**10,502,599**	**2,794,483**	**1,790,761**	**74,656,158**

	As of 31 December 2010					
	Corporate, commercial and other loans	**Consumer loans**	**Credit Cards**	**Financial leasing**	**Factoring**	**Total**
			(TL, thousands)			
Standard loans	35,155,061	9,166,002	8,244,470	1,674,712	1,823,566	56,063,811
Watch list	927,771	444,659	305,017	193,801	—	1,871,248
Loans under legal follow-up	1,057,915	378,569	471,482	313,781	18,707	2,240,454
Specific provisions (-)	(850,564)	(221,947)	(402,573)	(192,680)	(17,381)	(1,685,145)
Total	**36,290,183**	**9,767,283**	**8,618,396**	**1,989,614**	**1,824,892**	**58,490,368**

Fair value of collateral

Collateral mainly comprises the following: cash funds, deposits, mortgages of real estate at the land registry and mortgages of real estate built on allocated land, export documents, guarantees, and acceptances and pledges on vehicles. The following tables show the fair value of collateral under the Group's watch listed and loans under legal follow-up as of the dates indicated:

	As of 31 December 2012					
	Corporate, commercial and other loans	**Consumer loans**	**Credit Cards**	**Financial leasing**	**Factoring**	**Total**
			(TL, thousands)			
Watch list	378,696	541,309	—	65,429	—	985,434
Loans under legal follow-up[1]	293,403	37,981	—	94,300	—	425,684
Total	**672,099**	**579,290**	**—**	**159,729**	**—**	**1,411,118**

	As of 31 December 2011					
	Corporate, commercial and other loans	**Consumer loans**	**Credit Cards**	**Financial leasing**	**Factoring**	**Total**
			(TL, thousands)			
Watch list	333,927	232,157	—	59,312	—	625,396
Loans under legal follow-up[1]	302,664	52,892	—	91,951	—	447,507
Total	**636,591**	**285,049**	**—**	**151,263**	**—**	**1,072,903**

	As of 31 December 2010					
	Corporate, commercial and other loans	**Consumer loans**	**Credit Cards**	**Financial leasing**	**Factoring**	**Total**
			(TL, thousands)			
Watch list	372,980	174,571	—	107,818	—	655,369
Loans under legal follow—up[1]	190,853	80,735	—	101,858	—	373,446
Total	**563,833**	**255,306**	**—**	**209,676**	**—**	**1,028,815**

(1) Fair values of collaterals received for non-performing loans are calculated by using hair-cuts over their nominal values in accordance with the "*Regulation of Procedures for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside*".

Credit classification and provisioning policy

A description of the Group's risk management policies is set out in "*Risk Management*".

The Group uses an internal rating model for the evaluation of credit risk management of its corporate and commercial clients, classifying them on a scale of 17 grades. The following table shows the Bank's rating tool concentration by risk classes as of the dates indicated:

		Concentration level (%) As of 31 December		
	Rating Class[1]	**2012**	**2011**	**2010**
Above average	1 - 4	43.7	35.9	31.2
Average	5+ - 6	49.4	51.0	47.9
Below average	7+- 9	6.9	13.1	20.9

(1) For corporate and commercial clients only.

Scoring models are also used throughout the granting and monitoring/collection processes for consumer loans and the credit card segment. These models are developed and updated in accordance with changes in customer behaviour. A new application scorecard has also been developed to evaluate SME clients. The model categorises clients into 23 rating classes.

As of 30 September 2013 and in 2012, 2011 and 2010, the Group sold NPL portfolios with aggregate principal amounts of TL 18,023 thousand, TL 561,817 thousand, TL 256,378 thousand and TL 1,168,323 thousand, respectively.

Sources of Funding

As of 30 September 2013, the Group's major sources of funds for its lending and investment activities were deposits, which accounted for 68.7% of total funding and, to a lesser extent, funds borrowed, which accounted for 19.7% of total funding, and marketable securities issued (net), which accounted for 5.3% of total funding, compared to 70.4%, 19.3% and 3.9%, respectively, as of 31 December 2012, 70.8%, 18.4% and 3.5%, respectively, as of 31 December 2011, and 76.2%, 16.8% and 1.9%, respectively, as of 31 December 2010.

The following table sets out the Group's sources of funding as of the dates indicated:

	As of 30 September		As of 31 December					
	2013	%	2012	%	2011	%	2010	%
				(TL, thousands, except %)				
Deposits	82,916,205	68.72	71,143,391	70.40	66,186,550	70.77	55,207,002	76.21
Funds borrowed	23,821,520	19.74	19,489,973	19.29	17,206,718	18.40	12,183,344	16.82
Money markets	7,539,542	6.25	6,473,675	6.41	6,885,893	7.36	3,651,016	5.04
Marketable securities issued (net)	6,384,169	5.3	3,946,505	4.1	3,248,717	3.6	1,394,904	2.0
Total	**122,028,070**	**100.0**	**95,855,902**	**100.0**	**91,004,052**	**100.0**	**70,325,992**	**100.0**

The availability of such funds is influenced by factors such as prevailing interest rates, market conditions and the existing level of competition.

Deposits

Deposits consist of customer demand and time deposits. Customer current accounts generally bear no interest and can be withdrawn upon demand. For time deposits, different interest rates are paid on the various types of account offered by the Group. Deposits comprise local deposits, foreign currency deposits, savings, and commercial deposits. Deposit growth in 2012 and the first nine months of 2013 was driven by growth in local currency deposits.

The following tables set out the maturity structure of the Group's deposits/collected funds:

	As of 30 September 2013							
	Demand	**With 7 days notifications**	**Up to 1 month**	**1-3 months**	**3-6 months**	**6 months – 1 year**	**1 year and over**	**Total**
Savings deposits	2,590,905	—	680,514	18,965,118	895,111	348,758	231,548	23,711,954
Foreign currency deposits	5,376,329	22,462	989,591	22,494,245	2,683,041	1,026,572	3,208,990	35,801,230
Residents in Turkey	4,343,088	43	924,073	22,075,756	866,871	535,119	1,220,105	29,965,055
Residents abroad	1,033,241	22,419	65,518	418,489	1,816,170	491,453	1,988,885	5,836,175
Public sector deposits	1,866,574	—	31	254,619	1,737	1,752,232	29	3,875,222
Commercial deposits	3,737,077	32,124	2,453,220	6,661,870	378,089	239,979	113,887	13,616,246
Other institutions deposits	74,864	—	52,569	2,221,779	10,777	394,499	3,598	2,758,086
Precious metals vault	808,973	—	46,974	105,742	69,883	94,111	165,662	1,291,345
Bank deposits	286,669	68,341	247,551	555,514	379,481	195,034	129,532	1,862,122
The CBRT	—	—	—	—	—	—	—	—
Domestic banks	4,937	—	100,263	157,594	193,028	72,714	640	529,176
Foreign banks	—	68,341	147,288	397,920	186,453	122,320	128,892	1,051,214
Participation banks	281,732	—	—	—	—	—	—	281,732
Other	—	—	—	—	—	—	—	—
Total	**14,741,391**	**122,927**	**4,470,450**	**51,258,887**	**4,418,119**	**4,051,185**	**3,853,246**	**82,916,205**

	As of 31 December 2012							
	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Total
Savings deposits	1,989,253	21	1,449,688	18,992,918	1,125,611	132,465	409,769	24,099,725
Foreign currency deposits	4,850,304	97,757	3,955,412	13,700,918	1,940,964	389,794	2,936,105	27,871,254
Residents in Turkey	4,072,979	—	3,847,280	12,287,829	1,059,186	264,835	1,098,881	22,630,990
Residents abroad	777,325	97,757	108,132	1,413,089	881,778	124,959	1,837,224	5,240,264
Public sector deposits	598,082	—	130,389	19,479	132,524	407	32	880,913
Commercial deposits	3,124,645	2,602	1,941,039	6,355,783	2,049,293	156,353	191,445	13,821,160
Other institutions deposits	31,789	—	25,529	783,989	865,862	298	598	1,708,065
Precious metals vault	856,210	—	—	158,010	75,288	79,255	144,228	1,312,991
Bank deposits	315,172	87,454	71,838	352,113	68,683	448,365	105,658	1,449,283
The CBRT	—	—	—	—	—	—	—	—
Domestic banks	1,868	—	55,042	155,268	65,190	51,170	6,836	335,374
Foreign banks	209,357	87,454	16,796	196,845	3,493	397,195	98,822	1,009,962
Participation banks	103,947	—	—	—	—	—	—	103,947
Other	—	—	—	—	—	—	—	—
Total	**11,765,455**	**187,834**	**7,573,895**	**40,363,210**	**6,258,225**	**1,206,937**	**3,787,835**	**71,143,391**

	As of 31 December 2011							
	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Total
Savings deposits	1,940,416	3,167	1,382,500	15,301,949	1,106,198	302,340	1,272,065	21,308,635
Foreign currency deposits	4,708,743	130,728	3,832,802	15,696,455	2,330,317	357,924	1,507,173	28,564,142
Residents in Turkey	4,045,617	50,442	3,445,831	13,773,807	2,046,671	123,073	723,724	24,209,165
Residents abroad	663,126	80,286	386,971	1,922,648	283,646	234,851	783,449	4,354,977
Public sector deposits	136,025	—	281	101,058	564	139	17	238,084
Commercial deposits	3,038,540	4,968	1,263,337	5,506,015	1,750,784	199,152	159,582	11,922,378
Other institutions deposits	31,314	—	23,494	584,712	485,866	7,940	48,570	1,181,896
Precious metals vault	993,545	—	380	166,607	132,281	64,377	51,736	1,408,926
Bank deposits	178,739	77,714	685,174	165,957	279,759	33,559	141,587	1,562,489
The CBRT	—	—	—	—	—	—	—	—
Domestic banks	12,673	—	391,434	—	—	—	3,104	407,211
Foreign banks	117,216	77,714	293,740	165,957	279,759	33,559	138,483	1,106,428
Participation banks	48,850	—	—	—	—	—	—	48,850
Other	—	—	—	—	—	—	—	—
Total	**11,027,322**	**216,577**	**7,187,968**	**37,522,753**	**6,085,769**	**965,431**	**3,180,730**	**66,186,550**

	As of 31 December 2010							
	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months – 1 year	1 year and over	Total
Savings deposits	1,812,754	22,181	4,586,189	10,872,860	210,498	37,412	114,112	17,656,006
Foreign currency deposits	4,514,769	30,503	4,023,430	11,273,139	528,832	262,680	722,673	21,356,026
Residents in Turkey	3,838,021	16,092	3,864,195	9,765,581	250,273	149,836	341,088	18,225,086
Residents abroad	676,748	14,411	159,235	1,507,558	278,559	112,844	381,585	3,130,940
Public sector deposits	320,906	—	14,937	60,880	543	—	—	397,266
Commercial deposits	2,404,752	—	3,069,321	6,377,905	143,864	3,206	70,318	12,069,366
Other institutions deposits	34,853	—	85,306	1,478,796	288	65	990	1,600,298
Precious metals vault	237,777	—	—	45,422	16,774	17,917	26,252	344,142
Bank deposits	193,023	149,383	419,083	163,480	196,727	229,668	432,534	1,783,898
The CBRT	—	—	—	—	—	—	—	—
Domestic banks	68,087	—	357,762	4,022	—	—	246,138	676,009
Foreign banks	110,663	149,383	61,321	159,458	196,727	229,668	186,396	1,093,616
Participation banks	14,273	—	—	—	—	—	—	14,273
Other	—	—	—	—	—	—	—	—
Total	**9,518,834**	**202,067**	**12,198,266**	**30,272,482**	**1,097,526**	**550,948**	**1,366,879**	**55,207,002**

As of 30 September 2013, the weighted average interest rate on Turkish Lira-denominated time deposit accounts offered by the Group to customers was 9.25%, while the interest rates paid on euro and U.S. dollar-denominated time deposits were 3.01% and 3.22%, respectively.

The following table sets out the currency basis analysis of the deposits/collected funds (including interest expense accruals for all deposits) as of the dates indicated:

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
		(TL, thousands)		
TL	44,764,804	41,016,265	35,075,620	32,261,175
U.S.$	19,468,917	17,768,776	19,485,649	13,921,560
Euro	16,458,933	10,276,300	9,626,276	7,603,185
Other	2,223,541	2,082,050	1,999,005	1,000,359
Total	**82,916,205**	**71,143,391**	**66,186,550**	**55,207,002**

Other Borrowed Funds

The following table sets out a breakdown of the Group's other borrowed funds as of the dates indicated:

	As of 30 September		As of 31 December					
	2013		2012		2011		2010	
	TL	*FC*	*TL*	*FC*	*TL*	*FC*	*TL*	*FC*
Central Bank	—	—	—	—	—	—	—	—
From domestic banks and institutions	1,134,382	311,631	830,303	259,396	713,873	394,273	1,078,428	360,655
From foreign banks, institutions and funds	638,497	15,564,102	510,259	12,694,373	653,211	12,921,545	948,183	7,685,804
Total	**1,772,879**	**15,875,733**	**1,340,562**	**12,953,769**	**1,367,084**	**13,315,818**	**2,026,611**	**8,046,459**

The following table sets out the maturity profile of the Group's borrowings over expected cash flows (showing lifetime cash flows, which as a result are greater than the balance sheet amounts) as of the dates indicated:

	As of 30 September		As of 31 December					
	2013		2012		2011		2010	
	TL	*FC*	*TL*	*FC*	*TL*	*FC*	*TL*	*FC*
Short-term	1,355,323	8,056,476	918,643	5,999,319	915,891	6,938,501	1,510,635	4,099,579
Medium and Long-term	417,556	7,819257	421,919	6,954,450	451,193	6,377,317	515,976	3,946,880
Total	**1,772,879**	**15,875,733**	**1,340,562**	**12,953,769**	**1,367,084**	**13,315,818**	**2,026,611**	**8,046,459**

The Group has entered into a number of Turkish Lira/Turkish Lira and foreign currency financings with banks and other financial institutions, which have an average maturity of 12 months.

As of 30 September 2013, the Group had outstanding borrowings of TL 17,648,612 thousand.

Debt Securities in Issue

The following table sets out a breakdown of the Group's debt securities in issue as of the dates indicated:

	As of 30 September		As of 31 December					
	2013		2012		2011		2010	
	TL	*FC*	*TL*	*FC*	*TL*	*FC*	*TL*	*FC*
Bills	1,249,547	—	716	—	951	6	—	19
Asset backed securities	—	2,628,136	—	1,641,731	—	2,147,781	—	1,375,419
Bonds	501,990	2,004,496	703	885	144	—	—	-
Collateralised Securities	471,606	—	463	—	—	—	—	-
Total	**1,751,537**	**4,632,632**	**1,419,407**	**2,527,098**	**1,095,354**	**2,153,363**	—	**1,394,904**

Derivatives

The Group also enters into interest rate and foreign exchange swap and future contracts, which are agreements to hedge its interest rate and foreign currency exposure risk. The following tables set out certain information on consolidated options, futures and swaps as of the dates indicated, prepared in accordance with BRSA Principles:

	As of 31 December		
	2012	**2011**	**2010**
		(TL, thousands)	
Types of derivative transactions			
Foreign currency related derivative transactions	**46,547,927**	**36,152,300**	**42,680,725**
FC trading forward transactions	8,262,586	10,638,749	5,287,933
Trading swap transactions	28,529,302	19,227,426	26,468,079
Futures transactions	—	—	—
Trading option transactions	10,083,085	6,442,483	11,843,026
Interest related derivative transactions	**8,077,995**	**9,038,470**	**3,541,599**
Forward interest transactions	—	—	—
Interest rate swaps	3,695,772	4,579,348	3,541,598
Interest rate options	4,382,223	4,459,122	—
Interest rate futures	—	—	1
Other trading derivative transactions	**1,361,104**	**1,490,091**	**903,830**
Total trading derivative transactions	**56,314,072**	**46,837,219**	**48,044,467**
Types of hedging derivative transactions			
Transactions for fair value hedge	3,821,809	6,206,854	4,317,238
Cash flow hedges	36,959,906	32,437,197	8,527,020
Transactions for foreign net investment hedge	—	—	—
Total hedging related derivatives	**40,781,715**	**38,644,051**	**12,844,258**
Total derivative transactions	**97,095,787**	**85,481,270**	**60,888,725**

BUSINESS OF THE BANK

Overview

Yapı ve Kredi Bankası A.Ş. is a full service bank with its headquarters in Istanbul, Turkey. It was established on 7 July 1944 and is incorporated with limited liability under the laws of the Republic of Turkey for a period of 100 years.

According to BRSA statistics, as of 30 September 2013, the Bank was the fourth largest private bank in Turkey by total assets and ranked fifth in total cash loans (loans other than letters of guarantee, letters of credit and acceptances) with a 9.5% market share, and sixth in total deposits with a 9.0% market share. The Bank has 939 branches covering all regions of Turkey and serves 9.4 million customers in Turkey. It maintains market-leading positions in key segments and products supported by its strong franchise, large network and leading brand. The Group is organised into three segments; retail banking, corporate and commercial banking, and private banking and wealth management. The Bank's service model is supported by its domestic and international subsidiaries. The Bank's shares are listed on the Istanbul Stock Exchange and its global depositary receipts are listed on the London Stock Exchange.

As of 30 September 2013 the Bank held leading market positions in Turkey in credit cards (20.5% market share in credit card outstanding volume according to the BRSA statistics), leasing (16.3% market share according to the Turkish Leasing Association) and factoring (18.0% market share according to the Turkish Factoring Association). The Bank also has strong positions in mutual funds (ranked second with 17.9% market share according to Rasyonet), brokerage services (ranked third with 6.8% market share according to the Capital Markets Board) and non-cash loans (ranked second with a 14.0% market share according to the BRSA statistics).

The Bank has a strong presence in retail banking. As of 30 September 2013, the Group had approximately 9.4 million retail customers (of which approximately 8.1 million belong to the "mass segment", 424 thousand belong to the "affluent segment" and 872 thousand are SME customers) with TL 46 billion (U.S.$22 billion) of assets in its retail banking segment (including individual banking, SME and card payment systems), amounting to 30% of the Group's total assets. The Bank's retail products and services include mortgages, working premise loans, home equity lines of credit, home improvement loans, general purpose loans, auto loans (including FordFinans), FordFinans, individual flexible accounts, product bundles, bill payments, regular payments, rent payments, university payments, safety deposit box, deposits working accounts, health insurance, and property and casualty insurance. The Bank provides its SME customers with a range of banking products and services tailored to the SME market, including commercial instalment loans, revolving loans, flexible commercial accounts, commercial purchasing cards, product bundles, POS and merchant services, agriculture loans, cash management products, commercial credit cards and investment products. Card payment systems include World, World Gold, World Platinum, Opet Worldcard, Play, adios, adios Premium, taksitçi, Crystal, Fenerbahçe Worldcard, Koç Ailem Worldcard, World Business, debit cards, World gift card and World loyalty programmes.

In corporate and commercial banking, the Bank is increasingly focused on higher yielding mid-commercial and project finance loans. The Bank provides a wide range of financial products and services to corporate and commercial customers, which include large Turkish corporates and trade companies. As of 30 September 2013, the Bank had 2,152 corporate and 46,977 commercial customers. The Bank's principal products and services include loan guarantees, money transfers, working capital, long term loans, trade finance, payments for enterprises, project finance, direct debit, BANKOTM-OHES, payment products, collection products, government payments, import and export financing products.

The Bank also conducts treasury operations, covering Turkish Lira and foreign currency fixed income, money market instruments and currency and interest rate swaps and other derivatives, both for its own account and for the account of its customers.

The Bank has the fifth largest branch network in Turkey with 939 branches. While the Bank's branch network covers all regions in Turkey, most branches are in the larger cities (including Istanbul, Ankara, İzmir, Antalya, Bursa, Konya and Adana). As of 30 September 2013, 70% of the Bank's branches were located in the ten largest cities in Turkey compared to 65% as of 31 December 2007 and 70% as of 31 December 2011. In the ten largest cities, the Bank's market share as of 30 September 2013 in terms of branches was 9.5%, compared to 8.7% across Turkey and as of 31 December 2012 these figures were 10.0% and 9.1%, respectively (according to Turkish Banks Association statistics).

In addition to its branch network, the Bank offers products and services through a wide array of ADCs including 2,893 "advanced" ATMs with cash deposit functionality (the sixth largest ATM network in Turkey with a 7.1% market share), award winning individual and corporate internet banking with 2.9 million customers, a leading position in mobile banking with an 11.7% market share as well as two award-winning call centres, as of 30 September 2013, according to BRSA statistics. See "—*Alternative Channels*". As of 30 September 2013 and 31 December 2012 the Group had 16,407 and 15,661 employees, respectively, of which 15,439 and 14,733 were employees of the Bank. Internationally, the Group carries out business through subsidiaries in the Netherlands, Russia and Azerbaijan and a branch in Bahrain.

The Group had total assets of TL 153 billion (U.S.$75 billion) as of 30 September 2013 compared with TL 131 billion as of 31 December 2012, TL 117 billion as of 31 December 2011 and TL 93 billion as of 31 December 2010.

According to BRSA consolidated financial statements for the nine-month period ended 30 September 2013, the Group had operating income of TL 3,384 million (U.S.$1,830 million) compared to TL 2,661 million for the nine-month period ended 30 September 2012. For the year ended 31 December 2012, the Group had operating income of TL 4,123 million (U.S.$2,360 million), compared with TL 3,737 million (U.S.$2,294 million) for the year ended 31 December 2011 (an increase of 10.0%) and TL 3,956 million (U.S.$2,707 million) for the year ended 31 December 2010 (a decrease of 6.0%). For the nine-month period ended 30 September 2013, the Group's cost to income ratio was 42.9%. For the year ended 31 December 2012, the Group's cost to income ratio was 44.3%, compared to 43.8% in 2011 and 40.5% in 2010. The Group's net income was TL 3,118 million (of which TL 1,284 million capital gain related to sale of the Group's insurance business) and its return on average shareholders' equity (excluding minority interest) was 27.0% (15.9% excluding capital gain related to sale of the Group's insurance business) for the nine-month period ended 30 September 2013 compared with TL 1,478 million and 15.5%, respectively, for the nine-month period ended 30 September 2012. The Group's net income was TL 2,098 million and its return on average shareholders' equity excluding minority interest was 16.2% for the year ended 31 December 2012 compared with TL 2,291 million and 21.7%, respectively, for the year ended 31 December 2011 and TL 2,255 million and 26.7% respectively, for the year ended 31 December 2010. As of 30 September 2013, 31 December 2012 and 31 December 2011, the Bank's capital adequacy ratio was 16.4%, 16.3% and 14.7%, respectively, and the Group's capital adequacy ratio was 15.6%, 15.2% and 14.9%, respectively, on a consolidated basis.

Key Competitive Advantages

The Group's management believes that the Group has a number of key competitive advantages that enable it to compete effectively in the Turkish banking sector, including:

- **Leading market positions in key segments and products.**

  The Group is the fourth largest privately owned bank in Turkey by assets, with leading market positions in Turkey in credit cards, asset management, brokerage, leasing and factoring.

- **Robust and customer-oriented balance sheet.**

  The Group has total assets that incorporate a high proportion of loans (61%) and a low proportion of securities (14%). As one of the most retail-oriented banks in Turkey, the majority of the Group's loans and deposits are generated by the retail segment, providing significant diversification.

- **Large network and leading brand.**

  The Group has a solid distribution platform, including the fifth largest branch network in Turkey with 939 branches and innovative ADCs including 2,893 "advanced" ATMs with cash deposit functionality (the sixth largest ATM network in Turkey with 7.1% market share), award-winning internet banking with 2.9 million customers, a leading position in mobile banking with an 11.7% market share as well as two award-winning call centres as of 30 September 2013. The Group's share of ADCs in total banking transactions reached 83% as of 30 September 2013, compared to 80% as of 31 December 2012, 78% as of 31 December 2011 and 56% as of 31 December 2007.

- **Strong commitment to risk management.**

  The Group has a conservative risk management strategy with solid credit risk infrastructure, underwriting and monitoring systems. The Group avoids speculative open foreign exchange positions and maintains liquidity ratios well above the regulatory levels. As of 30 September 2013, 31 December 2012 and 31 December 2011, the Bank's capital adequacy ratio according to the BRSA statistics was 16.4%, 16.3% and 14.7%, respectively, and the Group's capital adequacy ratio was 15.6%, 15.2% and 14.9%, respectively, on a consolidated basis. The Group has limited intragroup exposure at 7.1% of its capital, as compared with the 20% regulatory limit. The Group's loan book is diversified with its top 20 loans amounting to only 13% of its loan book.

- **Diversified, high quality revenue mix.**

  The Group believes it has a sustainable revenue base with a high share of fees in total revenues amounting to 26% for the nine-month period ended 30 September 2013. The Group focuses on profitable and value-generating segments including retail banking, SME and card payment systems, and project finance.

- **Proven track record of cost control and efficiency improvements.**

  Driven by strict cost containment and improvements in efficiency, the Group has kept its cost to income ratio stable at 43% as of 30 September 2013 compared to 44% as of 31 December 2012.

- **Strong and committed shareholders.**

  Support from Koç Holding and UniCredit provides stability and helps to maximise the Bank's growth potential. UniCredit, with roots dating back to 1870, is a leading European financial institution based in Italy. The Group benefits from UniCredit's know-how and expertise in risk management, internal audit, financial planning and control as well as from the UniCredit Group's experience in implementing efficiency improvements and cost management. Koç Holding, established in 1926, is the largest conglomerate in Turkey with strong positions in the energy, automotive and finance sectors in Turkey as well as in consumer durables both domestically and internationally, enabling potential synergies with the Group.

Strategy

As a fully integrated banking and financial services group, the Bank is working towards its goal of becoming a leader in the finance sector. The Bank's mission is to ensure long-term sustainable growth and value creation for all stakeholders and to become the first choice for customers and employees.

Principles

The Bank's strategy is structured around three main principles:

Healthy and consistent growth

- Focus on core banking activities, growth in value generating segments and products, continuous improvement in commercial effectiveness, expansion of market presence and funding diversification to sustain long-term performance.

Strong and sustainable profitability

- Address specific customer needs via segment-based service model, optimise cost to serve to improve competitiveness and maintain effective cost, risk and capital management.

Superior and long-lasting customer satisfaction

- Enhance an easy-to work with approach through continuous investments in technology and delivery channels while maintaining focus on innovation, employee satisfaction and loyalty.

Key strategic objectives

The Bank aims to achieve a sustainable performance through sustained customer-orientation. The Bank expects to continue its strong performance through the following key long-term strategic pillars:

Growth and Commercial Effectiveness

- Value-generating loan growth with a focus on GPL, SME and mortgages in retail lending, together with selective growth in corporate/commercial lending with a focus on higher yielding mid-commercial and project finance.
- Continuation of organic growth.
- Fee generation and customer penetration through continued focus on retail business and cross-selling.

Funding and Capital

- Emphasis on further strengthening deposit base and diversifying funding sources.
- Effective loan/deposit ratio management.
- Efficient capital utilisation with a focus on targeted growth in value generating segments and capital strengthening actions.

Efficiency and Cost Optimisation

- Disciplined cost approach and lower cost to serve.
- Optimisation of physical presence.
- Multi-channel approach, with increased development of ATMs as sales channels.

Risk Management

- Dynamic and proactive portfolio management.
- Investments/enhancements to maintain cost of risk through the cycle levels.

- Early collections via capacity increase.

Sustainability

- Customer/employee satisfaction and loyalty.
- Investments in technology and innovation.
- Enhance easy to work with approach.

History

The Bank in its present form results from the merger of Yapı ve Kredi Bankası A.Ş. and Koçbank in 2006. Yapı ve Kredi Bankası A.Ş. was established on 7 July 1944 as Turkey's first retail focused privately owned bank with a nationwide presence, and management believes it has played a pioneering role in the banking sector. Since its origins, Yapı Kredi has maintained a strong reputation in the banking sector leveraging on its customer-centric approach, dedication to innovation and contribution to the development of the financial sector in Turkey.

The following are a number of notable landmarks in the Bank's history:

- 1940s-1950s: The Bank gained a strong position as Turkey's first retail-focused private bank with a nationwide presence.
- 1960s: Introduced computerisation to the Turkish banking sector and played a pioneering role in developing long term project finance lending.
- 1970s: Led the way in the development of financial and international subsidiaries and became the first bank to be authorised to hold a foreign currency position in Turkey.
- 1980s: Introduced individual loans, credit cards, debit cards, ATMs and online banking systems; laid the foundations for today's corporate banking; established the first Turkish offshore bank in the Middle East and became the first Turkish bank to issue bonds and certificates in the international capital markets.
- 1990s: Initiated the first telephone banking service, introduced an advanced credit card infrastructure with loyalty point awards and instalments and was the first bank in Turkey to receive the ISO 9001 quality certification. In addition, the Bank developed its services infrastructure and modernised its corporate structure, human resources, education systems and market strategies to better suit the requirements of an increasingly technology driven environment.
- 2000s: Successfully completed its merger with Koçbank in October 2006, the largest merger in the Turkish banking sector, creating a strong retail franchise.

Following significant volatility in the Turkish currency and foreign exchange markets in 2001 and the collapse of several institutions, in 2002 the BRSA commenced an audit process that assessed the financial condition of all Turkish banks. Following this audit process, in January 2003 the BRSA, the Saving Deposit Insurance Fund ("**SDIF**") and the Çukurova Group, which was then the Bank's largest shareholder, entered into an agreement under which the SDIF took certain protective measures and it was agreed that shares of Yapı ve Kredi Bankası A.Ş. previously owned or controlled by the Çukurova Group (57.4% in aggregate) would be sold within two years.

Koçbank was founded in 1981 as the American Express Bank, based in Istanbul. Koç Holding acquired a 51% stake in the American Express Bank in 1986, renaming it Koç American Bank, and in 1992, the bank became a wholly owned subsidiary of Koç Holding and was renamed Koçbank A.S KFS was established in March 2001 as a management company and all financial services companies owned by Koç Holding, including Koçbank, were united under KFS. In October 2002, Koç Holding and UniCredit signed a joint venture agreement and became joint shareholders in KFS (each with a 50% interest), making KFS the first foreign partnership to be established in the financial sector in Turkey.

Under the management of UniCredit and Koç Holding, Koçbank underwent a significant restructuring process and began a period of organic growth. By 2005, Koçbank had over 170 branches and had developed its own expertise in private banking, asset management and corporate and commercial banking, leasing and factoring companies.

In January 2005, pursuant to its agreement with the BRSA and the SDIF, Çukurova Group sold to KFS 57.4% of the Bank's shares. In April 2006 Koçbank acquired a further 9.9% of the Bank's shares, taking Koçbank's interest in the Bank to 67.3%.

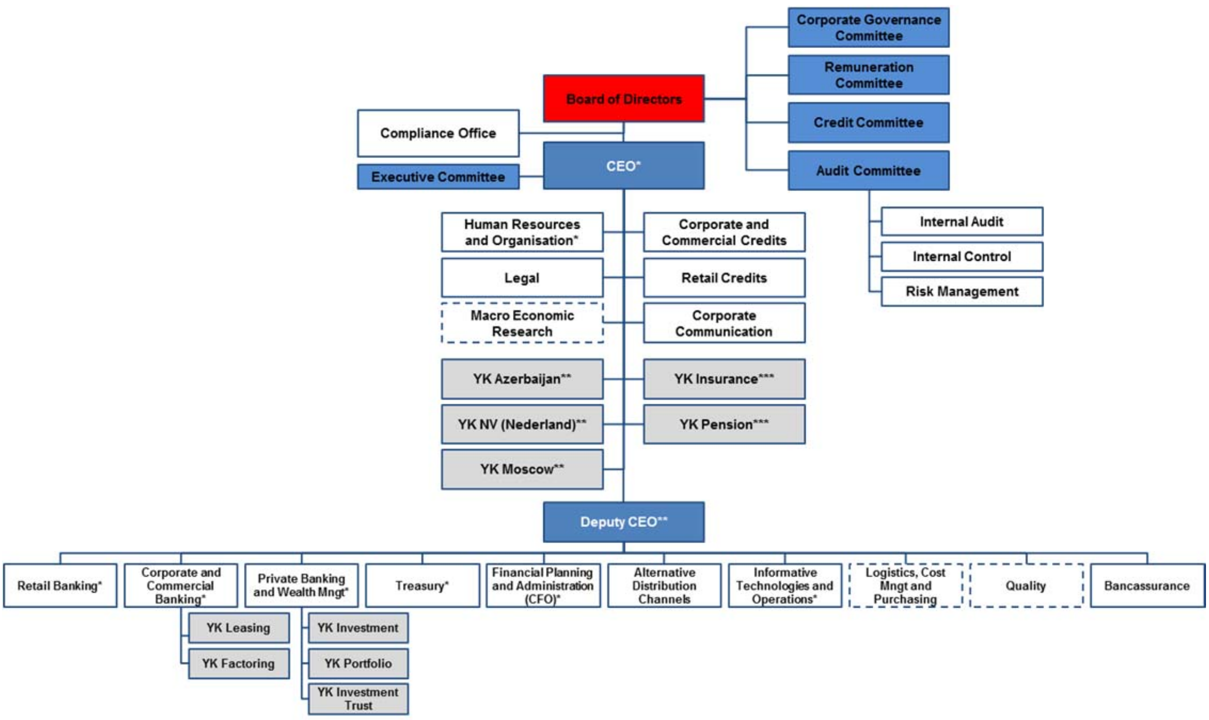
In October 2006, Yapı ve Kredi Bankası A.Ş. was merged with Koçbank, when Koçbank was dissolved and its rights, receivables, obligations and liabilities were transferred to Yapı ve Kredi Bankası A.Ş., with the combined legal entity continuing under the name Yapı ve Kredi Bankası A.Ş. The merger between Koçbank (eighth largest bank) and Yapı Kredi (seventh largest bank) formed the new Yapı Kredi, which became the fourth largest private bank.

Overview of Banking Products and Services

The Bank's operations are carried out through three main segments (1) retail banking, which includes the Bank's individual, SME and card payment systems, and SME business segments, (2) private banking and wealth management, and (3) corporate and commercial banking. The Bank's service model is supported by its domestic and international subsidiaries.

Organisational structure

The following chart represents the Bank's organisational structure as of 30 September 2013, including its subsidiaries structure.



* Executive Committee Permanent Member
** YK Moscow, YK NV and YK Azerbaijan are under the coordination of Corporate and Commercial Banking.
*** On 12 July 2013, sale of insurance businesses to Allianz finalised (94% stake in YK Sigorta, which owns 100% of YK Emeklilik), 20% stake in YK Emeklilik.

Retail Banking

Overview

The Bank's retail banking division consists of its credit card, individual banking and SME banking businesses. The Bank's credit card business was moved within the retail banking division as part of the 2009 reorganisation.

Retail banking is currently a key source of growth for the Bank, especially in credit cards, mortgages, SME loans, asset gathering (deposits and mutual funds) and pension funds. The Bank's retail banking division currently serves approximately 9.4 million active retail customers, of which approximately 8.1 million are mass market customers, 424 thousand affluent, and 872 thousand SMEs, serviced by 3,414 retail relationship managers, of which 1,571 are focused on SMEs and 1,843 are focused on individuals, through 832 retail branches. In general, the Bank considers a retail customer to be active if they meet the active customer criteria (i.e., carrying out any transaction, personal financial asset volume or credit risk or having an average demand deposit balance of TL 100 or more for the mass segment, TL 250 or more for the affluent segment and TL 500 or more for the SME segment) at least once and are assigned to a portfolio within the last 1.5 years.

In the Turkish retail banking market, as of 30 September 2013, the Bank was the market leader by credit card volume outstanding and issuing turnover, number of credit cards and also commercial cards volume outstanding. As of 30 June 2013 and 31 December 2012, the Bank was the seventh largest bank by volume of consumer loans and the sixth largest by volume of deposits, in each case according to BRSA statistics. Income from the Bank's retail banking activities comprises primarily interest income from loans to individuals and SMEs and commission income from loans, credit cards, point-of-sale business and other banking transactions. As of 30 September 2013, the Bank had loans in its consumer segment (excluding credit cards) of TL 17,783,873 thousand (U.S.$8,742,441 thousand), compared to TL 15,310,746 thousand as of 31 December 2012 and TL 13,461,586 thousand as of 31 December 2011.

The Bank offers its retail customers a broad range of products and services, including general purpose loans, auto loans, credit, debit and prepaid cards, wireless payments via mobile phones, payment and collection services, deposit and overdraft accounts, asset management products, ATMs, telephone banking, internet banking and mobile banking and life and non-life insurance products. The Bank introduced some of these products and services to the Turkish banking industry, including consumer loans, credit cards, overdraft accounts, telephone banking, ATMs and POS terminals, and the Bank's management believes that the Bank has been a pioneer in retail banking in Turkey.

Retail Customer Segmentation

Within the retail banking division, the Bank's customers are divided into three segments to facilitate customer management and to allow a clear and focused approach for responding to different groups' behaviours and needs. These three segments are: the mass segment, the affluent segment (for individuals) and the SME segments (for companies).

Individuals are segmented mainly by the value of their assets with the Bank and/or the amount of their monthly salary, while SME customers are segmented according to their annual turnover. Mass customers are customers with total personal financial assets of up to TL 50,000 and/or a monthly salary below TL 6,000. Affluent customers are individual customers with personal financial assets between TL 50,000 and TL 500,000 and/or a monthly salary between TL 6,000 and TL 20,000. SMEs are customers with annual turnover of less than U.S.$5,000,000.

Cards Payment Business

The Bank was the first bank in Turkey to issue credit cards, starting in 1988. Since then, it has been one of Turkey's leading issuers and acquirers of credit cards and this remains an important focus for the Bank. The Bank has maintained non-exclusive agreements with Visa International since 1981, Visa Europe since 2009 and MasterCard International since 1988.

Yapı Kredi has been the leader in credit cards for the last 24 years with strong brand recognition and loyal customer base. The Bank's credit card programme, World, is the sixth largest in Europe and 54th largest in the world according to the Nilson Report.

The Bank's credit card platform, World, was chosen as Super Brand of Turkey by Superbrands and ranked first in customer satisfaction for the fifth time by the Turkish Quality Association.

Credit Payment Products

As of 30 September 2013, the Bank had approximately 9.8 million credit cards (including virtual cards) issued representing 17.3% and 20.5% market share in Turkey by number of cards and by outstanding balance, respectively. The Bank's outstanding credit card receivables (including commercial cards), increased to TL 18.4 billion (U.S.$9 billion) as of 30 September 2013 from TL 14.4 billion (U.S.$8.3 billion) as of 31 December 2012, TL 10.4 billion (U.S.$5.7 billion) as of 31 December 2011 and TL 8.5 billion (U.S.$5.6 billion) as of 31 December 2010.

During 2012, the Bank focused on special campaign offers to commercial credit card customers to enhance cash flow management and synergies with SME banking. In September, the Bank pursued its leadership in commercial credit card turnover volume with 20.0% of the market share compared to third place with 17.1% market share in 2012.

Credit card customers are an important source of new business for the Bank, as a credit card is often the first of the Bank's products acquired by a customer. The Bank endeavours to cross sell its credit card customers other products and services utilising advanced marketing techniques, including customer relationship management programmes and database marketing systems with its merchant network to increase sales. The Bank's credit card division is served by a sales team comprising 378 sales people throughout various regions in Turkey.

The Bank's own credit card brand, Worldcard, was launched in 1991. In 2002, following changes in both card technology and customer preferences, the Bank re-launched the Worldcard brand by allowing the card to be used with merchants in the Bank's merchant network to purchase items on instalment plans and offered a new Worldcard loyalty programme. The Bank offers a wide variety of credit cards each targeted at a specific range of customers. Listed below are some examples of the Bank's cards payment products and a brief description of their features:

- ***Worldcard***

  Worldcard is the Bank's mass credit card with instalment, loyalty point and cash advance options.

- ***World Gold Card***

  World Gold card is the second tier card in the World portfolio, offering the same benefits as the Worldcard but considered to be more prestigious. World Gold card provides purchase protection insurance and assistance services to cardholders such as medical consulting, homecare services, information line for social activities, restaurants and hotels.

- ***World Platinum Card***

  World Platinum card is the most prestigious credit card in the World portfolio. Customers with a minimum monthly income of TL 4,000 can apply for a World Platinum card.

- ***adios Card***

  adios card was launched in 2009 and specifically targets customers who travel frequently. adios cardholders are able to redeem their loyalty points at a greater value to cover their travel expenses.

- ***adios Premium Card***

  adios Premium card was launched in May 2010 and targets the affluent traveller segment with a minimum monthly income of TL 4,000 adios Premium cardholders are able to redeem their loyalty points at a greater value to cover their travel expenses.

- ***Crystal Card***

  Crystal card is the most prestigious credit card in the Bank's credit card portfolio which is offered to a limited number of distinguished clients. Crystal cards offer several privileges to cardholders ranging from private concierge services to travel privileges, as well as other services such as insurance.

- ***Opet Worldcard***

  Opet Worldcard is a co-branded credit card that was launched in September 2011 in co-operation with Opet Gas Distribution Company. Opet Worldcard targets customers that have regular fuel consumption. Besides including all the benefits of the Worldcard, customers are rewarded with fuel points that can be only redeemed at Opet Stations.

- ***Play Card***

  Play card specifically targets the youth segment and won the Best New Customer Proposition and The Best of The Best awards in the Visa Europe Member Awards 2009 held among all VISA Europe member banks.

- ***Taksitçi Card***

  Taksitçi enables cardholders to take benefit from repaying in three instalments on purchases of TL 100 or above with merchants who are not members of the Bank's World network, as well as a further three instalments on purchases of TL 100 or above with merchants who are World members.

- ***World Business Card***

  World Business card meets the purchasing and cash advance needs of companies, combined with the World system advantages. Cardholders can gain Worldpoints and make instalment purchases at member merchants.

- ***World Gift Card***

  World Gift Cards are disposable prepaid cards. They are valid for non-instalment purchasing transactions up to the loaded amount

- ***Debit cards (TLcard, Play TLcard and Business TLcard)***

  TLcard is a debit card that can be used for banking transactions, cash withdrawals from ATMs and purchases at Visa or MasterCard merchants all over the world. TLcard collects Worldpoints from banking transactions and purchases at World merchants. Play TLcard is offered to customers aged 12-26 and Business TLcard is offered to all companies.

The Bank offers an instalment payment programme on its credit cards in conjunction with certain members of its merchant network, whereby cardholders are able to make instalment payments for their purchases, and provided the instalment payments are paid over the agreed time period, interest will not accrue on the amount of the purchase. The programme is only available where the Bank's cardholders make a purchase through one of the Bank's participating merchants, except where customers have the Taksitçi card in which case a limited number of purchases may be made on an instalment basis.

In 2011, the Bank launched a new mobile payment technology called PayMobile. PayMobile consists of the PayMobile-iCarte and PayMobile-Sim kart applications and offers different solutions for different mobile phones. The Bank's PayMobile iCarte solution (designed for iPhone users) won the Most Innovative Use of Visa Europe Systems or Services prize by Visa Europe Member Awards in April 2011. PayMobile is expected to give the Bank a strong foothold in the mobile solutions market and help it gather know-how in relation to near-field communication technology.

The Bank's credit card business operates in accordance with the Bank Cards and Credit Cards Law enacted in 2006 (Law No. 5464), which requires that banks issue credit cards only upon request by a customer, either orally or in writing. Credit limits are set at an amount not exceeding twice the cardholder's average monthly salary for the first year the customer receives his first credit card from a Turkish bank, and an amount not exceeding four times the average monthly salary for the second year. The Central Bank determines the maximum contractual and default interest rates of credit cards.

Co-branding Partnerships

The Bank has credit card co-branding partnership agreements with TEB, Vakifbank, Anadolubank and Albaraka Turk. These partnerships have helped the Bank's credit card brand World become Turkey's largest credit card network and marketing platform, with approximately 12 million credit cards.

In September 2012, the Bank introduced its World credit card programme in Azerbaijan. The Best Marketing Campaign award by Mastercard was given to the Bank in recognition of the Bank's success in introducing the programme in Azerbaijan. As of 30 September 2013, the Bank had issued over 45,000 World credit cards in Azerbaijan.

Merchant Network

The Bank has been a leader in total acquiring volume in the market. The Bank's acquiring volume as of 30 September 2013 was TL 61.1 billion as compared to TL 70.3 billion, TL 59.5 billion and TL 50.7 billion as of 31 December 2012, 2011 and 2010, respectively. Yapı Kredi's POS terminals increased to a total of 448,000 units as of 30 September 2013, from a total of 446,000, 432,114 and 404,293 units as of 31 December 2012, 2011 and 2010, respectively. The Bank considers a merchant to be an active customer if it has a turnover of at least TL 2,000 per month.

Developing its relationships with merchants is a key priority for the Bank. The Bank's large POS network enhances the Bank's retail transactions volume and provides added value to the Bank's cardholders through the various campaigns, promotions and loyalty programmes offered through the POS network and participating merchants.

In order to encourage customers to use its cards and to attract merchants to its World network, the Bank offers rewards, gift cheques, discounts and other privileges to its customers. During 2012, more than 1,000 campaigns with over 300 World member brands in 20 sectors were organised. In addition, the Bank continues to invest in new technologies. For example, in 2012, the Bank increased its product portfolio to include a product that allows merchants to collect commissions for product sales and automatically transfer such commissions to the branch's account. The system also allows the total transaction amount to be automatically transferred to the merchant less the commission paid to the Bank's branch. A further new product launched by the Bank is the Fixed Price POS Package, whereby the Bank charges no commission or blockage days, but instead charges a standard monthly fee. For the year 2013, the Bank expects to organise approximately 1,100 campaigns with over 320 World member brands in 20 sectors.

Individual Banking

The Bank's individual banking activities are organised under mass and affluent sub-segments to enable the Bank to differentiate its services and to provide the most suitable products to different customer groups. As of 30 September 2013 and 31 December 2012, the Bank provided individual banking services to approximately 8.5 million and 8.2 million active mass and approximately

424 thousand and 507 thousand active affluent customers, respectively. In general, the Bank considers a retail customer to be active if they meet the active customer criteria (i.e., carrying out any transaction, personal financial asset volume or credit risk or having an average demand deposit balance of TL 100 or more) at least once and are assigned to a portfolio within the last 1.5 years.

The Bank's product offering to its individual customers includes a full range of payment products, overdraft and deposit accounts, investment products, mortgages, general purpose loans, home improvement loans, education loans and auto loans, as well as health insurance products.

The Bank offers customers in its mass segment a wide variety of products and services through diverse delivery channels including branches and a variety of alternative distribution channels such as internet and mobile banking portals, ATMs and call centres. The Bank's loans and receivables in its mass segment comprised 34% of its total loans and receivables to its retail customers as of 30 September 2013 and the Bank's deposits from customers in its mass segment comprised 30% of its total deposits from its retail customers as of 30 September 2013.

The Bank's affluent customers are served by 501 relationship managers and a wide distribution network. In addition to the standard individual banking products offered to all individual customers, the Bank's relationship managers for affluent customers have expertise in investment and mortgage products. Affluent customers also benefit from the Bank's asset management and brokerage services. The Bank's loans and receivables in its affluent segment comprised 20% of its total loans and receivables to its retail customers as of 30 September 2013 and the Bank's deposits from customers in its affluent segment comprised 45% of its total deposits from its retail customers as of 30 September 2013.

The Bank's customer relationship management ("**CRM**") systems and analytical "data mining" models played a key role in increasing customer loyalty and increasing product sales to its individual customers. The Bank produces targeted offers for its retail banking customers through its campaign management system.

Mortgages

Mortgage loans are an increasingly important part of retail banking services in the Turkish banking sector and are a growing part of the Bank's loan portfolio. As of 30 June 2013, and 31 December 2012, 2011 and 2010 mortgage loans amounted to 10.6%, 10.6%, 10.7% and 11.5%, respectively, of aggregate loans in the Turkish banking sector, according to BRSA weekly data.

The Group's mortgage loan portfolio increased by 21.0% to TL 8,750,491 thousand as of 30 September 2013 from TL 7,230,938 thousand as of 31 December 2012, which represented a 9.6% increase from TL 6,599,802 thousand as of 31 December 2011, which itself represented an increase of 26.2% from TL 5,231,198 thousand as of 31 December 2010. As of 30 September 2013, the Bank's mortgage loans represented 9.1% of the value of the Group's total gross loans, compared to 9.0%, 9.2% and 9.3% as of 31 December 2012, 2011 and 2010, respectively.

The Bank's mortgage loan strategy is based on providing service to customers through the Bank's mortgage experts, developing dedicated branch and non-branch delivery channels and offering innovative mortgage products. The Bank's mortgage experts provide customers with mortgage products and provide consultancy for all aspects of mortgages including financial, legal, technical and tax-related issues at branches. As of 30 September 2013, the Bank had trained over 1,250 mortgage experts.

The Bank has established a dedicated team within the mortgage department to work with real estate developers and improve the flow of new individual mortgage applications to the Bank. This programme has helped the Bank to strengthen its mortgage services through its relationships with real estate developers for more than 300 projects and 3,000 realtors.

Payroll Services

The Bank had 13,101 payroll companies and 869,101 payroll customers as of 30 September 2013 as compared to 14,500 payroll companies and 882,000 payroll customers as of 31 December 2012. The Bank has established limited service branches in the locations where its payroll services customers work in order to provide convenient service. The Bank's management believes that the Bank enjoys a strategic strength in this area, which it intends to continue to develop and grow through cross selling of its products and services. In order to further increase its market share in this area, the Bank has launched the Salary Customer Strategy Project, led by consultant firm BCG, which aims to develop a comprehensive payroll structure and growth strategy for the Bank. The Bank expects to implement this new project in early 2014.

Auto loans

The Group's auto loans (including both commercial instalment car loans and consumer car loans) comprised 3.2%, 3.8%, 4.6% and 4.0% of the Group's total gross loans as of 30 September 2013, 31 December 2012, 2011 and 2010, respectively. The Bank has had an exclusive agreement with Ford Otosan since December 2007, which allows the Bank the exclusive right to provide FordFinans branded auto loans for Ford automobiles in Turkey and allows customers to apply for an auto loan directly from a dealership through an online application system. The agreement excludes heavy commercial vehicles, fleet sales and sales for car rental companies. The Bank provided 179 thousand auto loans under this programme since 2008 and acquired 40 thousand new customers during the period ended 30 September 2013.

Bancassurance

The Bank coordinates all of its insurance activities via the Bancassurance unit formed in 2009. In 2012, a dedicated sales force was created to further strengthen sales initiatives, leveraging on the Bank's strong customer base. In addition, a focused project was initiated to improve product offerings, to re-engineer processes and to strengthen the collaboration with Yapi Kredi Insurance and Yapi Kredi Pension.

On 12 July 2013, the transaction regarding the sale of the Bank's non-life insurance subsidiary Yapi Kredi Insurance and its life insurance/pension subsidiary Yapi Kredi Pension was finalised following the obtainment of all necessary regulatory approvals.

As a component of the transaction, the Bank entered into the 15-year Bancassurance Agreement with Allianz for the distribution of insurance and pension products in Turkey through its network of 933 branches and other alternative delivery channels. The partnership combines the Bank's customer-focused leading retail franchise with Allianz's global experience in developing and managing insurance products. Throughout the duration of the Bancassurance Agreement, the Bank will receive a contingent additional performance-based commission in addition to the standard commission flows.

Small and Medium-sized Enterprises ("SME")

SMEs (corporate customers with an annual turnover of less than U.S.$5,000,000) are an important segment for the Bank. As of 30 September 2013 and 31 December 2012, the Bank had over 872 thousand and 810 thousand active SME clients, respectively.

In 2012, Yapı Kredi created a new service model to support the Bank's growing SME customer base. Customers were segmented based on their size and diverse financial needs and tailored product offerings were provided to customers through a wider range of delivery channels, in line with the Bank's multi-channel approach.

This new approach created two new relationship manager roles. In 2013, remote relationship managers located in different regions of Turkey began to serve a large number of customers with basic needs through the phone. This further increased efficiency as branch-based relationship managers' focus on addressing more complex customer needs. In 2012, customer acquisition activities were strengthened through the formation of dedicated relationship managers for customer acquisition teams, called "hunters", whose sole purpose is to acquire new customers and create sales leads. These teams acted as key customer acquisition engines for the Bank, focusing on unique product bundles designed for SME customers. Accordingly, 42 thousand new customers were acquired and 38 thousand product bundles were sold in the first nine months of 2013.

As of 30 September 2013, the Bank's SME customers are served through a network of 1,571 dedicated relationship managers in the Bank's branches, 58 remote relationship managers and 96 hunters in the Bank's SME banking centres, and are encouraged to utilise the Bank's alternative distribution channels such as internet banking, ATMs and operating out of call centres. In addition, the Bank offers its SME customers access to its e-business platform for SMEs called Kobiline, a joint venture between the Bank and Koc.net, which provides information about domestic and international loan grants, technology, internet and patent services, and also provides consultancy services to support SMEs in obtaining grants.

The Bank provides SME customers a similar range of products to those provided to corporate customers, as well as products specifically designed for SMEs. One of the specialised products the Bank provides to its SME customers is commercial purchasing cards, 43,100 of which were outstanding as of 30 September 2013.

The Bank is currently involved in seven Micro SME ("**MSME**")/SME loan programmes in conjunction with European financial development organisations to provide funding for SME clients:

- The Greater Anatolia Guarantee Facility, which was established for the benefit of SMEs operating within less developed regions and is financed by the EIB and the European Investment Fund. Under this programme, the EIB will provide EUR50 million funding to the Bank in order for the Bank to generate a total of EUR100 million in new SME loans. The European Investment Fund will provide the Bank with the required guarantees for these loans up to a limited amount;

- The EBRD MSME Loan Programme, making available a total of EUR30 million. The Bank, together with the EBRD, will offer short-term working capital loans as well as long-term investment loans of up to EUR200,000 with concessionary interest rates, specifically aimed at financing SMEs in the agricultural sector;

- The International Finance Corporation ("**IFC**") Loan Programme (financed by the IFC), for a total amount of U.S.$30 million, intended to finance agribusiness and the food and beverage sector;

- The CEB Loan Programme with a total amount of EUR15 million for the partial financing of viable investments undertaken by MSMEs in Turkey utilised by the Bank via the intermediation of UniCredit Bank Austria AG;

- TURAFF Loan Programme with a total amount of EUR30 million, financed by the EBRD, specifically for SMEs in agricultural sector;

- The Council of Europe Development Bank Loan Programme with a total amount of EUR100 million, financed by CEB, specifically for SMEs to promote job creation and preservation; and

- The Turkey Private Sector Sustainable Energy Financing Facility Programme with a total amount of U.S.$80 million, financed by EBRD, specifically for financing of energy efficiency and renewable energy investments.

Since 2008, private banks in Turkey have been authorised to provide KOSGEB (Small and Medium Size Industry Development Organisation) interest-subsidised loans to SMEs, craftsmen and artisans.

The Bank also collaborates with the Credit Guarantee Fund, which provides loan guarantees to support SMEs.

The Bank has named agricultural banking as a strategic sector and has developed various strategies and action plans during the last two years. For example, a new Agricultural Marketing team has been established under the SME Banking Marketing department and a new Agricultural Loan Evaluation System was announced in January 2012. In addition, agricultural experts have been located throughout the Bank's regions, and the agri-loans product range has been expanded by establishing specific loan types. The Yapi Kredi Agricultural Banking business aims to increase its market share and the number of clients, and operates through 250 "agri-branches" (standard branches whose main economic activity is agriculture) nationwide.

Private Banking and Wealth Management

The private banking division serves the Bank's high net worth and ultra-high net worth customers. The Bank's wealth management services are carried out by its subsidiaries Yapi Kredi Invest and Yapi Kredi Asset Management, providing asset management and brokerage services to the Bank's clients.

Private Banking

The Bank has a leading position in the private banking market in Turkey both in terms of total asset size, which amounted to TL 27 billion as of 30 September 2013 (including equity balance), and distribution network, private banking centres, branches and corners as well as remote services. Customers with personal financial assets in excess of TL 500,000 are serviced by the Bank's private banking division. The Bank considers a private banking customer to be active if they meet the active customer criteria (i.e., having actual funds on the account and carrying out any transaction) at least once and are assigned to a portfolio within the last 1.5 years. As of 30 September 2013 and 31 December 2012, the Bank had 26,730 and 26,465 active private banking customers, respectively.

Private banking customers are served by 181 private banking relationship managers through 22 private banking centres/branches. ADCs for the private banking segment also include a dedicated call centre team and a separate private banking web page on the Bank website.

As of 31 December 2010, the Bank had private banking assets amounting to TL 11.2 billion which remained stable at TL 15.7 billion, which increased to TL 17.1 billion as of 31 December 2011, TL 17.1 billion as of 31 December 2012 and TL 17.6 billion as of 30 September 2013 (excluding equity balance). In assets under management in the mutual fund business, the Bank ranked second with 17.88% and 17.59% of the Turkish market, as of 30 September 2013 and 31 December 2012, respectively, according to Rasyonet statistics.

The private banking division provides a wide range of products and services, including 39 different types of mutual funds including hedge fund, fund of world funds, fund of commodities fund, four different types of capital guaranteed funds (that are currently within their investment period), pioneer funds, managed fund account, bills and bonds, Eurobonds, equity, TurkDex, Varant and structured products. The Bank uses CRM modelling tools in order to define eligible customers for different types of products such as securities, derivative products (forwards, futures and options), foreign exchange, gold and equity trading, insurance products, safe deposit boxes and e-banking services. The Bank also has affiliates and subsidiaries, which provide investment, advisory and portfolio management services, supported by the Bank's relationship with UniCredit and its subsidiaries. The Bank also offers various advisory services through different and specialised business partners such as Tax Advisory, Art Advisory, Inheritance Advisory, Real Estate Advisory and Philanthropy Advisory. Philanthropy Advisory was launched in June 2012, and the service is provided through the Bank's business partner TUSEV. It is not only the Bank's newest service but also the first Philanthropy Advisory in Turkey. Private banking customers are also entitled to a number of services such as 24-hour emergency ambulance service and have access to seminars on pertinent issues relevant to their financial interests, including investments, financial markets and taxation and are kept informed on the economy and capital markets through daily emails.

Yapi Kredi Invest (Yapi Kredi Yatirim)

Yapi Kredi Invest was founded in 1989. With central sales in Istanbul, investment centres in Ankara, Izmir, Adana, Bursa, Balikesir, Antalya, Marmaris, Aydin, Kayseri, Trabzon and Samsun, Denizli and an internet branch, Yapi Kredi Invest provides capital market products, brokerage, corporate finance, derivatives and investment advisory services to approximately 30,000 active customers as of 30 September 2013. Yapi Kredi Invest has applied to the CMB for an authorisation to undertake leveraged foreign currency trading operations. The CMB has granted Yapi Kredi Invest a temporary licence, which is expected to be followed by a permanent one soon.

In 2011, Yapi Kredi Invest was third among brokerage houses on the Istanbul Stock Exchange in terms of total equity market transaction volume, with 5.7% market share, according to the Istanbul Stock Exchange Monthly Bulletin. Yapi Kredi Invest ranked third among brokerage houses, with TL 84 billion trading volume, and 6.77% market share of the equity market as of 30 September 2013, according to Istanbul Stock Exchange Data Publications. As of 30 September 2013, Yapi Kredi Invest generated 5.66% market share in the derivative market among brokerage houses compared to 4.42% market share as of 30 September 2012, according to Turkdex Data Publications.

Yapi Kredi Asset Management (Yapi Kredi Portföy)

Established in 2002, Yapi Kredi Asset Management provides customers with mutual funds, private pension funds and discretionary portfolio management products together with portfolio advisory and private fund establishment services. Yapi Kredi Asset Management provides services throughout the country through its head office in Istanbul and the Bank's branch network. It had 60 employees as of 30 September 2013.

As of 30 September 2013, Yapi Kredi Asset Management offered 39 mutual funds and had total assets of approximately TL 5.6 billion. Its total market share for mutual funds was 17.9% as of 30 September 2013.

Yapi Kredi Asset Management also provides management services to 19 private pension funds. It had 16.7% market share in the private pension fund market in Turkey, with assets under management of approximately TL 4.2 billion as of 30 September 2013.

Yapi Kredi Asset Management provided discretionary portfolio management services to 425 customers as of 30 September 2013, of which 18 were institutional and 407 were high income individual investors. Yapi Kredi Asset Management's assets under management in its discretionary portfolio management services were approximately TL 1.25 billion as of 30 September 2013.

Managed assets, including mutual funds, private pension funds, hedge fund and discretionary portfolios, amounted to TL 10.57 billion as of 30 September 2013.

Yapi Kredi B-Type Investment Trust

Established in 1995, Yapi Kredi B-Type Investment Trust provides portfolio management services through trading capital market instruments listed on domestic and international markets. Yapi Kredi B-Type Investment Trust was Turkey's second largest investment trust with 10.5% market share as of the end of 2012, according to BRSA statistics. Yapi Kredi B-Type Investment Trust is a public company and its shares are quoted on Borsa Istanbul ("**BIST**").

On 7 June 2013, the Group terminated the ongoing discussions regarding the sale of its stake on Yapi Kredi B-Type Investment Trust to third parties, and instead decided to liquidate Yapi Kredi B-Type Investment Trust. Within the scope of preparatory work for the liquidation process, the Bank launched a voluntary tender offer to purchase the shares of Yapi Kredi B-Type Investment Trust from all shareholders. As a result of the tender offer, the Bank increased its stake in Yapi Kredi B-Type

Investment Trust from 11.09% to 95.36%, including the transfer of 44.97% stake owned by Yapi Kredi Invest.

As of the date of this Prospectus, the Bank's total shareholding in Yapi Kredi B-Type Investment Trust amounted to 95.36%, and the Bank is in the process of calling a general shareholder assembly to proceed with the liquidation process. In November 2013, the CMB approved the commencement of the liquidation process, pursuant to which shareholders who cast a negative vote for liquidation in the general assembly will be entitled the right to sell their shares to the Bank. Following the approval of the liquidation by the general assembly of Yapi Kredi B-Type Investment Trust, the liquidation process will continue in accordance with applicable regulations.

Corporate and Commercial Banking

As of 30 September 2013, the Bank had approximately 2,152 corporate clients and 46,977 active commercial clients. In general, the Bank considers a customer to be active if they meet the active customer criteria at least once and are assigned to a portfolio within the last 1.5 years. The Bank serves its corporate clients via three branches and 58 relationship managers and its commercial clients via 76 branches and 529 relationship managers. Corporate and commercial customers are segmented mainly by the value of their annual turnover. Commercial customers are companies with an annual turnover of U.S.$5 million to U.S.$100 million, while corporate customers are companies with an annual turnover of more than U.S.$100 million. Companies with turnover of less than U.S.$5 million are considered to be part of the Bank's SME segment and are managed within the retail banking division.

Following the introduction of the Bank's new organisational structure in February 2009, corporate and commercial banking, which were previously separate, were brought together. The Bank's leasing and factoring departments and international banking operations were also brought together. Recently, the Bank introduced new segmentation criteria for its corporate and commercial clients to better address their needs and provide tailored, client-specific services more efficiently. These criteria are based on the company's size and behaviour benchmarks such as the company's turnover (for potential client value), its international dimension (in order to assess the complexity of the relationship with the client), outstanding systems (to assess the size and complexity of the client's financial needs) and trade finance (as an indicator of the complexity and size of the client's business needs).

As of 30 September 2013, the Group's lending to the corporate and commercial sector comprised 44.0% of its total loan portfolio, while deposits from corporate and commercial customers comprised 28.2% of the Group's total deposits.

The Bank provides additional services to its corporate customers including working capital financing, foreign trade finance, project finance, a variety of domestic and international non-cash credit line facilities such as letters of credit and guarantees, cash management, investment banking and brokerage, factoring, leasing and insurance services. In addition, in non-cash loans, the Bank provides both domestic and foreign currency facilities to its customers, principally comprising guarantees in relation to imports and letters of credit in respect of trade financing activities.

The primary business lines in the commercial banking segment are working capital, financing, foreign trade finance, project finance, leasing and factoring, domestic and international non-cash credit line facilities, cash management and e-banking services to mid-size and large corporates.

Operating profit for the corporate and commercial banking segment, for the nine months ended 30 September 2013, amounted to TL 916,038 thousand (U.S.$495,397 thousand), as compared with TL 966,059 thousand (U.S.$552,255 thousand) for the nine months ended 30 September 2012. It increased by 35% from TL 1,140,723 thousand for the year ended 31 December 2012 from TL 845,864 thousand for the year ended 31 December 2011, which in turn represented a 22% increase from TL 695,515 thousand for the year ended 31 December 2010. These increases were the result of:

- a focus on high margin foreign currency project finance loans driven by selective loan growth and disciplined pricing approach in corporate banking; and

- a focused approach on mid-commercial sub-segment driven by upward loan repricing initiatives in commercial banking.

Project Finance

The Bank has been active in the provision of project finance loans and syndicated loans in Turkey since 1999. Its project finance team comprises 14 staff specialising in energy, real estate and transportation projects, as well as acquisition finance.

For the year ended 31 December 2012, the Bank underwrote approximately TL 616 million (U.S.$345 million) of project finance loans, compared to approximately TL 2,447 million (U.S.$1,289 million) for the year ended 31 December 2011 and TL 2,484 million (U.S.$1,607 million) for the year ended 31 December 2010. As of 30 September 2013, the Bank had underwritten TL 5,511 million (U.S.$2,715 million) of project finance loans. The maturity of project finance loans typically range from five to 12 years, with a maximum grace period of four years. The Bank focuses on the energy sector, particularly financing energy production, electricity transmission and distribution projects as well as thermal and renewable energy power plants and large dam and hydroelectric power plant projects.

Cash Management

The Bank is a leading bank in cash management and e-banking. The Bank's cash management team offers a broad variety of products, including collection services, cash transfer services, electronic banking and operational services. Among the latest products introduced by the Bank were automated supplier finance system, labelled remittance (including a 24-hour access through internet banking and ATMs), new version of the Banko™ Client programme for BANKO™-OHES, which is the preferred automated bulk payments system with over 5.4 million transactions in 2012, SWIFT File Act and SWIFT Score, which are offered to corporate and multinational customers in particular. The Bank also maintains its leading position in terms of B2B volume by market share in key products (namely direct debit and cheque clearing). The Bank's market share in cheque clearing services (according to the Central Bank Cheque Clearing House records) was 11.3% in 2012. During the same period the Bank also had a 25% market share in direct debit.

Trade Finance

The Bank provides a variety of support services and payment management mechanisms to Turkish firms engaging in international trade transactions. These include advance payments, letters of credit (sight, deferred and acceptance), cash against documents, cash against goods, standby letters of credit, export financing (pre- and post-shipment), import financing (post-financing, promissory note discount), forfeiting and export credit insurance, back-to-back letters of credit and transferable letters of credit.

In addition to traditional import and export products, the Bank offers its customers innovative and alternative foreign trade products and structured solutions. In order to increase the pace of delivery and ease of use for customers, the Bank renewed its foreign trade transactions page on its internet banking service and started the trade finance call centre service in 2009. In 2012, the Bank also started a new payment programme for commercial and corporate clients, which is an automation payment programme of Import and FX payments.

International Banking

The Bank was one of the first Turkish banks to establish correspondent banking relationships and to undertake foreign business. The relationship management function for foreign financial institutions for the Bank is conducted by the Financial Institutions team. The Financial Institutions team also carries out functions including the following:

- provides presentations and insight on developments on the Bank and the Turkish economic and political environment to correspondent banks;
- discusses new products with correspondent banks and implements them within the Bank, in collaboration with the Trade Finance department, in order to gain access to new markets and improve service quality;
- engages in the international marketing of the Bank and its products;
- analyses the financial situation of banks and applies for credit lines on their behalf; and
- arranges long-term structured borrowings in accordance with the Bank's projected borrowing needs.

Treasury

The Bank's treasury department consists of five major groups: Fixed Income Securities, Money Markets and Balance Sheet Management, Foreign Exchange and Derivatives, ALM Planning and Financial Monitoring, and Treasury Marketing. It manages the Bank's on-going liquidity needs, interest rate risks, foreign exchange rates and controls its proprietary investment portfolio.

Fixed Income Securities

The Fixed Income group is primarily in charge of managing the Bank's local and foreign currency fixed income portfolios. The Bank is one of the 12 primary dealers accepted by the Undersecretariat of Treasury in Turkey. The Fixed Income group also manages local and foreign currency deposits. As of 30 September 2013, the Bank's securities portfolio amounted to 14% of its total assets. For a discussion of the Bank's securities portfolio, see "*Management's Discussion and Analyses of Financial Condition and Results of Operations—Securities Portfolio*".

As of 30 September 2013, the Bank had 15.3% market share in securities trading on the Borsa Istanbul compared with 16.6% as of 31 December 2012 and 17.9% as of 31 December 2011, according to the Istanbul Stock Exchange.

Money Market & Balance Sheet Management and Foreign Exchange & Derivatives

This group is primarily involved in asset and liability management activities, interbank money market transactions and foreign exchange trading, including derivatives. As of 30 September 2013, the Bank's annual trading volume is U.S.$610.2 billion and was U.S.$941.3 billion for the year ended 31 December 2012, compared to U.S.$416.3 billion for the year ended 31 December 2011 and U.S.$322 billion for the year ended 31 December 2010. The Bank's interbank foreign exchange trade volume was approximately U.S.$297 billion in the first nine months of 2013, U.S.$518 billion in 2012 and U.S.$159 billion in 2011. Foreign exchange volume for client transactions denominated against the Turkish Lira was U.S.$42 billion in the first nine months of 2013, U.S.$53 billion in 2012 and U.S.$61 billion in 2011. As of 30 September 2013, the Bank also held 11.57%, 6.58% and 18.53% (customer transactions) market shares in the domestic spot trading, forward and swap markets, respectively.

This group is also responsible for stabilising the interest income on the balance sheet and creating necessary funding for targeted asset growth purposes.

ALM Planning and Financial Monitoring

The ALM Planning and Financial Monitoring group is primarily responsible for monitoring the treasury department's performance and activities. This group also assists other groups within the treasury department with introducing new products.

Treasury Marketing

The Treasury Marketing group is the contact point for large scale corporate, commercial and private customers. The group advises and assists customers with managing risk exposures and hedging opportunities. The group completed transactions worth approximately U.S.$90.0 billion for customers in the nine months ended 30 September 2013, U.S.$142 billion in the year ended 31 December 2012, U.S.$102.5 billion in the year ended 31 December 2011 and U.S.$120 billion for the year ended 31 December 2010.

Distribution Network

The Bank offers its banking products and services through an extensive distribution network, which includes branches as well as advanced ADCs such as ATMs, call centres, internet banking and mobile banking.

Branches

As of the date of this Prospectus, the Bank has the fifth largest branch network in Turkey with 939 branches covering all regions of Turkey and serves approximately 9.4 million customers in Turkey. While the Bank's branch network covers all regions in Turkey, most of the branches are in the largest cities, with 70% of the Bank's branches being located in the ten largest cities (including Istanbul, Ankara, Izmir, Antalya, Bursa, Konya and Adana) as of 30 September 2013. According to BRSA statistics, the Bank's market share in the ten largest cities in Turkey as of 30 September 2013 and 31 December 2012 in terms of branches was 10.0% and 10.0%, respectively, compared to 8.7% and 8.9% across Turkey, respectively. The Bank has a number of different types of branches, including standard, satellite and mobile, which provide customers with a wide range of services. Of the Bank's branches, 831 are retail-related as of 30 September 2013, demonstrating the retail market orientation of the Bank. As of 30 September 2013, the Bank's corporate-commercial branch network consisted of 79 branches and the Bank's private banking network comprised 22 private banking centres.

Alternative Channels

The Bank uses three main ADCs: ATMs, internet and mobile banking and a 24-hour call centre, all of which rely upon the Bank's information technology platform. These channels allow customers to access services 24 hours a day and seven days a week. The cost of processing transactions through ADCs is lower than processing them through branches. Therefore the Bank encourages its customers to utilise ADCs by offering promotions and reduced fees in return for customers using these channels instead of the branches. As of 30 September 2013, the Bank handled 83.0% of all its transactions through ADCs and the remaining 17.0% through branches. Of the 83.0% handled through ADCs, 46.0% were via ATMs, 25.0% via internet and mobile banking, 1.0% via its two call centres and the remaining 11.0% via other channels including post office and centralised automated transaction channels.

ATMs

As of 30 September 2013, the Bank had the fifth largest ATM network in Turkey, with 2,892 ATM machines. Approximately 4.2 million retail customers and 0.3 million commercial and corporate customers actively use the Bank's ATMs. The Bank intends to continue to expand and improve the technology of its ATM network by deploying cash deposit feature ATMs (Tele24 Plus).

Approximately 85% of the Bank's ATMs have cash deposit features and coin dispensers. As of 30 September 2013, 15% of the Bank's ATMs are enabled for disabled customers, a first in the Turkish banking sector. The ATM network carries out 0.5 million product sales per year, including sales of overdrafts and loans.

The Bank continues to focus on product innovation as the retail banking market matures in order to meet changing client needs and to better satisfy existing ones.

In 2008, the Bank launched the Enabled Banking Programme, as Turkey's first service that offers disabled customers easy access to banking services. The Bank redesigned call centres to assist visually-impaired customers by introducing text-to-speech technology. In 2009, the Bank installed in selected locations enabled ATMs which have been modified for orthopaedic impaired customers facilitating wheelchair access. In 2010, the first "talking ATMs" were launched, adding new features to enable blind and visually impaired customers to perform banking operations. In 2011 the Bank was awarded the Golden Compass award given by the Public Relations Society for the Enabled Banking Programme and in 2012 the Bank was also rewarded by the Project "Education Overcomes Every Obstacles" for its work carried out under the same Programme. The Bank continued supporting the Enabled Banking Programme by increasing its enabled ATMs. As of 30 September 2013, 15% of the Bank's ATMs are enabled and the Bank aims to increase this to 40% by the end of 2014.

In 2010, the Bank presented its "ATM with Keyboard" technology, which enables customers to add text and explanations when carrying out deposit and transfer transactions. These explanations are displayed on both the sender's and the receiver's account activities and statements. Payments of motor vehicle taxes can also be paid using the keyboard by typing the letters of the licence plate.

In 2011, the Bank increased its focus on sale offers to be delivered via ATMs. For example, ATM users may be presented on-screen with the option to increase their credit card limit, apply for a credit card, open overdraft accounts and other banking packages, make insurance payments, apply for loans, and participate in other high-value sale offers.

Internet and Mobile Banking

As of 30 September 2013, the Bank had a leading mobile banking application with a 12.25% market share according to the Turkish Banking Association. As of 30 September 2013, the Bank had 2.9 million retail customers, 29 thousand corporate and commercial users and 11.8 thousand other segment customers, such as online banking customers. On the mobile banking side, the bank had 445 thousand retail customers and 3.5 thousand other segment customers. The figures for online and mobile banking include active and inactive customers. The share of transactions executed through internet banking as a percentage of all transactions increased to 24.9% in the first nine months of 2013, from 20.1% in the first nine months of 2012. The Bank has experienced increasing numbers of transactions and transaction volumes in recent years, mainly due to higher internet penetration rates globally and in Turkey, and significant marketing of the Bank's internet banking services.

Approximately 5.5 million transactions per month are carried out via the Bank's internet banking services, as well as approximately 520 thousand product sales per year.

The Bank first launched internet banking with Teleweb in 2000. Internet banking services are currently provided through internet banking and mobile banking applications. Mobile banking applications can be installed on mobile devices (iPhone, iPad, Android, Android Tablet, Blackberry, Windows Phone 8 etc.) by visiting yukle.ykb.com or can be used as html without installation necessary by visiting m.ykb.com. The Bank was also the first in the Turkish banking sector to provide an easy P2P money transfer application called "**Bump to Send**".

To ensure secure internet connections, the Bank offers One Time Password ("**OTP**") products through OTP Tokens, OTP Mobile (a JAVA application operating on mobile phones), OTP SMS (one time passwords sent via SMS), Mobile Signature, Smart Banking and Smart Pin (OTP produced through a credit card).

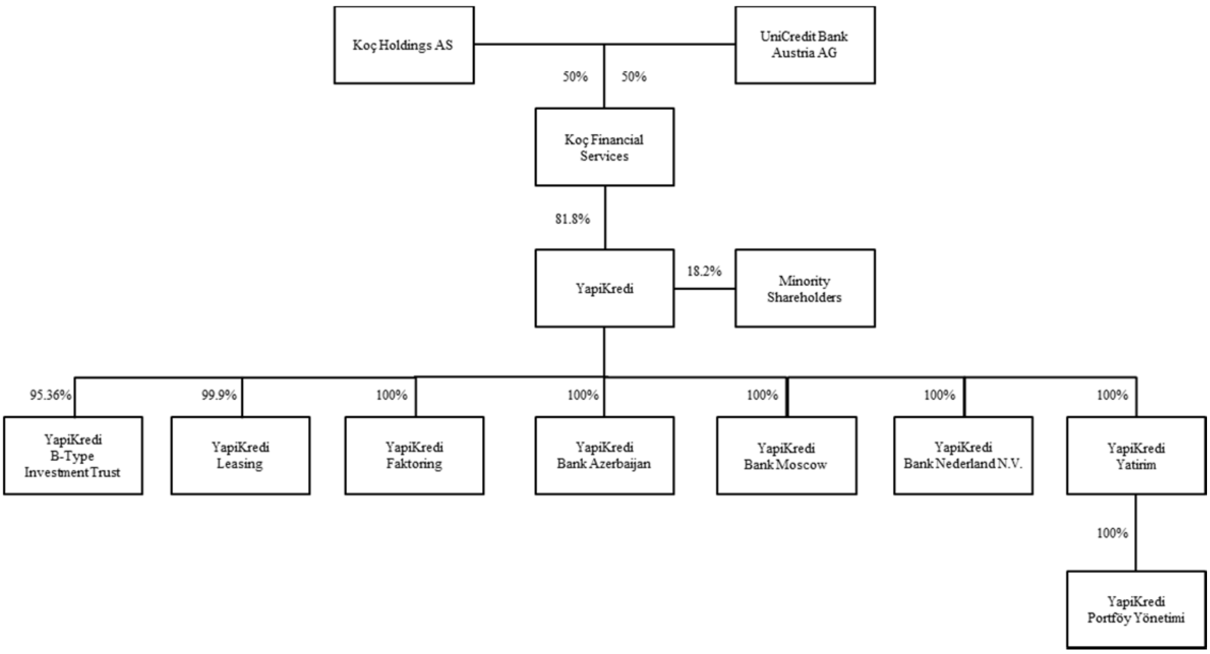
The Bank's internet banking system provides 24-hour customer service through live chat, call centres and email enquiries. The Bank's internet banking system received several awards in recent years for outstanding service and technology. Global Finance World's Best Internet Bank Awards awarded the Bank the "Best Bill Payment and Presentation in Europe" award to the Bank in 2011 and 2012 and the "Best Corporate Internet Banking in Europe" award in 2012. The Bank was also awarded the "**Best Internet Banking**" award by Altin Orumcek (Golden Spider) Awards in 2011.

Call Centre

The Bank's award-winning call centre is one of the largest financial call centres in Turkey in terms of agents and number of calls received. The call centre deals with a wide range of the Bank's services including credit cards, merchants, retail, SME, corporate, commercial and private banking, serving both individual and corporate customers. As of 30 September 2013, the call centre had 1,086 employees. This service is supported by technical infrastructure with the capacity to serve 1,500 customers simultaneously. In addition to being one of the most important service channels, the Bank's call centre has a significant role as a sales hub. For example, in the first nine months of 2013, the call centre carried out approximately 30.6 million contacts, 973 thousand credit card retention calls and 2.2 million product sales. Approximately 52% of the call centre activities are carried out via an interactive voice recognition system allowing self-service usage.

Corporate Structure

The following chart presents the corporate structure of the Group and its shareholders.



Subsidiaries

Following the merger of Yapı ve Kredi Bankası A.Ş. and Koçbank in October 2006, certain financial subsidiaries of KFS and the Bank were rationalised and merged. Below is a description of the Bank's primary operating subsidiaries.

Domestic Subsidiaries

Yapi Kredi Leasing

Yapi Kredi Leasing was established in 1987 and as of the date of this Prospectus is 99.9% owned by the Bank. Yapi Kredi Leasing has been listed on the Istanbul Stock Exchange since 1994. However in accordance with Article 25 of the ISE Listing Regulation and the CMB's Principle Decision on De-Listing dated 30 July 2010 and numbered 22/675, Yapi Kredi Leasing was delisted following the second session of 20 July 2012. As of 30 September 2013, Yapi Kredi Leasing had shareholders' equity of approximately TL 1,109 million. As of 30 September 2013, Yapi Kredi Leasing had 131 employees. The key role of Yapi Kredi Leasing is to develop and provide customers with leasing products through the Bank's wide branch network as well as 12 Yapi Kredi Leasing branches.

Yapi Kredi Faktoring

Yapi Kredi Faktoring was established in 1999 and is 99.9% owned by Yapı ve Kredi Bankası A.Ş. as of the date of this Prospectus, Yapi Kredi Faktoring provides factoring services in Turkey via its head office in Istanbul, branches in Beyoğlu, Eminönü, Güneşli, Kartal, Kadıköy, Izmir, Ankara, Bursa, Antalya, Adana, and the Bank's branch network all over the country. The company had 90 employees as of 30 September 2013. Yapi Kredi Faktoring offers its customers monitoring and collection of short term domestic or international receivables from product or service sales, guarantees for receivables against payment defaults and flexible financing through early payment before the due date of the receivables. On the basis of turnover, Yapi Kredi Faktoring has been the market leader in the factoring sector since 2001 and in 2013 held an 18% market share in total factoring turnover and a 30% market share in export factoring turnover. Yapi Kredi Faktoring is a member of Factors Chain International.

Yapi Kredi Invest (Yapi Kredi Yatirim)

Yapi Kredi Invest was founded in 1989. With central sales in Istanbul, investment centres in Ankara, Izmir, Adana, Bursa, Balikesir, Antalya, Marmaris, Aydin, Kayseri, Trabzon and Samsun, Denizli and an internet branch, Yapi Kredi Invest provides capital market products, brokerage, corporate finance, derivatives and investment advisory services to approximately 30,000 active customers as of 30 September 2013. Yapi Kredi Invest has received authorisation from the CMB to undertake leveraged foreign currency trading operations.

In 2011, Yapi Kredi Invest was third among brokerage houses on the Istanbul Stock Exchange in terms of total equity market transaction volume, with 5.7% market share, according to the Istanbul Stock Exchange Monthly Bulletin. Yapi Kredi Invest ranks third among brokerage houses, with TL 84 billion trading volume, and 6.77% market share of the equity market as of 30 September 2013, according to Istanbul Stock Exchange Data Publications.

As of 30 September 2013, Yapi Kredi Invest held a 5.66% market share in the derivative market among brokerage houses, compared to a 4.42% market share as of 30 September 2012 according to Turkdex Data Publications.

Yapi Kredi Asset Management (Yapi Kredi Portföy)

Established in 2002, Yapi Kredi Asset Management provides customers with mutual funds, private pension funds and discretionary portfolio management products together with portfolio advisory and private fund establishment services. Yapi Kredi Asset Management provides services throughout the country through its head office in Istanbul and the Bank's branch network. It had 60 employees as of 30 September 2013.

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Yapi Kredi Asset Management provided discretionary portfolio management services to 425 customers as of 30 September 2013, of which 18 were institutional and 407 were high income individual investors. Yapi Kredi Asset Management's assets under management in its discretionary portfolio management services were approximately TL 1.25 billion as of 30 September 2013.

Managed assets, including mutual funds, private pension funds, hedge fund and discretionary portfolios, amounted to TL 10.57 billion as of 30 September 2013.

Yapi Kredi B-Type Investment Trust

Established in 1995, Yapi Kredi B-Type Investment Trust provides portfolio management services through trading capital market instruments listed on domestic and international markets. Yapi Kredi B-Type Investment Trust was the second largest Turkish investment trust with 10.5% market share as of the end of 2012, according to BRSA statistics. Yapi Kredi B-Type Investment Trust is a public company and its shares are quoted on BIST.

On 7 June 2013, the Group terminated the ongoing discussions regarding the sale of its stake on Yapi Kredi B-Type Investment Trust to third parties, and instead decided to liquidate Yapi Kredi B-Type Investment Trust. Within the scope of preparatory work for the liquidation process, the Bank launched a voluntary tender offer to purchase the shares of Yapi Kredi B-Type Investment Trust from all shareholders. As a result of the tender offer, the Bank increased its stake in Yapi Kredi B-Type Investment Trust from 11.09% to 95.36%, including the transfer of 44.97% stake owned by Yapi Kredi Invest.

As of the date of this Prospectus, the Bank's total shareholding in Yapi Kredi B-Type Investment Trust amounted to 95.36%, and the Bank is in the process of calling a general shareholder assembly to proceed with the liquidation process. In November 2013, the CMB approved the commencement of the liquidation process, pursuant to which shareholders who cast a negative vote for liquidation in the general assembly will be entitled the right to sell their shares to the Bank. Following the approval of the liquidation by the general assembly of Yapi Kredi B-Type Investment Trust, the liquidation process will continue in accordance with applicable regulations.

International Subsidiaries

Yapi Kredi Bank Nederland

Yapi Kredi Bank Nederland N.V., a wholly owned indirect subsidiary of the Bank, is active in the Netherlands and thereby subject to the supervision of De Nederlandsche Bank (the "**Dutch Central Bank**") as well as the AFM (the Netherlands Authority for the Financial Markets). The bank was founded in 2007 as a result of the merger between Koçbank Nederland N.V. and Yapi Kredi Bank Nederland N.V. The bank operates through its head office in Amsterdam and offers a wide range of retail, corporate and private banking services, as well as foreign trade financing. Its main objective is to provide banking solutions to domestic customers and also to the Bank's customers from abroad. The focus of its corporate services is structured commodity finance and trade finance solutions. In terms of retail banking, Yapi Kredi Bank Nederland N.V. provides saving and deposit products in the Dutch retail market to more than 15,000 customers. As of 30 September 2013, the total assets of Yapi Kredi Bank Nederland N.V. were U.S.$2.1 billion.

Yapi Kredi Bank Moscow

Yapi Kredi Bank Moscow was established in 1994 and is a wholesale commercial bank serving a growing number of companies operating in Russia. It is a wholly-owned subsidiary of the Group serving approximately 1,000 active customers through 63 employees in its head office building, as of 30 September 2013. Yapi Kredi Bank Moscow continues to expand its operations in the Russian banking sector, with an emphasis on commercial lending, deposit taking, money market operations and foreign exchange transactions. As of 30 September 2013, it had total assets of U.S.$332 million.

Yapi Kredi Bank Azerbaijan

Koçbank Azerbaijan was established as a joint venture between Koçbank (80%) and the IFC (20%) in 2000. In 2006, KFS became the sole owner acquiring IFC's share. Since early 2007, following the merger of Yapı Kredi and Koçbank, the Bank has continued functioning under the "Yapi Kredi Bank Azerbaijan" brand. Yapi Kredi Bank Azerbaijan provides retail and corporate banking services to its customers, including loans, deposits, project finance, domestic and international money transfers, trade finance, equity market and securities transactions, credit card transactions, safe deposit box and travel cheques. Yapi Kredi Bank Azerbaijan operates through 15 branches and as of 30 September 2013, it had 409 employees and 2,564 corporate customers, 2,852 SME customers and 110,392 retail customers, 25 ATMs and 1,757 POS terminals. In September 2012, Yapi Kredi Bank Azerbaijan also launched credit card sales alongside its retail operations. As of 30 September 2013, the total assets of Yapi Kredi Bank Azerbaijan were U.S.$376 million.

Associates

Banque de Commerce et de Placements S.A.

Banque de Commerce et de Placements S.A. ("**BCP**") is a Swiss bank established in 1963 and is 30.45% owned by the Bank. The bank has been an affiliate of the Bank since 1996. BCP operates in the areas of trade finance, wealth management, treasury services, and correspondent banking. BCP is rated as investment grade by Fitch. Headquartered in Geneva, the bank also operates through its branches in Luxembourg and Dubai.

Yapi Kredi Insurance (Yapı Kredi Sigorta) and Yapi Kredi Pension (Yapı Kredi Emeklilik)

On 26 March 2013, the Group agreed to sell its non-life and life insurance businesses to Allianz and to establish a 15-year strategic distribution partnership for non-life insurance, life insurance and pension products in Turkey. Following regulatory approvals, the transaction was finalised on 12 July 2013.

As the first component of this transaction, the Group sold its 93.94% stake in Yapi Kredi Insurance, including Yapi Kredi Pension, to Allianz for total cash consideration of TL 1,790 million (of which TL 1,410 million will accrue to the Bank). As the second component of the transaction, the Group then bought back and will retain a total 19.93% stake in Yapi Kredi Pension for cash consideration of TL 188 million in order to benefit from the expected strong growth in the life insurance and pension business in Turkey.

As the third component of the transaction, the Group also entered into the 15-year Bancassurance Agreement with Allianz for the marketing and distribution of non-life insurance, life insurance and pension products through the Group's retail network and other alternative delivery channels. The partnership combines the Group's customer-focused leading retail franchise in Turkey with Allianz's global experience and leadership in developing and managing insurance products. Throughout the duration of the Bancassurance Agreement, the Bank will receive a profit share from its life insurance sales in addition to the standard commission flows.

Joint Venture

Yapi Kredi Koray Gayrimenkul Yatirim Ortakliği A.Ş.

Yapi Kredi Koray Gayrimenkul Yatirim Ortakliği A.Ş. is a real estate investment trust established in 1996. The trust is 30.45% owned by the Bank, 44.56% publicly quoted, and the remaining ownership is split between eight investors, none of which holds more than 10%. The trust is headquartered in Istanbul.

Competition

In recent years, the banking sector has become increasingly important to the Turkish economy and foreign banks have become increasingly involved in the sector.

As of 30 September 2013, there were a total of 48 banks licensed to operate in Turkey (excluding SDIF and four participation banks and including Bank of Tokyo, Bank Intesa and Rabobank which recently received licenses). According to the Turkish Banking Association, as of 30 June 2013, the five largest banks in Turkey held 58% of the banking sector's aggregate loan portfolio and 59% of aggregate banking sector assets in Turkey. Among the 10 largest banks, there are three state-owned banks: Ziraat (ranked second), Halkbank (ranked seventh) and Vakifbank (ranked sixth) which constitute 29% of the total banking sector assets.

Foreign banks have shown an increased interest in the banking sector in Turkey in recent years. Foreign banks such as BNP Paribas, Citigroup, Fortis, HSBC, ING, National Bank of Greece, UniCredit, Sberbank, Bank Audi and Commercial Bank of Qatar have acquired interests in Turkish banks.

According to BRSA statistics, as of 30 June 2013, 31 December 2012, 2011 and 2010, the Bank's market share in loans, deposits and assets were as follows:

	As of 30 June	As of 31 December		
	2013	2012	2011	2010
		(%)		
Loans	9.6	10.0	10.3	10.4
Deposits	9.1	8.9	9.2	8.6
Assets	9.4	9.4	9.3	8.8

Source: *Banking Regulatory and Supervisory Agency (BRSA)*

As of 30 June 2013 and 31 December 2012, according to BRSA statistics, the Bank was the fourth largest private bank in Turkey by total assets. The Bank's management views Garanti Bank, Akbank and Isbank as the Bank's main competitors.

As of 30 September 2013, the Bank was a Turkish market leader in credit cards (20.5% market share in credit card outstanding volumes according to BRSA statistics, 17.7% market share in credit card issuing volumes and 17.3% market share in number of credit cards according to the Interbank Card Centre data). As of 30 June 2013, the Bank was a Turkish market leader in leasing (16.3% market share according to the Turkish Leasing Association) and factoring (18.0% market share according to the Turkish Factoring Association). The Bank has strong positions in asset management (ranked second with 17.9% market share according to Rasyonet), brokerage services (ranked third with 6.8% market share according to the Capital Markets Board) and non-cash loans (ranked second with a 14.0% market share according to the BRSA statistics).

Employees

As of 30 September 2013 and 31 December 2012, the Group had 17,849 and 17,459 employees, respectively, of which 15,003 and 14,733, respectively, were employees of the Bank. The following table sets out the number of employees of the Group and the Bank as of 30 September 2013, 31 December 2012, 2011 and 2010:

	As of 30 September	As of 31 December		
	2013	2012	2011	2010
Bank	15,439	14,733	14,859	14,411
Head office and operations	5,972	5,553	5,227	4,916
Branches	9,467	9,180	9,632	9,495
Subsidiaries	968	2,726	2,447	2,369
Total Group	16,407	17,459	17,306	16,780

The Bank's management believes that the Bank has a qualified workforce with appropriate educational backgrounds. All employees are trained in customer-oriented service principles and are considered competent in technical banking applications. Women represented 62.7% of total employees, and the proportion of university graduates was 72% as of 30 September 2013. As part of the Bank's training strategy, the Bank employs new graduates and prepares them within the institutional culture for managerial positions.

Within the Bank, there are unionised employees, for whom a collective bargaining agreement (the "**CBA**") applies, in addition to Turkish labour laws and the Bank's personnel regulations, which apply to all of the Bank's employees. In total, 15,439 of the Bank's employees were members of the Union, amounting to 62.0% of all employees as of 30 September 2013. In mid-2011 the Bank renewed the CBA with the Union for a term of two years, under which the Bank undertakes to increase the salaries of its employees every six months in line with the increase rates of the Turkish CPI.

With respect to Union employees, the Bank's management and Union officials meet regularly to exchange information on working conditions. The Bank and the Union agree and sign new protocols to the CBA every two years and the last agreement covers the period from 1 April 2013 to 31 March 2015. The Bank also provides additional benefits to its employees including group retirement plan, health insurance and welfare fund.

Information Technologies

The Group's information technologies and operations departments are integrated in order to provide better service internally and improve the efficiency of core banking activities.

The Group maintains its information technologies and operations infrastructure in order to support its growing business and minimise operational risk and business interruption. The Bank operates a 2,000 square meter information technology centre in Gebze, Kocaeli (43 kilometres from Istanbul), which deals with all of the Bank's technology functions and initiatives. The fully operational information technology centre provides services to the Bank's headquarters, branches and customers. The Bank has developed much of its software in-house, including its internet banking software, through its software development department.

The Group has developed and implemented procedures for emergency system and data restoration and maintains a separate disaster recovery centre in Ankara, which has been in place since 1998. The disaster recovery site contains all key applications, such as Core Banking, Internet Banking, Workflow Systems, Credit Cards Systems (with Open World project), ATMs, EFT, SWIFT, Treasury. Data is transferred online as defined in DR Procedures. The Group maintains a remote online real time disaster recovery system, which is operated when the main production system or main data centre is not available. The Group can transfer operations and re-route data lines through the disaster recovery system within 30 minutes. The disaster recovery centre is tested on a bi-annual basis. This has enabled the Bank to be in full compliance with Basel II requirements for systems and data.

In 2011, it was decided to increase IT capacity to enable better service to business. In 2011, 178 IT projects were completed and 207 were completed in 2012. The target for 2013 is to complete over 200 projects. Major programs of 2013 include two primary initiatives: the implementation of "**Open World**", and migration to new front-end platform software.

The Open World migration project was started in May 2009 to transport the Mainframe System to "Open System", which will strengthen the Bank's leading position in the credit card market and further differentiate the Bank from its competitors by creating a credit card system suitable for simple, quick and flexible improvement and delivering structural enhancements. In particular, Open System aims to reduce credit card maintenance, development and transaction costs, improve the Bank's disaster recovery system, and adopt new functionalities including credit limit management and card differentiation. The target is to complete all modules in the fourth quarter of 2013.

The Bank's other primary initiative was the migration to a new front-end platform called Harmoni during 2013, which uses a process-based approach for maximising business efficiency.

In addition, there are further programs which aim to strengthen the Bank's market position in the following key areas:

- **MCM Programs**

  In 2011, a set of new projects were initiated in parallel with the Bank's new strategies to develop "multichannel banking" (e.g., mobile banking, centralised customer service call centres, ATM management and marketing optimisation). These projects are expected to be completed by mid-2014.

- **Treasury & Investment Strategies Program**

  This program aims to enhance the Bank's technical capabilities in treasury systems and investment products, in order to strengthen its competitive position in the market. In order to adapt to the rapidly-evolving market trends, a new business model supported by a flexible technical structure will be implemented with the collaboration of IT and related business units. The program started on 28 February 2013 and is expected to be completed in 2015.

- **CURE (Credit Underwriting Redesign)**

  This program aims to create more flexible, automated and user-friendly underwriting and disbursement systems. The program was started in 2013 and is planned to be completed in 2014 with gradual deliveries.

- **Direct Banking**

  The aims of this project are to acquire new customers, decrease the usage of high-cost channels, increase the usage of low-cost channels and decrease the churn rate by offering a new direct banking platform. The target model focuses on students, young professionals and tech savvy seniors. The project is due to launch in the fourth quarter of 2013 with a mobile application, while an internet application and some additional functionality on the mobile application will be launched in the first quarter of 2014.

- **Sales Force Automation Program/Credit Card only**

  Retail banking management strategies will be supported by giving automated-efficient processes to end-users. Simple product sales processes, more efficient disbursement processes, quick underwriting availability, one click cross sell interface, form free sales availabilities will increase sales capacity and increase productivity.

- **UPDM**

  This project aims to create a unified collection system for the Group which will replace the existing distribution infrastructure. This project was initiated in the first quarter of 2013 and is expected to be completed in the first quarter of 2014.

Property

The Group owns or leases premises for its head office, branches and operations centres. As of 30 September 2013, the Group's fixed assets (comprising land, land improvements, buildings, computer hardware and other fixed assets) had a total net book value of TL 958.1 million (U.S.$471.0 million) or 0.6% of the Bank's total assets. The net book value of the Group's land, land improvements and buildings was TL 650 million as of 31 December 2012. The Group owns its headquarters buildings in Istanbul and its operations centre in Gebze. As of 30 September 2013, the Bank owned approximately 21% of its branches and the rest were leased.

Insurance

The Group maintains insurance policies with levels of coverage it deems necessary given the nature of its business. The Group's fixed assets, cash in transit and cash in hand are covered by general insurance arrangements covering normal risks. The Bank generally requires that real property assets owned by borrowers which form part of the collateral for loans the Bank makes are insured. The Bank does not have any credit risk insurance in relation to defaults by its customers as this type of insurance is generally not available in Turkey. The Group maintains insurance on its properties, including its head office and branches and personal property, with respect to such risks, including earthquakes and terrorist attacks, and in such amounts as the Group deems appropriate.

Legal Proceedings

From time to time, in the ordinary course of its business, the Group is party to legal proceedings, both as a plaintiff and a defendant. There are no legal proceedings pending, or to the Group's knowledge threatened, that may materially adversely affect the Group's business, results of operations or financial condition. As of 30 September 2013, the Group recognised a provision of TL 52,576 thousand in respect of legal proceedings.

Istanbul Commercial Court Litigation

The Bank is a defendant in a lawsuit filed by a Turkish company with respect to amounts collected by the Bank under an agreement for the transfer of shares in exchange for a profit sharing arrangement following the bankruptcy of the company in 1992. The litigation commenced in 2005. In May 2010, the Istanbul Commercial Court issued a judgment against the Bank in the amount of TL 25 million plus accrued interest. The Bank filed an appeal and in September 2012 the Court of Appeals overturned the decision of the Istanbul Commercial Court on the basis of incomplete review of information relating to the dispute. However, in December 2012 one of the plaintiffs objected to the appellate ruling and asked for the correction of the judgment. The Court of Appeals turned down the objection. The Istanbul Commercial Court accepted the Court of Appeals' decision. No provisions have been recorded in the Group's financial statements as of 30 September 2013 in respect of this litigation.

Competition Board Investigations

In November 2011, the Turkish Competition Board announced that it had initiated an investigation into 12 major Turkish banks, including the Bank as well as two other financial institutions, in response to allegations that these entities had violated Article 4 of Law No. 4054 on the Protection of Competition (the "**Competition Law**") by acting in concert with respect to interest rates in the deposit, credit and credit card services markets. The Competition Law is enforced by the Competition Board, which has the power to investigate possible breaches and impose administrative fines up to 10% of the annual gross income of the entity determined to be in breach of the Competition Law. The amount of the fine is determined by the Competition Board. The Bank was notified of the investigation on 16 November 2011 and submitted its first, second and third defence statements to the Competition Board on 12 December 2011, 9 October 2012 and 7 January 2013, respectively. The Competition Board made its final decision regarding the investigation on 8 March 2013. The Competition Board confirmed in its decision that it had found that breaches of competition law had occurred and issued fines against the Bank and the other 11 banks which were being investigated. The fine imposed on the Bank was TL 149,962 thousand.

Pursuant to Article 17 of the Misdemeanor Law No. 5326, the Bank paid the fine within 30 days of its imposition and thereby reduced it to 75% of the original amount, or TL 112,471 thousand. The Bank has appealed the Competition Board's decision before the Ankara Administrative Court. Though the Group's profits were negatively impacted by the Turkish Competition Board's decision, for the nine months ending 30 September 2013, the Group's profits amounted to TL 2,268,317 million. This represented a 20.1 % increase from TL 1,813,472 million for the nine months ending 30 September 2012.

Pursuant to Articles 57 and 58 of the Act on the Protection of Competition (No. 4054), those who suffer as a result of the prevention, distortion or restriction of competition, are entitled to bring a private lawsuit against the relevant undertakings. The judge may, upon the request of the injured, award compensation by three fold of the material damage incurred or of the profits gained or likely to be gained by those who caused the damage.

RISK MANAGEMENT

Internal Audit Department

The Bank's internal audit department is divided into three primary divisions: strategic planning and audit coordination, network audit, and domestic and foreign subsidiary audit. The department utilises a risk-oriented model to assess credit risk, operational and IT risk, market risk, and investigations and coordination of audits in the Bank's subsidiaries. Audits are conducted every 18 months for all of the Bank's branches, every 12 months on average for the Bank's subsidiaries, and on an ongoing, risk-driven basis every 12 to 36 months for the Bank's head office.

In 2012, the internal audit department also launched the audit monitoring and methodologies division to monitor all internal and external audit findings through automated tracking tools and to report such findings to the relevant parties. The audit monitoring and methodologies division reports monthly to the Bank's management and quarterly to the audit committee, board of directors and shareholders. The division also issues procedures and recommendations of critical risk findings and audit procedures on at least an annual basis.

Risk Management Department

The Bank's risk management department functions independently from its commercial operations. With the Credit Committee and the Asset and Liability Management function of the Executive Committee, the risk management department is an integral part of ensuring the Bank's compliance with the Banking Law, with respect to measuring, monitoring and managing credit, market and operational risks.

The basic functions of the risk management department are to measure and manage risks in a manner consistent with the Bank's risk appetite. The risk management department is also responsible for: (a) maximising returns on invested capital and maintaining sustainable profit growth, (b) monitoring trends in risk exposures and communicating irregularities to senior management, (c) monitoring asset and liability profiles to allow the Bank to take rebalancing actions on a timely basis, (d) defining the risk structures of products, processes and services, (e) measuring the credit risk of the Bank's portfolio via rating models, and (f) ensuring the Bank's compliance with the Banking Law.

As of 30 September 2013, the risk management department had 55 employees, excluding retail, commercial and corporate credit departments. The main organisational functions of the department are credit risk control and operational risk management, credit risk management and market risk management.

Credit Risk Control and Operational Risk Management

Credit risk control involves the following key roles and responsibilities in the Bank: (a) defining the optimum composition of the overall loan portfolio and identifying risk positions within legal and Group limitations, (b) preparing credit risk budget in line with the Bank's risk appetite and lending targets, (c) monitoring the evolution of credit risk for all segments (including by industry, type and sector), (d) preparing and presenting strategic credit risk related reports to the senior management (including the evolution of loan provisioning and comparison with peer banks), (e) calculating cost of risk and related provisions by segments to assess the underlying risk of the loan portfolio and maintain asset quality, and (f) providing support to, and coordinating the functions of, the Bank's subsidiaries with the aim of achieving loan portfolio with the best credit-worthiness possible, and ensuring the proper implementation of their credit, credit risk cost and budgeting processes, including preparing action plans for such subsidiaries to align implementation processes across the Group.

The operational risk management section of the risk management department is responsible for the following tasks: (a) defining the Group's operational risk policy, (b) issuing guidelines for the measuring, evaluation and management of operational risks, and ensuring correct implementation both at Bank and subsidiary levels, (c) developing and regularly updating the operational risk measuring and monitoring systems and models at Group level, (d) measuring and monitoring operational risks at Group level, (e) carrying out "second level controls" for operational risks at Group level, (f) ensuring compliance with Basel II in the area of operational risk, (g) managing the Business Continuity Plan of the Bank with particular responsibility for assuring the establishment and maintenance of the plan, and controlling and coordinating the various entities involved in the process, and (h) preparing action plans for operational risk mitigation and coordinating the implementation of such plans.

Credit Risk Management

The credit risk management department is in charge of the following: (a) establishing credit risk policies at Bank and Group levels as a strategic guideline, (b) defining and maintaining the operational credit risk policies of the Bank, i.e., the policies that are used in daily credit processes, (c) measuring the credit risk of the portfolio by developing PD (Probability of Default), EAD (Exposure at Default) and LGD (Loss Given Default) models, (d) defining the business specifications of all information technology tools used throughout the credit processes and the information technology systems where the information about credit risk is kept (e.g. limits, risks, collaterals, credit risk datamarts in the DataWarehouse), (e) evaluating new credit products and changes to existing credit products, (f) defining provisioning methodology in line with BRSA Principles and IFRS, (g) leading credit risk related IRB-Basel II preparations at a Group level in anticipation of approaches by the BRSA, (h) validating and monitoring of the rating/scoring systems used by the Bank in daily business process, (i) establishing, monitoring and coordinating studies related to Internal Capital Adequacy Assessment Process and economic capital calculations and (j) managing and monitoring rules sets used in retail portfolios for underwriting, monitoring and collection purposes.

Credit policies establish the general credit risk principles to be followed throughout the Bank's credit activities and reflect its strategies and goals, as well as shareholders' risk appetite. The credit policy guidelines are prepared by the Bank's credit risk management department and approved by the Board.

Lending Policy

Lending Limits

The BRSA defines large exposure as an exposure exceeding 10% of the Bank's capital base in light of BRSA credit conversion factors. The Bank's total exposure to a single company or group cannot exceed 25% of the Bank's capital base. Total exposure to a risk group (comprised of Koç Holding and UniCredit Group) cannot exceed 20% of the Bank's capital base. The total of the Bank's large exposures cannot exceed the Bank's capital base by more than eight times. To date, the Bank has never exceeded these ratios. Further description of the applicable regulatory requirements is set out in "*Turkish Regulatory Environment—Lending Limits*".

According to the Bank's credit policy each individual sector should not exceed the targeted level of 10% of total portfolio. To date, the only industrial sector that exceeds this internal limitation is the construction sector, including non-cash lending. This sector also includes various sub-sectors, such as commercial real estate finance which constitutes a significant share. The credit policy defines large exposure as an exposure exceeding 5% of KFS's consolidated capital base and/or an exposure in excess of EUR25 million. KFS's total exposure to a single company or group cannot exceed 20% of KFS's consolidated capital base.

Limit Structure

The Bank's credit underwriting divides credits into three risk categories. Category A (full risk) includes credit lines that are not directly and explicitly associated with a commercial transaction and are not self-liquidating, and medium/long-term credit lines (with maturity over 18 months) that are directly associated with a commercial transaction. Category B (commercial risk) includes all short-term trade/commercial-related credit lines which are not self-liquidating. Category C (self-liquidating risk) includes all credit lines supported with credit transfer and/or against a reimbursement predetermined procedure that is self-liquidating.

Approval Authorities

In general, the lowest level credit approval authority is the branch manager for corporate and commercial loans and the retail sales manager for SME loans. Up to certain thresholds there is no involvement of credit departments at either branch or region level. Branch managers' individual approval authority is determined based on their historic NPL ratios throughout their career, particularly with regard to SMEs.

For authorisations of credit above TL 350 thousand (after taking rating and product co-efficients into account) for SMEs and TL 1,000 thousand for corporate and commercial banking, starting at the level of the Regional Manager, the credit department will be involved and their credit opinion is binding. If a credit opinion is negative, the credit proposal may either be passed onto a higher authority or be rejected.

Higher Credit and/or Reputation Risk Loans

Certain types of transaction entail a higher credit and/or reputation risk for the Bank and are therefore either discouraged or require a higher level of approval. Loans to political organisations (including the campaigns of political candidates), gambling organisations and sport clubs (including related businesses such as merchandising shops, selling of tickets and TV rights) are restricted by the Bank's policies. The Bank applies higher levels of approval and a prudent approach towards loans in other sectors, such as ship building, media, health and arms and weapons dealings.

Approval at the head of sales department level is required for balloon/bullet loans, loans to governmental and municipal authorities, loans to holding companies, loans to real estate development companies, exclusive loans for an amount above U.S.$1 million, bridge loans, loans to financial institutions, refinancing shareholder loans and loans to hospitals and schools.

Approval at the credit committee level is required for loans for the purposes of financing hostile takeovers, subordinated loans and mezzanine debt, financing dividend payouts, bridge loans (extended for future issuance of bonds), loans for purposes of back-to-back financing and financing speculative transactions.

Approval at the Board level is required for loans to entities operating in the nuclear energy sector, in the media sector (local or nationwide, TV/radio broadcasting, newspapers or internet broadcasting), for loans to non-environmental friendly companies and loans to companies involved in dealing in arms and weapons.

Corporate and Commercial Lending

Corporate and commercial underwriting is performed by three units: the corporate credit underwriting section, the commercial credit underwriting section and the specialised credit underwriting section. The corporate credit underwriting section considers credit applications of companies with an annual turnover above U.S.$100 million or companies considered clients of the corporate strategic business unit. The commercial credit underwriting section reviews credit applications of companies with an annual turnover between U.S.$5 million and U.S.$100 million. The commercial credit underwriting section is organised into ten regions (five in Istanbul and five in Anatolia) in addition to the Bank's head office. The specialised credit underwriting section reviews structured finance proposals in the areas of energy, real estate, shipping and concessions, subsidiaries proposals and financial institutions proposals.

Retail Lending

Retail underwriting utilises scorecards, decision trees and rule sets to evaluate the creditworthiness of applications. The data entry for credit card and individual loan applications is done centrally. Once the data entry is performed, inquiries to external sources (including the credit bureau and the Central Bank) and internal data sources (including customer information file and product performance) are run. Retail application scores are calculated through a computerised system. Once the inquiries are completed, the data is sent to the decision engine, where decision trees and rule sets are checked and the final decision is provided. Loan-to-value ratios are 50% for individual loans (home equity loans and work place loans), 75% for mortgages, 80% for car loans and 70% for second hand car and heavy vehicle loans.

Credit card applications utilise two parallel strategies to assess credit limits. For new applicants, credit limits are granted based on a combination of credit history and income. For existing credit card customers, credit limits are increased or decreased based on an economic value added formula, which is primarily calculated based on the relationship between expected revenue, expected loss, and cost of capital of supplying the line of credit.

SME underwriting is performed by three sections divided based on geographical location. The SME credit underwriting section is organised into nine regions (three in Istanbul and six in Anatolia) and in the Bank's head office. The rating system as well as the results from internal and external inquiries are the major parameters for credit decisions in SME underwriting. Relevant external and internal information is gathered and fed into the underwriting tools automatically. New clients with bad ratings are rejected automatically whereas clients with ratings that meet certain thresholds are approved automatically by the system.

Probability of Default Rating Models

For corporate and commercial clients, internal application rating models integrated within the underwriting process assign a probability of default for each borrower, classifying them on a scale of 17 grades. The model uses financial information, internal behavioural information, qualitative criteria and information from the Central Bank. The outcomes of rating models reflect the riskiness of each rated customer, and generic provisions are set aside in accordance with each performing client's rating. Additionally, on the corporate and commercial side, a separate rating model for construction companies is being developed and implemented.

Probability of default rating models are also used for home loans, general purpose loans, car loans, home improvement loans, overdrafts and credit cards. Since April 2011, internally developed application models have been used for these segments.

Nine application rating models are used to measure the creditworthiness of SME clients. The models classify clients in 23 rating classes and assign a probability of default to each borrower. These models use information acquired from both internal and external sources, as well as data compiled by relationship managers while preparing proposals. The first versions of the models were developed and implemented in 2009. In 2011, improved models were developed and implemented. Currently, the Bank is undertaking a project to further enhance these models.

For commercial and SME clients behavioural rating models were upgraded in 2012. The behavioural scorecards are rating models that are aimed at measuring the worthiness of clients. Such rating models are intended to act as a warning and to start the monitoring process within the Bank. These behavioural models are updated on a monthly basis.

These differentiated evaluation methodologies and processes based on market segments give the Bank the ability to measure, manage and monitor credit risk in a more accurate way.

Loan Loss Provisioning Policy

For purposes of loss provisioning the loans are divided into five groups.

- 1st group: Includes standard loans and other receivables, reimbursement of which has been made within the specified periods or for which no reimbursement problems are expected in the future, and which can be fully collected. No deterioration in the credit risk of the debtor has been observed.

- 2nd group: Includes closely monitored loans and other receivables with respect to which there is no problem at present but which the Bank believes should be more closely monitored for reasons such as decreasing solvency or cash flow problems of the debtor, significant financial risk carried by the debtor, or more generally for which capital sum and interest repayments are likely to fail and the persistence of such problems might result in partial or full non-payment risk.

- 3rd group: Includes loans and other receivables with limited collection ability. These include loans with respect to which the collection of the principal sum and/or interest has been delayed for more than 90 days but less than 180 days from the due date.

- 4th group: Includes doubtful loans and other receivables with respect to which the collection of the principal and/or interest has been delayed for more than 180 days but less than one year from the due date.

- 5th group: Includes loans and other receivables, which are considered as a loss. These include loans that are deemed to be uncollectable, or where collection of principal and/or interest has been delayed by one year or more from the due date.

In accordance with BRSA Principles, the Bank recognises a minimum provision of 1% of total cash credits with standard quality (0.2% of total of letter of guarantees, sureties and other letters of credit) and 2% of total cash credits in close follow up (0.4% for letter of guarantees, sureties and other letters of credit).

In accordance with BRSA Principles, the Bank's loan provisioning policy provides that a provision should be at least 20% when a loan is categorised as being in the 3rd group, 50% in the 4th group and 100% in the 5th group. Further description of the applicable regulatory requirements is set out in "*Turkish Regulatory Environment – Loan Loss Reserves*".

Exposure to Credit Risk

The top 20 clients of the Bank mainly include leading conglomerates and state owned enterprises in Turkey. As of 30 September 2013 the share of the top 20 companies in terms of the total gross loans to companies amounted to 13%. The Bank has not experienced any deterioration in the credit quality of these clients.

Market Risk Management

As part of a financial group the Bank is constantly exposed to interest rate, liquidity and foreign exchange risks. The Bank's market risk policy provides for guidelines with respect to the market risk management and binding limit structure and defines roles and responsibilities of the various teams involved. Market risk is managed based on the treatment of the Bank's banking and trading books. The banking book consists of all assets and liabilities arising from commercial activities, and is sensitive to interest rate and foreign exchange movements. The trading book includes positions held for trading, client servicing purposes or keeping the Bank's market-making status. The Bank's market risk management strategy, policies and guidelines are based on UniCredit Group standards as well as on the Turkish regulatory rules and procedures.

The Bank's trading activity is realised on foreign exchange and securities, which are tolerated within predefined limits. Risk limits are set in terms of end-of-day and intra-day position basis, as well as value at risk ("**VaR**"), monitored on a daily basis. Monitoring of trading activity is performed daily through reports prepared by the market risk management department, which show VaR positions and stop-loss limits, in addition to back-testing profit and loss figures. These reports are then sent to the Bank's executive management, the Treasury department and the UniCredit risk management group.

The banking book's interest rate risk is measured monthly through the economic value perspective. The economic value sensitivity method calculates the potential change in fair value of the Bank's interest rate positions resulting from a parallel upward or downward shift of the yield curve. As outlined in Basel II, this interest rate fluctuation is to be maintained within 20% of the Bank's core Tier 1 and Tier 2 capital. Interest rate swaps are utilised to mitigate the banking book interest rate risk resulting from the maturity mismatch. Besides Economic Value Sensitivity, an overall VaR, covering all balance sheet items and Basis Point Value ("**BPV**") methods are used to measure the structural interest rate risk. Structural foreign exchange position risk limits and VaR are also monitored daily and reported to the executive management.

The Bank monitors liquidity risk daily, paying particular attention to keeping enough cash and cash equivalent instruments to fund increases in assets, unexpected decreases in liabilities, as well as meeting legal requirements, while optimising the cost of carrying any excess liquidity. The liquidity policy provides guidelines to quantify the liquidity position and achieve a sound balance between profitability and liquidity needs. Liquidity risk limits are set both for short-term and structural long-term liquidity positions. The Bank has its own liquidity contingency plan on liquidity management. As part of the UniCredit group, the Bank is included in the UniCredit group liquidity contingency plan. Moreover, the Bank maintains the majority of its securities portfolio as marketable, thus facilitating access to repo market as and when short liquidity is needed.

The Bank's derivative instruments are limited to financial instruments such as forwards, swaps, futures and options in foreign exchange and capital markets. These transactions are considered effective economic hedges under the Group's management policies.

As part of its management market risk, the Group undertakes various hedging strategies. The Group also enters into interest rate swaps to match the interest rate risk associated with the fixed rate long-term loans.

Fair value hedges

Since 1 March 2009, the Group has hedged the possible fair value effects of changes in market interest rates on part of its fixed interest TL mortgage and car loan portfolios, as well as changes in foreign exchange rates on part of its foreign currency borrowed denominated funds, using cross currency rate swaps. The net carrying value of hedging instruments as of 30 September 2013 amounted to an asset of TL 299,816 compared with assets of TL 3,763 thousand as of 31 December 2012 and TL 350,788 thousand as of 31 December 2011, and a liability of TL 279,454 thousand as of 31 December 2010. As of 30 September 2013, the mark to market difference of the hedging instruments since the inception date of the hedge relationship was TL (123,979) thousand, compared with TL 41,431 thousand, TL (117,225) thousand and TL 84,292 thousand as of 31 December 2012, 2011 and 2010, respectively. As of 30 September 2013, the fair value difference of the hedged item was TL 24,656 thousand, compared with TL 148,635 thousand, TL 107,204 thousand and TL 224,429 thousand as of 31 December 2012, 2011 and 2010, respectively. As of 30 September 2013, their changes in fair value amounted to a decrease of TL 123,979 thousand, compared with an increase of TL 41,431 thousand, a decrease of TL 117,225 thousand and increase of TL 84,292 thousand as of 31 December 2012, 2011 and 2010, respectively.

Cash flow hedges

The Group is exposed to fluctuations in future interest cash flows on non-trading assets and liabilities which bear interest at a variable rate. The Group uses interest rate swaps as cash flow hedges to guard against these interest rate risks.

In order to hedge its cash flow risk from liabilities, the Group has applied cash flow hedge accounting since 1 January 2010.

Net gain on cash flow hedges reclassified to the statement of income

The net gain/(loss) on cash flow hedges reclassified to the statement of income during the nine months ended 30 September 2013 and the years ended 31 December 2012, 2011 and 2010 was as follows:

	For the nine months ended 30 September	For the year ended 31 December		
	2013	**2012**	**2011**	**2010**
		(TL, thousands)		
Portion of cash flow hedges reclassified to the statement of income	351,670	209,965	185,994	65,061

For the nine months ended 30 September 2013 and for the years ended 31 December 2012, 2011 and 2010, losses of TL 286 thousand, TL 2,304 thousand, TL 1,076 thousand and TL 4,208 thousand, respectively, were recognised in the statement of income due to the ineffectiveness of cash flow hedges.

As of 30 September 2013, 31 December 2012, 2011 and 2010, net losses arising from cash flow hedges recognised under equity, net of reclassification to statement of income and net of tax, were TL 351,670 thousand, TL 252,283 thousand, TL 206,702 thousand and TL 101,828 thousand, respectively.

Net investment hedges

The Group hedges part of the currency translation risk of net investments in foreign operations through currency borrowings.

The Group's Euro-denominated borrowing is designated as a hedge of the net investment in certain of the Group's Euro-denominated subsidiaries. The total amount of borrowing designated as a hedge of the net investment as of 30 September 2013 was EUR298 million, compared to EUR264 million as of 31 December 2012, EUR238 million in 2011 and EUR203 million in 2010. The foreign exchange loss as of 30 September 2013 was TL 200 million, compared to TL 97 million loss in 2012, TL 113 million loss in 2011 and TL 42 million loss in 2010, net of tax, on the translation of such borrowing to Turkish Lira at the consolidated balance sheet date is recognised in other reserves in equity.

The major measurement technique used to measure and control market risk is outlined below.

Value-at-risk

The Group applies a VaR methodology to its trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based on a number of assumptions for various changes in market conditions. The VaR limits are set by the Board and revised every year according to the budget and strategic plan of the Group. VaR limit compliance is monitored by risk management on a daily basis. Since 1 January 2009, these limits have not been exceeded.

VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the maximum amount the Group might lose, but only to a certain level of confidence (99%). There is therefore a specified statistical probability (1%) that actual loss could be greater than the VaR estimate. The VaR model of the Group assumes a one-day "holding period" until positions can be closed. The Group's assessment of past movements is based on data for the past 500 days. The Group applies these historical changes in rates, prices, indices, etc. directly to its current positions—a method known as historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VaR calculation (back testing). The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VaR constitutes an integral part of the Group's market-risk control regime, VaR limits are established by the Board annually for all trading portfolio operations. For investment positions, as well as for the held-to-maturity portfolio, risk appetite limits are applied (VaR/nominal position). Actual exposure against limits, together with a consolidated group-wide VaR, is reviewed daily by risk management. Average daily VaR for the trading portfolio of the Group for the year ended 31 December 2012 was TL 1,632 thousand, compared to TL 1,036 thousand for the year ended 31 December 2011 and TL 1,269 thousand for the year ended 31 December 2010. As of 30 September 2013, the VaR for the trading portfolio of the Group was TL 3,020 thousand.

The quality of the VaR model is continuously monitored by back testing the VaR results for trading books. All back testing exceptions are investigated, and results are reported to the monthly meetings of the Asset and Liability Management function within the Executive Committee.

Stress tests

Stress tests provide an indication of the potential size of the losses that could arise in extreme conditions. The stress tests carried out by risk management, also indicated in the market risk policy of the group, include: foreign exchange and interest rate stress testing, where stress movements are applied to the foreign exchange position and to the banking book. The results of the stress tests are reviewed by the Asset and Liability Management function within the Executive Committee.

Foreign exchange risk

Foreign exchange exposure is the result of the mismatch of foreign currency denominated assets and liabilities (including foreign currency indexed ones) together with exposures resulting from off-balance sheet foreign exchange derivative instruments. The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The limits are set by the Board on the level of exposure in aggregate for both overnight and intra-day positions, which are monitored on a daily basis. The Bank performs periodic stress tests on foreign currency VaR by implementing different scenarios. These stress test scenarios are periodically renewed and monitored in accordance with market volatility.

Interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group is exposed to the effects of fluctuation in the prevailing levels of market interest rates in both its fair value and cash flow risks. Interest rate risk limits are set in terms of a total economic value sensitivity limit. Sensitivity analysis is performed according to a scenario of 4% shift in Turkish Lira yield curve and 2% shift in foreign exchange yield curve. The resulting profit/loss should not exceed 20% of the Bank's Tier 1 and Tier 2 Capital. Moreover, the BPV is applied for the banking book. The BPV limit restricts maximum interest rate risk position by currency and time buckets with valuation changes being based on an interest rate change of 0.01%.

In 2009 the Bank started to hedge a portion of its interest rate risk between its medium- and long-term fixed rate Turkish Lira loans (such as mortgages) and its Turkish Lira deposits, which have a relatively short maturity when compared to the Bank's assets. The Bank hedged this exposure by creating fixed rate medium/long-term Turkish Lira funding via cross currency interest rate swap contracts (U.S. dollars against Turkish Lira) and interest rate swaps.

The tables below set out the Group's exposure to interest rate risk as of 30 September 2013, 31 December 2012, 2011 and 2010 in TL thousands. The tables include the Group's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

	As of 30 September 2013						
	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	5 years and over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheque purchased) and balances with the Central Bank of the Republic of Turkey	—	—	—	—	—	18,164,551	18,164,551
Banks	12,109	876,065	286,988	27,178	—	1,929,914	3,132,254
Financial assets at fair value through profit/loss	305,595	309,540	470,301	79,052	14,149	59,743	1,238,380
Money market placements	1,749,046	17,459	—	—	—	—	1,766,505
Available for sale financial assets	808,460	1,349,998	3,322,493	3,506,832	5,249,496	168,230	14,405,509
Loans	18,120,725	26,502,408	23,324,853	17,969,986	5,593,173	2,747,916	94,259,061
Held to maturity investments	1,449,815	26,039	2,156,024	25,769	2,771,734	—	6,429,381
Other assets	1,798,454	925,110	1,436,898	2,007,880	203,609	7,448,046	13,819,997
Total assets	**24,244,204**	**30,006,619**	**30,997,557**	**23,616,697**	**13,832,161**	**30,518,400**	**153,215,638**
Liabilities							
Bank deposits	302,475	699,786	443,382	129,810	—	286,669	1,862,122
Other deposits	48,770,132	12,266,374	4,655,351	900,952	6,552	14,454,722	81,054,083
Funds from money market	4,353,260	1,496,938	1,518,286	171,058	—	—	7,539,542
Miscellaneous payables	—	—	226,586	—	—	6,725,649	6,952,235
Marketable securities issued	430,828	3,770,585	178,258	1,001,860	1,002,638	—	6,384,169
Funds borrowed from other financial institutions	3,791,020	5,842,876	4,543,458	2,704,581	766,677	—	17,648,612
Other liabilities and shareholders' equity	1,476,474	4,264,773	1,658,339	42,753	4,040	24,328,496	31,774,875
Total liabilities	**59,124,189**	**28,341,332**	**13,223,660**	**4,951,014**	**1,779,907**	**45,795,536**	**153,215,638**
Balance sheet long position	—	**1,665,287**	**17,773,897**	**18,665,683**	**12,052,254**	—	**50,157,121**
Balance sheet short position	**(34,879,985)**	—	—	—	—	**(15,277,136)**	**(50,157,121)**
Off balance sheet long position	6,684,574	11,701,400	—	—	—	—	18,385,974
Off balance sheet short position	—	—	(3,203,644)	(13,744,988)	(1,220,431)	—	(18,169,063)
Total position	**(28,195,411)**	**13,366,687**	**14,570,253**	**4,920,695**	**10,831,823**	**(15,277,136)**	

	As of 31 December 2012						
	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	5 years and over	Non interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheque purchased) and balances with the Central Bank of the Republic of Turkey	—	—	—	—	—	11,487,948	11,487,948
Banks	2,392,151	432,471	554,909	234,203	—	1,728,763	5,342,497
Financial assets at fair value through profit/loss	143,366	129,234	226,709	131,175	297,895	74,616	1,002,995
Money market placements	2,664,118	109,118	—	—	—	—	2,773,236
Available for sale financial assets	1,687,065	1,608,723	2,450,574	3,206,361	6,679,098	18,627	15,650,448
Loans	17,633,269	18,762,035	20,163,124	15,503,331	4,821,813	1,905,275	78,788,847
Held to maturity investments	17,390	1,614,522	1,462,174	326,880	2,406,728	—	5,827,694
Other assets	1,565,677	733,369	981,945	1,489,414	123,421	5,730,270	10,624,096
Total assets	**26,103,036**	**23,389,472**	**25,839,435**	**20,891,364**	**14,328,955**	**20,945,499**	**131,497,761**
Liabilities							
Bank deposits	173,294	363,879	406,122	124,776	66,040	315,172	1,449,283
Other deposits	42,197,427	12,674,271	2,692,833	669,909	9,385	11,450,283	69,694,108
Funds from money market	4,871,821	1,601,854	—	—	—	—	6,473,675
Miscellaneous payables	31	—	—	—	—	5,775,451	5,775,482
Marketable securities issued	170,578	1,673,832	1,233,009	869,086	—	—	3,946,505
Funds borrowed from other financial institutions	1,528,821	3,746,112	6,369,533	2,032,146	617,719	—	14,294,331
Other liabilities and shareholders' equity	319,467	2,780,837	1,750,754	350,692	1,877,374	22,785,253	29,864,377
Total liabilities	**49,261,439**	**22,840,785**	**12,452,251**	**4,046,609**	**2,570,518**	**40,326,159**	**131,497,761**
Balance sheet long position	—	**548,687**	**13,387,184**	**16,844,755**	**11,758,437**	—	**42,539,063**
Balance sheet short position	**(23,158,403**	—	—	—	—	**(19,380,660)**	**(42,539,063)**
Off balance sheet long position	4,790,681	13,604,142	—	—	—	—	18,394,823
Off balance sheet short position	—	—	(1,488,734)	(16,149,146)	(1,356,983)	—	(18,994,863)
Total position	**(18,367,722)**	**14,152,829**	**11,898,450**	**695,609**	**10,401,454**	**(19,380,660)**	

	As of 31 December 2011						
	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	5 years and over	Non—interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheque purchased) and balances with the Central Bank of the Republic of Turkey	—	—	—	—	—	10,081,703	10,081,703
Banks	1,593,147	289,844	268,240	272,225	—	1,005,068	3,428,524
Financial assets at fair value through profit/loss	68,260	74,433	259,683	95,613	17,804	41,037	556,830
Money market placements	2,173,561	—	—	—	—	—	2,173,561
Available—for—sale financial assets	957,834	165,745	2,389,281	1,768,348	2,712,642	17,426	8,011,276
Loans	10,043,452	5,959,171	16,055,788	21,506,848	14,213,791	2,291,864	70,070,914
Held—to—maturity investments	423,296	1,671,715	1,212,450	2,721,385	6,681,776	—	12,710,622
Other assets	696,809	1,599,063	1,068,662	1,457,089	195,030	5,400,048	10,416,701
Total assets	**15,956,359**	**9,759,971**	**21,254,104**	**27,821,508**	**23,821,043**	**18,837,146**	**117,450,131**
Liabilities							
Bank deposits	665,788	295,368	284,029	43,102	95,463	178,739	1,562,489
Other deposits	37,568,281	13,004,721	2,626,054	556,390	20,032	10,848,583	64,624,061
Funds from money market	3,767,886	2,039,669	1,078,338	—	—	—	6,885,893
Miscellaneous payables	20	—	—	—	—	4,795,480	4,795,500
Marketable securities issued	145,048	2,146,847	956,822	—	—	—	3,248,717
Funds borrowed from other financial institutions	2,029,221	4,652,783	5,954,420	1,462,084	584,394	—	14,682,902
Other liabilities and shareholders' equity	326,274	1,731,901	1,587,816	400,887	135,494	17,468,197	21,650,569
Total liabilities	**44,502,518**	**23,871,289**	**12,487,479**	**2,462,463**	**835,383**	**33,290,999**	**117,450,131**
Balance sheet long position	—	—	8,766,625	25,359,045	22,985,660	—	57,111,330
Balance sheet short position	(28,546,159)	(14,111,318)	—	—	—	(14,453,853)	(57,111,330)
Off—balance sheet long position	4,590,724	12,445,139	1,162,079	—	—	—	18,197,942
Off—balance sheet short position	—	—	—	(17,481,361)	(658,792)	—	(18,140,153)
Total position	**(23,955,435)**	**(1,666,179)**	**9,928,704**	**7,877,684**	**22,326,868**	**(14,453,853)**	

	As of 31 December 2010						
	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	5 years and over	Non—interest bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheque purchased) and balances with the Central Bank of the Republic of Turkey	—	—	—	—	—	6,034,426	6,034,426
Banks	540,361	755,486	385,433	402,066	—	480,384	2,563,730
Financial assets at fair value through profit/loss	282,589	377,955	132,778	85,728	126,666	64,399	1,070,115
Money market placements	970,970	—	—	—	—	—	970,970
Available—for—sale financial assets	670,127	167,152	793,347	2,234,836	1,989,900	20,618	5,875,980
Loans	10,327,087	5,869,082	13,962,312	15,694,640	7,841,257	981,484	54,675,862
Held—to—maturity investments	2,020,451	2,173,896	822,733	2,169,162	5,788,702	—	12,974,944
Other assets	1,013,925	1,502,890	754,359	986,972	39,670	4,350,215	8,648,031
Total assets	**15,825,510**	**10,846,461**	**16,850,962**	**21,573,404**	**15,786,195**	**11,931,526**	**92,814,058**
Liabilities							
Bank deposits	571,638	367,371	219,328	328,878	103,660	193,023	1,783,898
Other deposits	36,476,310	6,290,441	933,054	366,958	30,530	9,325,811	53,423,104
Funds from money market	1,378,265	1,892,553	380,198	—	—	—	3,651,016
Miscellaneous payables	2,606,114	1,166	—	—	—	1,598,691	4,205,971
Marketable securities issued	—	1,375,419	—	—	19,033	452	1,394,904
Funds borrowed from other financial institutions	5,645,591	735,268	2,846,779	312,164	533,095	173	10,073,070
Other liabilities and shareholders' equity	159,008	1,198,528	1,678,196	313,473	123,616	14,809,274	18,282,095
Total liabilities	**46,836,926**	**11,860,746**	**6,057,555**	**1,321,473**	**809,934**	**25,927,424**	**92,814,058**
Balance sheet long position	—	—	10,793,407	20,251,931	14,976,261	—	46,021,599
Balance sheet short position	(31,011,416)	(1,014,285)	—	—	—	(13,995,898)	(46,021,599)
Off—balance sheet long position	3,042,205	4,589,973	423,157	—	—	—	8,055,335
Off—balance sheet short position	—	—	—	(7,757,173)	(500.565)	—	(8,257,738)
Total position	**(27,969,211)**	**3,575,688**	**11,216,564**	**12,494,758**	**14,475,696**	**(13,995,898)**	

Liquidity Risk

Liquidity risk arises from mismatches between maturities of assets and liabilities, which may result in the Bank being unable to meet its obligations in a timely manner. The Bank's liquidity risk is managed as part of the asset and liability management strategy in accordance with the Bank's market risk policies. In order to manage this risk, the Bank's funding sources are diversified and the Bank believes that it holds sufficient cash and cash equivalents to fund its liabilities in the event such mismatches occur. During the monthly meetings of the Asset and Liability Management function within the Executive Committee, the liquidity position of the Group is evaluated and measures are implemented if necessary.

The Bank uses the following definitions with respect to the components of liquidity risk:

(a) Liquidity mismatch risk refers to the risk of non-conformity between the amounts and/or the maturities or cash inflows and cash outflows;

(b) Liquidity contingency risk refers to the risk that future unexpected events could require a greater amount of liquidity than the amount estimated necessary by the Bank. This risk could arise as a result of events such as the failure by clients to reimburse loans, the need to finance new assets, difficulties in selling liquid assets or obtaining new financings in the event of a liquidity crisis; and

(c) Market liquidity risk refers to the risk that the Bank may incur losses as a result of the sale of assets deemed to be liquid, or in extreme conditions is unable to liquidate such positions due to insufficient liquidity offered by the market or keeps the position that is too large when compared to market turnover.

Reports on short-term liquidity positions and structural liquidity positions are prepared by the Bank's risk management department. Short-term liquidity risk management focuses on events that can impact upon the Bank's liquidity position from one day and up to three months. Structural liquidity positions focus on events effecting the Group's long-term liquidity position. The primary objective is to maintain an adequate ratio between total liabilities and medium or long-term assets, with a view of avoiding pressures on short-term sources (both current and future), while optimising the cost of funding.

According to the BRSA Communiqué on liquidity, banks have to meet 80% liquidity ratio of foreign currency assets/liabilities and 100% liquidity ratio of total assets/liabilities for weekly and monthly time brackets. The risk management department performs the calculation of the above-mentioned ratios on a daily basis and shares the results with the Treasury department and the Bank's senior management. Further description of the applicable regulatory requirements is set out in "*Turkish Regulatory Environment—Liquidity Reserve Requirements*".

A significant portion of the Group's funding base consists of deposits and funds borrowed. As of 30 September 2013, deposits comprised 54% of the Bank's total liabilities and, of all deposits, 92% had maturities of three months or less. As of 30 September 2013, loans and receivables comprised 62% of the Bank's total assets and, of all loans and receivables, 25% had maturities of three months or less. The Bank's liquidity position currently has a duration gap (representing the average duration of assets less the average duration of liabilities) of 105 days for Turkish Lira and 187 days for foreign currency-denominated assets and liabilities. Of the Bank's total assets, 65% have a maturity of three months and over.

The following tables set forth the Group's breakdown of financial liabilities according to their remaining contractual maturities as of 31 December 2012, 2011, 2010 in TL thousands:

	As of 31 December 2012					
	Demand and up to 1 month	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Above 5 years**	**Total**
			(TL, thousands)			
Liabilities						
Deposits	54,142,891	13,250,322	3,220,517	1,122,603	83,901	71,820,234
Funds borrowed from other financial institutions	1,389,694	673,331	8,081,360	3,734,421	1,316,431	15,195,237
Funds from money market	4,883,739	1,605,242	—	—	—	6,488,981
Subordinated loans	—	42,238	260,669	3,520,688	3,618,241	7,441,836
Marketable securities issued	170,578	219,245	1,247,226	2,540,568	112,173	4,289,790
Total	**60,586,902**	**15,790,378**	**12,809,772**	**10,918,280**	**5,130,746**	**105,236,078**

	As of 31 December 2011					
	Demand and up to 1 month	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Above 5 years**	**Total**
			(TL, thousands)			
Liabilities						
Deposits	48,631,002	13,429,422	3,674,818	696,942	145,030	66,577,214
Funds borrowed from other financial institutions	1,799,739	649,283	9,104,618	3,235,131	827,007	15,615,778
Funds from money market	3,529,197	1,647,208	1,096,668	663,952	—	6,937,025
Subordinated loans	—	28,585	100,180	2,534,617	491,272	3,154,654
Marketable securities issued	700	116,212	1,457,768	1,692,192	133,264	3,400,136
Total	**53,960,638**	**15,870,710**	**15,434,052**	**8,822,834**	**1,596,573**	**95,684,807**

	As of 31 December 2010					
	Demand and up to 1 month	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Above 5 years**	**Total**
			(TL, thousands)			
Liabilities						
Deposits	46,670,003	6,772,971	1,183,011	800,752	171,391	55,598,128
Funds borrowed from other financial institutions	2,128,796	519,849	4,663,791	2,539,474	914,532	10,766,442
Funds from money market	1,105,553	1,423,875	554,459	475,175	138,837	3,697,899
Subordinated loans	—	15,862	78,129	473,882	2,181,519	2,749,392
Marketable securities issued	—	92,063	289,975	1,076,120	—	1,458,158
Total	**49,904,352**	**8,824,620**	**6,769,365**	**5,365,403**	**3,406,279**	**74,270,019**

The following tables represent the outstanding derivative cash flows of the Group on undiscounted basis by contractual maturity as of 31 December 2012, 2011, 2010 in TL thousands:

	As of 31 December 2012					
	Up to 1 month	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Total**
Derivatives held for trading:						
Foreign exchange derivatives:						
Inflow	12,467,989	4,357,347	6,920,444	1,975,186	—	25,720,966
Outflow	(12,509,031)	(4,361,821)	(6,805,562)	(2,503,506)	(157,000)	(26,336,920)
Interest rate derivatives:						
Inflow	23,713	259,367	1,547,445	2,950,139	454,205	5,234,869
Outflow	(23,454)	(261,623)	(1,507,538)	(2,896,142)	(423,605)	(5,112,362)
Derivatives held for hedging:						
Foreign exchange derivatives:						
Inflow	—	—	—	—	—	—
Outflow	—	—	—	—	—	—
Interest rate derivatives:						
Inflow	21,711	173,776	4,095,250	15,193,430	1,186,341	20,670,508
Outflow	(63,016)	(164,229)	(4,309,002)	(16,657,189)	(1,344,393)	(22,537,829)
Total cash inflow	**12,513,413**	**4,790,490**	**12,563,139**	**20,118,755**	**1,640,546**	**51,626,343**
Total cash outflow	**(12,595,501)**	**(4,787,673)**	**(12,622,102)**	**(22,056,837)**	**(1,924,998)**	**(53,987,111)**

	As of 31 December 2011					
	Up to 1 month	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Total**
Derivatives held for trading:						
Foreign exchange derivatives:						
Inflow	9,136,901	4,156,536	4,805,995	3,000,351	368,340	21,468,123
Outflow	(9,262,199)	(4,251,613)	(4,713,761)	(3,603,302)	(531,650)	(22,362,525)
Interest rate derivatives:						
Inflow	97,487	5,159	294,006	3,814,968	662,743	4,874,363
Outflow	(97,033)	(3,149)	(295,380)	(3,811,951)	(661,856)	(4,869,369)
Derivatives held for hedging:						
Foreign exchange derivatives:						
Inflow	—	—	—	—	—	—
Outflow	—	—	—	—	—	—
Interest rate derivatives:						
Inflow	17,528	263,013	1,481,977	18,229,258	495,315	20,487,091
Outflow	(51,407)	(270,322)	(1,652,793)	(18,800,665)	(464,666)	(21,239,853)
Total cash inflow	**9,251,916**	**4,424,708**	**6,581,978**	**25,044,577**	**1,526,398**	**46,829,577**
Total cash outflow	**(9,410,639)**	**(4,525,084)**	**(6,661,934)**	**(26,215,918)**	**(1,658,172)**	**(48,471,747)**

	As of 31 December 2010					
	Up to 1 month	**1 – 3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Total**
Derivatives held for trading:						
Foreign exchange derivatives:						
Inflow	7,327,810	8,587,374	4,731,083	2,758,746	376,825	23,781,838
Outflow	(7,128,131)	(8,190,025)	(4,775,010)	(3,292,216)	(598,845)	(23,984,227)
Interest rate derivatives:						
Inflow	65,372	8,536	613,117	3,246,597	353,200	4,286,822
Outflow	(64,912)	(88,440)	(732,505)	(3,515,151)	(396,531)	(4,797,539)
Derivatives held for hedging:						
Foreign exchange derivatives:						
Inflow	—	—	—	—	—	—
Outflow	—	—	—	—	—	—
Interest rate derivatives:						
Inflow	1,828	109,620	559,671	5,830,245	30,256	6,531,620
Outflow	(22,374)	(135,129)	(783,959)	(6,453,882)	(33,189)	(7,428,533)
Total cash inflow	**7,395,010**	**8,705,530**	**5,903,871**	**11,835,588**	**760,281**	**34,600,280**
Total cash outflow	**(7,215,417)**	**(8,413,594)**	**(6,291,474)**	**(13,261,249)**	**(1,028,565)**	**(36,210,299)**

Operational Risk Management

Operational risk is related to losses which arise as a result of inadequate or ineffective internal processes, personnel or systems or due to external events. The operational risk management team monitors the Bank's operational risk exposure in accordance with the Bank's standards and policies, collects operational risk data in a web-based database, identifies risk indicators, conducts scenario analysis assessment, plans for business continuity management and assures the quality of data gathered in accordance with Basel II standards, proposes insurance hedging on operational risks, prepares risk mitigation plans and coordinates IT risk management activities. The operational risk management department performs second level controls, manages and measures the Bank's operational risks.

The Bank's objective is to implement the advanced measurement approaches of Basel II and related measurement systems in operational risk management. As part of the Basel II operational risk project, the Bank has been collecting data on internal operational risk since 2004. Data on internal losses are collected from various departments and branches using wed-based systems. Scenario analysis studies for measuring and managing the impacts of unrealised potential operational risk have been performed since 2008. Key risk indicator analyses have been performed to monitor current and potential operational risk exposure of the Bank since 2007. A dedicated database was established for monitoring the trends of key risk indicators. Moreover, a risk based insurance management approach was used to seek to minimise main operational risks that the Bank is exposed to. These actions have resulted in minimising internet fraud, enhancing the effectiveness of the risk transfer mechanism and helped senior management to better understand and monitor the main risk factors associated with banking activities. Additionally, potential risk evaluations were made before launching new products and services and the findings were shared with related departments so that necessary measures could be taken. Besides, both for IT and logistics purposes, the business continuity management activities and investments were accomplished and necessary tests were performed.

For regulatory and statutory capital adequacy ratio purposes, the Group calculated the amount subject to operational risk on a consolidated basis with the basic indicator method in accordance with Section 4 of "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio" published by the Official Gazette No. 28337 dated 28 June 2012, namely "The Calculation of the Amount Subject to Operational Risk", based on the gross income of the Group for the years ended 2012, 2011 and 2010. As of 30 September 2013, the total amount subject to operational risk was calculated as TL 11,382,713 thousand, compared to TL 10,677,893 thousand as of 31 December 2012 and TL 9,764,669 thousand as of 31 December 2011. As of 30 September 2013, the amount of the related capital requirement was TL 910,617 thousand, compared to TL 854,231 thousand as of 31 December 2012 and TL 781,174 thousand as of 31 December 2011.

Capital Management

Banks in Turkey are required to comply with capital adequacy guidelines published by the BRSA. These capital adequacy guidelines are based on standards established by BIS. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures.

A bank's capital adequacy ratio is calculated based on the aggregate of its Tier 1 capital (which includes paid in capital, reserves, retained earnings and profit for the current periods minus period loss (if any)), its Tier 2 capital (which includes general loan and free reserves, revaluation funds and subordinated loans obtained) and its Tier 3 capital (which includes certain qualified subordinated loans in accordance with BIS guidelines) minus deductions (which include participations to financial institutions, negative differences between fair and book values of subsidiaries, subordinated loans extended, goodwill and capitalised costs), and by dividing the result by risk-weighted assets, which reflect both credit risk and market risk. In accordance with the guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%. By taking into account banks' internal systems, assets and financial structure, the BRSA is authorised to (i) increase the minimum capital adequacy ratio, (ii) set different ratios for each bank, and (iii) revise the risk weighting of assets that are based upon participation accounts. If a bank's capital adequacy ratio is below the ratio set by the BRSA, certain restrictions are imposed.

The Bank and its individually-regulated operations were in compliance with all the above-mentioned capital adequacy requirements as at 30 September 2013.

The table below shows the Group's regulatory capital position on a consolidated BRSA basis as of 30 September 2013 and 31 December 2012 in TL thousands unless otherwise stated:

	As of 30 September 2013	As of 31 December 2012
Core capital:		
Paid in capital	4,347,051	4,347,051
Nominal capital	4,347,051	4,347,051
Capital commitments	—	—
Adjustment to paid in capital	—	—
Share premium	543,881	543,881
Share repeal	—	—
Legal reserves	8,878,581	7,118,712
Adjustment to legal reserves	—	—
Profit	4,045,692	2,841,517
Net Current period profit	3,117,708	2,087,673
Prior period profit	927,984	753,844
Provisions for possible losses up to 25% of core capital	195,978	246,317
Profit on sale of associates, subsidiaries and buildings	298,614	293,705
Primary subordinated loans	—	—
Minority shares	2,460	(64,792)
Loss that is not covered with reserves	—	—
Net current period loss	—	—
Prior period loss	—	—
Development cost of operating lease	73,688	(96,067)
Intangible assets	1,354,932	(1,361,391)
Deferred assets for tax which exceeds 10% of core capital	—	—
Excess amount expressed in the Law (Article 56, 3rd paragraph)	—	—
Goodwill (Net)	—	—
Total core capital	**16,883,637**	**13,998,517**
Supplementary capital:		
General provisions	1,409,663	1,339,681
45% of increase in revaluation fund of movables	—	—
45% of increase in revaluation fund of fixed assets	—	—
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	—	
Primary Subordinated Debts excluding the portion included in Core Capital	—	—
Secondary subordinated loans	4,227,817	4,004,900
45% of value increase fund of financial assets available for sale and associates and subsidiaries	73,970	669,340
Adjustment to paid in capital, profit reserves and previous years losses (except adjustment to legal reserves)	—	—
Minority share	—	—
Total supplementary capital	**5,761,450**	**6,013,921**
Deductions from the capital	**601,346**	**412,372**
Partnership share on non consolidated banks and financial institutions	—	—
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	—	—
Banks and financial institution to which equity method is applied, however, assets and liabilities are not consolidated	436,358	212,393
Loans extended being noncompliant with articles 50 and 51 of the Law	5,181	3,190
Net book value of properties owned, exceeding 50% bank's equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	5,917	6,844
Securitisations positions that is deducted preferably from the shareholders' equity	—	—
Other	153,890	189,945
Total shareholders' equity	**22,043,741**	**19,600,066**
Capital Requirement for Credit Risk (CRCR)	125,280,413	115,586,641
Capital requirement for market risk (II) (MRCR)	11,382,713	2,753,475
Capital requirement for operational risk (III) (ORCR)	4,652,038	10,677,893
Shareholders' equity	**141,315,164**	**129,018,009**
Capital adequacy ratio (%)	**15.60**	**15.19**

The table below shows the Group's regulatory capital position on a consolidated BRSA basis as of 31 December 2011 and 2010 in TL thousands unless otherwise stated:

	As of 31 December	
	2011	2010
Core capital:		
Paid in capital	4,347,051	4,347,051
Share premium	543,881	543,881
Legal reserves	266,973	163,959
Extraordinary reserves	4,930,128	3,038,543
Retained earnings	2,623,562	2,399,148
Provisions for possible risk up to 25% of core capital	151,960	124,712
Profit on disposal of associates, subsidiaries and immovables to be transferred to share capital	146,641	80,731
Minority interests	67,178	63,095
Leasehold improvements	(94,353)	(102,899)
Prepaid expenses	-	(138,650)
Intangible assets	(1,284,165)	(1,243,080)
Total core capital	**11,698,856**	**9,276,491**
Supplementary capital:		
Collective impairment allowance	1,052,268	826,853
Secondary subordinated loan	2,916,370	2,097,218
45% of Marketable Securities valuation differences	59,006	113,759
Total supplementary capital	**4,027,644**	**3,037,830**
Deductions from the capital	**(333,464)**	**(86,551)**
Investments in unconsolidated financial institutions and banks	(4,503)	(3,940)
Investments in financial institutions (domestic, foreign) and banks, in which less than 10% equity interest is exercised and that exceeds 10% and more of the total core and supplementary capital of the Bank	(203,590)	(71,906)
The net book value of Bank's immovable that are over 50% of shareholders' equity and immovable or commodities that are received on behalf of the receivables from customers and are to be disposed according to Banking Law article 57 as they have been held for more than five years form the acquisition date	(8,900)	(10,705)
Other	(116,471)	-
Total shareholders' equity	**15,393,036**	**12,227,770**
Amount subject to credit risk (ASCR)	89,918,261	68,300,334
Amount subject to market risk (ASMR)	3,779,300	1,949,350
Amount subject to operational risk (ASOR)	9,764,669	8,999,966
Total risk weighted assets	**103,462,230**	**79,249,650**
Capital adequacy ratio (%)	**14.88**	**15.43**

Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by the quoted market price, if available.

The estimated fair value of financial instruments has been determined by the Group with the use available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data in order to develop the estimated fair value. Accordingly, the estimated fair value presented in this Prospectus is not necessarily indicative of the amount the Group could realise in a current market exchange transaction.

The table below indicates the carrying and estimated fair value of the financial assets and liabilities, which are not presented on the Group's balance sheet at their estimated fair value.

	As of 31 December					
	2012		2011		2010	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	(TL, thousands)					
Financial assets:						
Due from money markets	2,773,236	2,773,236	2,173,561	2,173,561	970,970	970,970
Banks	5,342,497	5,366,421	3,428,524	3,445,199	2,563,730	2,583,555
Available-for-sale financial assets	15,650,448	15,650,448	8,011,276	8,011,276	5,875,980	5,875,980
Held-to-maturity investments	5,827,694	6,192,442	12,710,622	12,975,342	12,974,944	13,741,481
Loans	78,788,847	80,144,935	70,070,914	72,056,739	54,675,862	56,024,457
Financial liabilities:						
Bank deposits	1,449,283	1,546,848	1,562,489	1,565,177	1,783,898	1,800,003
Other deposits	69,694,108	69,694,108	64,624,061	64,624,061	53,423,104	53,423,104
Funds borrowed from other financial institutions	14,294,331	14,377,989	14,682,902	14,623,791	10,073,070	10,095,407
Subordinated loans	5,195,642	6,166,951	2,523,816	2,523,816	2,110,274	2,110,274
Marketable securities issued	3,946,505	3,976,650	3,248,717	3,248,717	1,394,904	1,394,904
Miscellaneous payables	5,775,482	5,775,482	4,795,500	4,795,500	4,205,971	4,205,971

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments:

Banks, Bank deposits and Funds borrowed from other financial institutions

The fair values of banks, bank deposits and funds borrowed from other financial institutions are determined by calculating the discounted cash flows using the current market interest rates.

Held-to-maturity assets

The fair value of held-to-maturity assets is determined based on market prices or, when these prices are unavailable, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

Loans

The expected fair value of loans and receivables is determined by calculating the discounted cash flows using the current market interest rates for the loans with fixed interest rates. For the loans with floating interest rates (such as overdrafts and credit card receivables), it is assumed that the carrying value approaches the fair value.

Available-for-sale financial assets

Available-for-sale financial assets are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the available-for-sale financial assets are carried at fair values determined by using alternative models. Available-for-sale equity securities which are not quoted in a market, and the fair values of which cannot be determined reliably, are carried at cost less any impairment.

Assets and liabilities measured at fair value

The following table presents assets and liabilities at fair value as of 31 December 2012 in TL thousands.

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or (loss)	565,441	437,554	—	1,002,995
Government debt securities	493,996	—	—	493,996
Share certificates	31,365	3,350	—	34,715
Trading derivative financial assets	—	420,483	—	420,483
Other marketable securities	40,080	13,721	—	53,801
Available—for—sale financial assets	13,967,588	1,664,233	18,627	15,650,448
Government debt securities	13,704,705	5,740	—	13,710,445
Other marketable securities	262,883	1,658,493	18,627	1,940,003
Hedging derivative financial assets	—	94,166	—	94,166
Total assets	**14,533,029**	**2,195,953**	**18,627**	**16,747,609**
Trading derivative financial liabilities		384,481		384,481
Hedging derivative financial liabilities	—	904,687	—	904,687
Total liabilities	**—**	**1,289,168**	**—**	**1,289,168**

Risk Committees

Within the Bank, risk management is performed by the asset and liability management function within the Executive Committee and the Credit Committee.

The Credit Committee is responsible for: (i) determining lending guidelines in line with the credit policy, economic objectives and the overall risk profile of the credit portfolio of the Bank, (ii) granting loans within certain set limits or advising the Board with respect to granting loans exceeding such limits, (iii) defining restructuring terms for overdue loans within certain set limits or advising the Board on the same with respect to loans exceeding such limits, and (iv) performing other functions assigned to it by the Board. The Credit Committee consists of five principal members: the CEO, the Deputy CEO and three members of the Board. The Risk Management Assistant General Manager attends the meetings by invitation. The Credit Committee meets on a weekly basis.

The decisions of the Credit Committee become immediately effective in case of unanimous vote. Otherwise, decisions of the Credit Committee require a majority approval from the Board.

The Asset and Liability Management function within the Executive Committee is responsible for: (a) determining the Bank's structural risk management guidelines and policies, (b) defining risk profile management strategies, and ensuring their compliance with the Board's guidelines in terms of risk appetite, (c) optimising the level of risk that the Bank is exposed to within the guidelines set by the Board, (d) defining risk limits, (e) defining operational principles of risk management and approval of risk measurement and control models, and (f) maintaining an overview of credit, market and operational risks. The decisions of the Asset and Liability Management function within the Executive Committee are made by unanimous vote of its permanent members. Such permanent members include the CEO, the Deputy CEO, the CFO, the Treasury Department Assistant General Manager and the Risk Management Assistant General Manager. In addition, heads of other business units as members of the Executing Committee also regularly attend meetings of the Asset and Liability Management function within the Executive Committee, including the Corporate and Commercial Banking Assistant General Manager, the Retail Banking Assistant General Manager, the Private Banking and Wealth Management Assistant General Manager. The Asset and Liability Management function within the Executive Committee usually meets on a weekly basis but in any case not less frequently than once a month.

MANAGEMENT

The Bank is managed by its Board of Directors, its General Manager and its senior management.

Board of Directors

Pursuant to the Bank's articles of association, the Board is responsible for the Bank's management. The Bank's articles of association stipulate that the Board should consist of a minimum of eight members elected by the General Assembly, with the General Manager holding a board seat, as required by the Banking Law. The Board is currently composed of 12 directors. Each director is appointed for a maximum term of three years. The business address of each of the directors is Yapı Kredi Plaza D Blok, Levent 34330, Istanbul, Turkey.

The following table sets forth certain information regarding each member of the Board as of the date of this Prospectus.

Name	Position
Mustafa V Koç	Chairman
Gianni F G Papa	Vice Chairman (Independent)
H. Faik Açikalin	Chief Executive Officer
Carlo Vivaldi	Executive Director and Deputy CEO
Fatma Füsun Akkal Bozok	Director (Independent)
Ahmet Fadil Ashaboğlu	Director
Osman Turgay Durak	Director
Dr. Jürgen Kullnigg	Director
Francesco Giordano	Director (Independent)
Laura Stefania Penna	Director
Benedetta Navarra	Director (Independent)
Adil G. Öztoprak	Director (Independent)

Mr. Mustafa V Koç, Chairman of the Board of Directors

Mr. Koç, 53, having received a degree in Business Administration from George Washington University, Washington DC in 1984, became Sales Manager at Tofas Oto A.S. in 1984. Having served as an Assistant General Manager of Kofisa Trading Co., Geneva from 1986 to 1989, Mr. Koç then became Assistant to the President of the Industry, Commerce and Energy Group of Ram Dis. Ticaret A.S. in 1989. In 1992, he became an Executive Vice President of the Construction Group of Koç Holding A.S. and served as the President of the Construction and Mining Group of Koç Holding A.S. from 1994 to 1996. Mr. Koç has been Chairman of Koç Holding A.S. since 4 April 2008. Having also held various positions at non-governmental organisations, Mr. Koç was appointed as Chairman of the Bank, effective as of 1 August 2011.

Mr. Gianni F G Papa, Vice-Chairman of the Board of Directors (Independent)

Mr. Papa, 55, holds a Bachelor's Degree in Law from the Catholic University of Milan. He has been Deputy Chief Executive Officer and Deputy Chairman of the Management Board at UniCredit Bank Austria AG since January 2011 and its Interim Head of CEE Banking since April 2011. Mr. Papa has also been Head of the Central and Eastern Europe division and a Member of the Supervisory Board at CJSC UniCredit Bank since 24 January 2011. Mr. Papa has held the position of Head of Central and Eastern Europe division at UniCredit Bulbank AD since 15 December 2010. He serves as an Executive Vice President of Central Eastern Europe and General Manager of Ukraine at UniCredit S.p.A. Previously, Mr. Papa served as the Head of CEE Banking at UniCredit Bank Austria AG until April 2011. Between 1986 and 2008 he held various positions in the Group. He served as General Manager and Member of the Management Board of Public Joint Stock Company UkrsotsBank from February 2008 to November 2010 and was responsible for Business Areas, Risk Management, Planning & Control, Treasury, Logistic, Back Office and IT & Orga. He has been Chairman of the Supervisory Board of UniCredit Leasing Ukraine since January 2009 and Ferrotrade ASCJ since April 2008. He serves as Head of the Supervisory Board at Unicredit Bank Slovakia and as a Member of the Supervisory Board of Public Joint Stock Company Ukrsotsbank. He has been a Member of the

Supervisory Board at JSC ATF Bank since 25 April 2011 and Vice Chairman of the Board since 1 April 2011.

Mr. Carlo Vivaldi, Executive Director and Deputy CEO

Mr. Vivaldi, 48, graduated from the University of Ca' Foscari, Venice (Business Administration). He has held various positions at Cassamarca, which merged with UniCredit in 1998. He became the CFO of KFS and subsequently, of Yapı Kredi. Since October 2007, he has served as Chief Financial Officer and member of the Management Board at UniCredit Bank Austria AG. Since May 2009, Carlo Vivaldi has also been a member of the Board and in January 2011, he was appointed as an Executive Director and Deputy CEO of the Bank.

Mr. Faik Açikalin, Chief Executive Officer

Mr. Açikalin, 51, graduated from the Middle East Technical University. He has worked in various positions at Interbank, Marmarabank, Kentbank, Finansbank and Demirbank, as Deputy CEO and President of Disbank and Fortis and as CEO at Dogan Gazetecilik. In April 2009, Mr. Açikalin was appointed as Executive Director and Chairman of the Executive Committee of the Bank. Since May 2009, he has been serving as CEO of the Bank and Mr. Açikalin is also currently the President of Banking and Insurance Group at Koç Holding.

Ms. Fatma Füsun Akkal Bozok, Member of the Board of Directors (Independent)

Ms. Akkal Bozok, 54, graduated with an MBA from Bogazici University and with a PhD from Istanbul University. She has worked at Koç Group in various positions including Audit Specialist, Financial Group Coordinator and the Finance Group Director. Currently, Ms. Akkal Bozok works as an assistant professor at Koç and Sabanci Universities and has been a member of the Board of the Bank since 28 September 2005.

Mr. Ahmet Fadil Ashaboglu, Member of the Board of Directors.

Mr. Ashaboglu, 40, graduated from Tufts University (Department of Mechanical Engineering) and received an MS degree from the Massachusetts Institute of Technology. He has held various positions at UBS Warburg, McKinsey & Company and Koç Holding, has been a member of the Board of the Bank since September 2005, and has been the Chief Financial Officer of Koç Holding since January 2006.

Mr. Osman Turgay Durak, Member of the Board of Directors

Mr. Durak, 59, graduated from the Northwestern University (Department of Mechanical Engineering) and subsequently obtained a Master of Science from the same university. He has held various positions at Ford Otomotiv, a company within Koç Holding, including CEO and President of Automotive Group at Koç Holding. In 2010, he was appointed as CEO at Koç Holding and since 2009, he has been a member of the Board of the Bank.

Dr. Jürgen Kullnigg, Member of the Board of Directors

Dr. Kullnigg, 52, graduated from University of Salzburg Law school, Jürgen Kullnigg completed the International Trade Program at Vienna Business School. In 1985, Kullnigg was a marketing assistant at the Austrian Trade Commission in Munich and was Deputy Trade Commissioner at the Austrian Trade Commission in Houston between 1986 and 1989. Kullnigg served as Vice President at Gireocredit AG Vienna, Los Angeles, New York and Prague from 1989 until 1995 and Vice President of Trade Finance at Creditanstalt from 1995 to 1997. In 1997, he began to work for Bank Austria Creditanstalt as Head of Structured Trade and Project Finance. Kullnigg became Head of Credit Department at Bank Austria AG in the year 2000. After one year, he was appointed as Head of Strategic Risk Management and served until 2006. From 2006 to 2010, Kullnigg served as Head of Group Credit Operations as well as Group Divisional Risk Officer at UniCredit. In 2010, he was appointed Head of Credit Operations at UniCredit S.p.A Milan until November of 2012 when he became Chief Risk Officer at UniCredit Bank Austria AG. Dr. Kullnigg has been a Director of the Bank since April 2013.

Ms. Laura Stefania Penna, Member of the Board of Directors

Ms. Penna, 45, graduated from Università Commerciale L. Bocconi (Milan), with an Economics degree. She started her career at Accenture (Milan) as Senior Engagement Manager in Financial Strategic Services in 1989. In 1999, Penna began to work at Rolo Bonca (now Unicredit Banca) as the Head of Planning and Control and in 2001 became the Head of Group Planning. In 2005, Penna served as the Head of Financial Controlling of the integration between Unicredit and HVB, where she was in charge of managing integration synergies and benefit and cost planning through the creation of new processes and tools. In September 2006, she became the Head of Strategic Business Development. She also took part in the development of the strategic business structure. Penna was appointed as Executive Vice President and Head of Unicredit Management Consultancy of Unicredit in April 2007. She also was appointed as Member of the Board of Directors of UBIS (Unicredit Business Integrated Solutions) in December 2011. Ms. Penna has been a Director of the Bank since 22 March 2012.

Mr. Francesco Giordano, Member of the Board of Directors (Independent)

Mr. Giordano, 45, graduated from Genoa University (Italy), Department of Economics, with a Master's of Science. Giordano began his career as a European Economist at MMS/Standard & Poor's (London) in 1992. From 1994 to 2000, he worked at San Paolo Bank and then Credit Suisse First Boston in London. In 2000, he joined the Unicredit Group and has worked in various posts within that group. In February 2011, he was appointed as CFO and Member of the Management Board of UniCredit Bank Austria AG. Giordano has been a Director of the Bank since 1 April 2011.

Ms. Benedetta Navarra, Member of the Board of Directors (Independent)

Benedetta Navarra graduated from Luiss Guido Carli University with honours in Economics in 1990 and received her Ph.D in Law in 1994 with honours from the La Sapienza University in Rome. Navarra taught banking and stock exchange law at Luiss Guido Carli University until 2010. In addition, she is a member of the doctorate business law program committee under the Business School. Navarra has several published books on banking law and financial law. Since 2003, Navarra has been senior partner at Graziadei Law Firm. In October 2011, Navarra was appointed Member of the Board of Directors at AS Roma S.p.A. She has also been a Member of the Board of Directors at Statutory Auditors Equitalia S.p.A. since March 2012. Navarra has been a Director of the Bank since April 2013.

Mr. Adil Giray Öztoprak, Member of the Board of Directors (Independent)

After graduating from Ankara University's Faculty of Political Science, Finance and Economics Department, Adil G. Öztoprak served at the Ministry of Finance as Auditor from 1966 to 1975. In 1975, Öztoprak was appointed Assistant General Manager of the Budget and Fiscal Control Department. Since 1976, he has been a Financial Coordinator and Chief Executive Officer at many companies. Between 1993 and 2000, Öztoprak was a Partner at PricewaterhouseCoopers. As a Certified Public Accountant, Öztoprak served as a statutory auditor at Yapı Kredi Bank, Yapı Kredi Insurance, Yapı Kredi Pension, Yapı Kredi Leasing, Yapı Kredi Factoring and Yapı Kredi Invest. Currently, Öztoprak serves as an Independent Member of the Board of Directors for Yapı Kredi Koray Real Estate Investment Trust and Yapı Kredi B-Type Investment Trust. He has been a Director of the Bank since April 2013.

Senior Management

The current members of the Bank's senior management and their areas of responsibility are as follows:

Name	Position	Responsibility
Faik Açikalin	BOD Member/CEO	General Manager
Carlo Vivaldi	BOD Member/Deputy CEO	Deputy General Manager
Marco Iannaccone...............................	Executive Vice President	Financial Planning and Administration Management (Chief Financial Officer)
Wolfgang Schilk	Executive Vice President	Risk Management Chief Risk Officer
Cahit Erdogan	Executive Vice President	Information Systems and Operation Management
Yakup Dogan	Executive Vice President	Alternative Distribution Channels
Mehmet Murat Ermert	Executive Vice President	Corporate Communication Management
Feza Tan	Executive Vice President	Corporate and Commercial Banking Management
Süleyman Cihangir Kavuncu	Executive Vice President	Human Resources and Organization Management
Mert Yazicioğlu	Executive Vice President	Private Banking and Wealth Management
Mehmet Erkan Özdemir......................	Executive Vice President	Compliance Officer
Stefano Perazzini	Executive Vice President	Internal Audit
Cemal Aybars Sanal	Executive Vice President	Legal Affairs
Zeynep Nazan Somer Ozelgin	Executive Vice President	Retail Banking Management
Nurgün Eyüboğlu................................	Executive Vice President	Corporate and Commercial Credit Management
Mehmet Gökmen Uçar........................	Executive Vice President	Retail Credits Management
Mert Oncü...	Executive Vice President	Treasury Management
Cengiz Arslan	Chief Information Officer	Information Systems

Set forth below is brief biographical information regarding Yapı Kredi's current senior management (other than those who are members of the Board, whose biographical information is set out above):

Marco Iannaccone

Mr. Iannaccone, 43, graduated from Università degli Studi di Venezia, Business Administration and completed his MBA degree at Clemson University in 2003 where he was also a graduate assistant in 1994. He started his career in 1995 in 3B S.p.A as International Sales Manager Assistant. Between 1995 and 1997, he worked at KPMG S.p.A as Consultant. In 1997, he started to work at Andersen Consulting S.p.A. as Senior Consultant and then he was appointed to Deutsche Bank S.p.A. as Research and Strategic Planning Director in 1999. He continued his career at Deutsche Bank S.p.A. between 1999 and 2002 and worked in several departments, lastly he worked as Head of Private & Business Banking Commercial Planning. In 2002, he moved to Unicredito Italiano and held a number of managerial positions in the Group, including M&A and Business Development, Private Banking, Planning and Control until 2008. In 2008, Iannaccone assumed the position of CFO and Vice President of the Management Board at Bank Pekao SA in Poland. He has been CFO and Member of the Executive Committee at Yapı Kredi since May 2013.

Wolfgang Schilk

Mr. Wolfgang Schilk, 46, following his graduation from University of Wien Law School, completed a postgraduate trainee program at Creditanstalt-Bankverein ("**CA-BV**") in 1992. Between 1994 and 1996, he served as a Restructuring Manager responsible for Corporate Banking at CA-BV. From 1996 until 2004, Mr. Schilk worked as Head of the Credit Unit at Bank Austria Creditanstalt. Later in 2004, he became the Head of the Regional Office responsible for Corporate Banking. In 2006, he took a position as the Head of the Regional Office responsible for Private and SME Clients. Between 2007 and 2010, Mr. Schilk worked as the Head of Risk Management responsible for private, SME Clients and Private Banking. During his career, he was also a Member of the Supervisory Board of Leasfinanz Bank (a subsidiary of UniCredit Leasing) and BAF (a subsidiary of Bank Austria for

Mobile Sales Channel), as well as Member of the Advisory Council of IRG Immobilien Rating GMBH (a subsidiary of Bank Austria for Real Estate Appraisal). Mr. Schilk has been Assistant General Manager in charge of Risk Management and a Member of the Executive Committee at Yapı Kredi since September 2010. Mr. Schilk is also Member of the Board of Directors of Yapı Kredi Leasing, Yapı Kredi Bank Nederland and Yapı Kredi Bank Moscow. He has been a Member of the Board of Directors of Yapı Kredi Azerbaijan since August 2011, as well.

Cahit Erdogan

Mr. Erdogan, 37, graduated from the Faculty of Mechanical Engineering at Istanbul Technical University. Mr. Erdogan earned his MBA degree from the Rochester Institute of Technology. Starting his professional career at Xerox Corporation (Rochester, NY) as a Business Analyst, Mr. Erdogan moved to Accenture (Istanbul Office) in 2000 as a Management Consultant, where he went on to hold various positions. Mr. Erdogan joined the Bank on 1 December 2009 as Chief Information Officer.

Yakup Dogan

Mr. Dogan, 43, received a degree in Business Administration from the Cukurova University. He has worked at Is Bankasi and Ottoman Bank before joining Koçbank as Section Head of the ADCs Department and being later appointed Head of the ADCs Department. As of 30 January 2009, he had assumed the position of Executive Vice President in charge of ADCs at the Bank.

Mehmet Murat Ermert

Mr. Ermet, 45, received a degree in Business Administration from Marmara University. He has worked in advertising at Leo Burnett Advertising Agency, Yapı Kredi, Dogan Media Group and later joined Demirbank. Mr. Ermet has served as Executive Vice President responsible for Corporate Communications at Disbank (later Fortis) and also worked in the Global Marketing and Communications Management (Brussels) of Fortis. Mr. Ermet also served as a faculty member at both Anadolu University and Bahçeşehir University. As of June 2008, he had assumed the position of Executive Vice President in charge of Corporate Communications at the Bank.

Feza Tan

Ms. Tan, 43, earned her graduate degree from the Department of Economics, Boğaziçi University in 1993. She began her professional career at Yapı Kredi as a Management Trainee in Corporate and Commercial Credits the same year and has served in various positions in the same unit from 1993 until 2006. In 2006, she was promoted to the Head of Corporate and Commercial Credits Underwriting Unit. Between February 2009 and February 2013, she has served as Executive Vice President responsible for Corporate and Commercial Credits. In February 2013, she was appointed as Executive Vice President responsible for Corporate and Commercial Banking.

Süleyman Cihangir Kavuncu

Mr. Kavuncu, 54, received an MBA degree from the University of Bridgeport. He began his career at Arthur Andersen in 1983 as an Auditor. He worked then as the Foreign Funds Manager at the Treasury Division of Interbank, the Financing Director and Human Resources Director at Coca-Cola, Administrative Affairs Coordinator at Cukurova Holding and Human Resources Director at Colgate Palmolive. Following his appointment in August 2004 as Executive Vice President at Koçbank, he has been serving as Executive Vice President responsible for Human Resources at the Bank since 28 February 2006. Mr. Kavuncu also became a member of the Executive Committee in February 2009. He has been in charge of both Human Resources and Organisation Management since May 2011.

Mert Yazicioğlu

Mr. Yazicioğlu, 46, graduated from Istanbul Technical University, Department of Business Administration. He began his career at S. Bolton and Sons in 1987, serving as International Relations Officer. He joined Koçbank in 1989 where he served as Customer Relations Officer, Dealer, Senior Dealer and Assistant Manager. Mr. Yazicioğlu was promoted to Group Manager of the TL -FX Group under the Treasury Department in 1996 and then to Executive Vice President in 1999. He has served as Executive Vice President responsible for Treasury Management at the Bank since 28 February 2006. He was appointed as Executive Vice President of Private Banking and Wealth Management in May 2011.

Mehmet Erkan Özdemir

Mr. Özdemir, 46, received a degree in Economics from the Middle East Technical University. He worked as a Sworn-in Bank Auditor on the Sworn-in Bank Auditor Board of the Banking Regulation and Supervision Agency between April 1994 and August 2001. He joined Koç Group in August 2001 where he worked as Audit Coordinator in the Audit Group responsible for the financial companies of the Group. Since April 2008, Mr. Özdemir has been serving as Compliance Officer and Executive Vice President at the Bank.

Stefano Perazzini

Mr. Perazzini, 50, received a degree in Economics from the University of Turin. He began his career at San Paolo IMI Bank in 1987. Between 1989 and 1992, he joined Honeywell Bull where he was responsible for the Planning and Control Department. Mr. Perazzini then became an Information Technology Auditor at Banca CRT Head Office in 1997 and later an Internal Auditor at the London and Paris branches of the Bank. Assuming the position of Internal Auditor at UniCredit Holding in September 1999, Mr. Perazzini was then appointed Deputy Manager of the Internal Audit Department at Bank Pekao, a UniCredit Group company. In March 2003, he took on the responsibility of Executive Vice President for Internal Audit at KFS and since 16 March 2006 he has been serving as Executive Vice President responsible for Internal Audit at the Bank.

Cemal Aybars Sanal

Mr. Sanal, 51, graduated from Istanbul University, Faculty of Law. He began his career in 1986 with the law firm of Sanal & Sanal as a Partner. Subsequently, he served at the Shell Company of Turkey Limited as an attorney from 1992 to 1995, at White & Case LLP as an attorney from 1995 to 1998, at the Shell Company of Turkey Limited once again as Chief Legal Counsel and a member of the Board of Directors from 1998 to 1999 and at Boyner Holding A.S. as Chief Legal Counsel and Vice President between 1999 and 2006. After working as a freelance attorney between 2006 and 2007, Mr. Sanal worked with the ELIG Law Firm as a Consultant from 2007 to 2008. He has been working with the Bank since July 2008 as the Executive Vice President responsible for Legal Affairs Management.

Zeynep Nazan Somer Özelgin

Ms. Somer, 50, graduated from Bogazici University, Faculty of Business Administration. She joined Arthur Andersen in 1988 and served as a Partner in charge of the finance sector from 1999 until 2000. Joining the Bank in September 2000 as Executive Vice President responsible for Individual Banking, Ms. Somer served as Executive Vice President responsible for Credit Cards and Consumer Lending from February 2006 until January 2009. She then became Executive Vice President responsible for Retail Banking. Ms. Somer also became a member of the Executive Committee in February 2009.

Nurgün Eyüboğlu

Ms. Nurgün, 45, graduated from Boğaziçi University, Business Administration in 1991. She began her career at Iktisat Bankasi as Management Trainee. She joined Kocbank in 1993 as Relationship Manager and worked as Branch Manager from 1995 to 2004. Between 2004 and 2009 she held the position of Head of Corporate Banking and Multinational Companies at Yapı Kredi Bank. She was appointed as General Manager of Yapi Kredi Leasing in February 2009. Eyüboğlu has been Assistant General Manager in charge of Corporate and Commercial Credits at Yapı Kredi since February 2013.

Mehmet Gökmen Uçar

Mr. Uçar, 38, graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences Economics Department in 1998. Between 1998 and 2002, he worked in Başaran Nas Bağimsiz Denetim ve S.M.M.M. A.Ş. (PwC) as an independent auditor and obtained the "**Certified Public Accountant**" qualification. He joined Koçbank in 2002 and worked in Budget Control and Planning as Budget Planning and MIS Supervisor until 2005. Between 2005 and 2007, he gained several management responsibilities over strategy, budgeting and planning areas under UniCredit Group in Italy, Germany and Austria. He returned to Yapı ve Kredi Bankası A.Ş. in 2008 and has since worked as Capital Management, Cost Control and Allocation Supervisor, Financial Reporting Head and Financial Reporting and Accounting Vice President. In 2011, he was appointed Financial Reporting and Accounting Executive Vice President. He has been Assistant General Manager responsible for Retail Credits since August 2012.

Mert Öncü

Mr. Öncü, 43, graduated from Istanbul Technical University, Electronics and Telecommunication Engineering Department in 1992 and completed his MBA degree in DePaul University in 1994 and doctoral degree in Marmara University in 2001. He started his career in DePaul University where he worked as graduate assistant between 1993-1994. In 1994, he worked at Chicago Mercantile Exchange. He joined Koçbank in 1994 and worked at the Currency Risk and Asset Management departments respectively as Senior Dealer, Section Head, Group Manager and Asset Management TL/FX Supervisor. Between 2003 and 2006, he worked as the Head of Money and FX Markets Unit. Between 2006 and 2009, he worked as Head of Money and FX Markets Unit in Yapı Kredi. In 2010, he started to work as Money and FX Markets Executive Vice President. He has been Executive Vice President of Treasury Management since May 2011.

Cengiz Arslan

Mr. Arslan, graduated from the Control and Computer Engineering department of the Istanbul Technical University in 1989. He started his career in October 1992 at Yapı Kredi Technology (BILPA), where he worked as the System Software Specialist and the Project Leader, until November 1995. Between 1995 and 2000, Mr. Arslan worked as the Supervisor in SYNERGY Ltd. In 2000, he worked at Garanti Technology Inc., where he started work in the Department of Image and Workflow as a Supervisor. He then assumed the role of Unit Manager in the Payment Systems and Automotive Companies Department. In 2012, Mr. Arsland worked as the Executive Vice President of Software at Doğuş Technology. Mr. Arslan joined the Bank on 17 December 2012 as BL Info Doc. Management and Workflow Software Development Vice President.

The business address of Mr. Yakup Dogan, Mr. Cahit Erdogan and Mr. Cengiz Arslan is Yapı ve Kredi Bankası A.Ş., Genel Mudurluk/Bankacilik Ussu, Akse Mahallesi, Rahmi Dibek Caddesi No: 275 41435 Çayirova, Kocaeli, Turkey which is the operation centre of the Bank. The other members of the senior management have their business address at Yapı ve Kredi Bankası A.Ş., Yapı Kredi Plaza D Blok, 34330 Istanbul, Turkey.

Board Committees

Yapı Kredi has a number of committees comprising various members of the Board. These committees consider risk and credit matters and include the Asset and Liability Management function of the Executive Committee and the Credit Committee, which are described in detail in "*Risk Management*", as well as the Audit Committee, the Corporate Governance Committee and the Remuneration Committee. The Audit Committee supervises compliance by the Bank with local laws and internal regulations, monitors the performance of the Internal Audit Department, Compliance and

Internal Control Department and Risk Management Department, controls ethical compliance and executes other functions provided for by the Banking Legislation and CMB Legislation for Audit Committees. The Audit Department, Risk Management and Compliance and Internal Control report to the Audit Committee.

Corporate Governance

Until recently, there were no mandatory corporate governance rules in Turkey. In 2003, the Capital Markets Board issued a set of recommended principles for public companies, which applied to public companies on a "comply or explain" basis. In 2004, the Board decided to adopt these principles. On 30 December 2011, the *Communiqué on the Determination and Implementation of Corporate Governance Principles* Series: IV, No: 56 (the "**Corporate Governance Communiqué**") was published and came into force, providing certain compulsory and non-mandatory principles applicable to all companies incorporated in Turkey and listed on the BIST, including the Bank. The Corporate Governance Communiqué became applicable to the Bank on 30 December 2012, as the regulation provided a one-year exception for listed banks.According to Article 1 of the "Communiqué on Determination and Implementation of Corporate Governance Principles Series: IV, No: 63" published in the Official Gazette dated 22 February 2013 and issue No. 28567, regarding implementation for the Banks shares of which are traded on İstanbul Stock Exchange, of the requirement to appoint independent members to the Board of Directors of Public Companies set forth in the Capital Markets Corporate Governance Principles which came into effect by said communiqué.

The Corporate Governance Communiqué contains principles relating to: (i) the company shareholders; (ii) public disclosure and transparency; (iii) the stakeholders of the company; and (iv) the board of directors. A number of principles are compulsory while the remaining principles continue to apply on a "comply or explain" basis as before. The Corporate Governance Communiqué classifies listed companies into three categories according to their market capitalisation and the market value of their free-float shares, subject to recalculation on an annual basis. The CMB has classified 23 companies for the year 2013 as "**Tier 1**" companies, which have maximum exposure to the mandatory principles set out in the Corporate Governance Communiqué. Some of these mandatory principles are not applicable to "**Tier 2**" and/or "**Tier 3**" companies. The Bank is classified as a "**Tier 1**" company. According to the Information Policy of Yapı Kredi, the public disclosures and all other relevant information given to shareholders are done under the supervision of the compliance office.

- The compliance office manages the official public disclosures via www.kap.gov.tr.
- Public disclosure is managed daily so as to assure timely communication.
- The Information Policy will be revised by the General Assembly in accordance with new CMB Code.

The mandatory principles under the Corporate Governance Communiqué include: (i) the composition of the board of directors; (ii) appointment of independent board members; (iii) board committees; (iv) specific corporate approval requirements for related party transactions, transactions that may result in a conflict of interest and certain other transactions deemed material by the Corporate Governance Communiqué; and (v) the information rights in connection with general assembly meetings.

All "**Tier 1**" and "**Tier 2**" companies are required to have a number of independent board members that constitute at least one-third of the board of directors. However, these companies can apply to the CMB in order to limit the number of independent board members to two, irrespective of the ratio of the company's free-float shares, as long as at least 51% of their share capital is equally owned by two independent shareholders contractually sharing equal management control but having no direct or indirect shareholding, management or audit relationship among themselves. "**Tier 3**" companies do not have to comply with the one-third ratio, although they are obliged to have at least two independent directors.

The Corporate Governance Communiqué further initiated a pre-assessment system to determine the "independency" of individuals nominated as independent board members in "**Tier 1**" companies. Those nominated for such positions must be evaluated by the "**Nomination Committee**" of the board of directors for fulfilling the applicable criteria stated in the Corporate Governance Communiqué. The board of directors is required to prepare a list of nominees based on this evaluation for final review by the CMB, which is authorised to issue a "negative view" on any nominee and prevent their appointment as independent members of the board of directors. The Corporate Governance Communiqué also requires listed companies to establish certain other board committees. "**Tier 2**" and "**Tier 3**" public companies are not required to go through the CMB pre-assessment for the appointment of independent directors, although the nominations must still be evaluated by the Nomination Committee**.**

In addition to the mandatory principles regarding the composition of the board and the independent board members, the Corporate Governance Communiqué introduced specific corporate approval requirements for all related-party transactions, transactions creating any guarantee, pledge or mortgage in favour of third parties, transactions that may result in a conflict of interest with the company or its subsidiaries and certain other transactions deemed material by the Corporate Governance Communiqué. For example, material transactions, which are described as the lease, transfer or establishment of rights *in rem* over the total or a substantial part of the listed company's assets, the acquisition or lease of a material asset, the establishment of privileges or changes in the scope of current privileges and delisting must be approved by the majority of the independent board members. If the majority of the independent directors do not vote in favour of such board resolutions, the relevant transaction will be subject to the approval of the shareholders', which will convene without required meeting quorums and where the related parties to those transactions will not be able to vote. The foregoing framework also applies to all related-party transactions as well as transactions creating any guarantee, pledge or mortgage in favour of third parties.

In 2007, the CMB had issued a rating communiqué enabling rating agencies to rate companies on the basis of their compliance with the applicable principles. In 2008, following a corporate governance rating report issued by SAHA Corporate Governance and Credit Rating Services Inc., Yapı Kredi was included among the leading companies that form the Istanbul Stock Exchange Corporate Governance Index. The report provided Yapı Kredi with a corporate governance rating of 8.02 out of 10. In 2011, following a repeated review by SAHA Corporate Governance and Credit Rating Services Inc., Yapı Kredi's corporate governance rating was upgraded to 8.80 and this was maintained in 2012.

Compensation

The Bank's compensation policy aims to remunerate fairly and in a manner that is consistent with the nature of work and structure of the general market or the sector, in order to enhance talent and key staff attraction/retention capability and people motivation. The compensation package is composed of base pay and variable pay. The variable pay is linked to the realisation of the Bank's strategic targets.

In general, base pay depends upon the position and the work completed whilst variable pay depends on performance. Thus, the compensation system allows the bank to reward employees according to their level of contribution and responsibility in order to reach the goals of the institution.

Salaries and other benefits paid to the Group's senior management amounted to TL 34,178 thousand as of 30 September 2013, TL 34,709 thousand as of 31 December 2012, TL 30,299 thousand as of 31 December 2011 and TL 30,808 thousand as of 31 December 2010.

UniCredit Relationship

As a result of the Group's relationship with the UniCredit Group, the Group receives assistance from the UniCredit Group in identifying candidates to fill management roles within the Group. However, the Group's management may also be appointed to other roles within the UniCredit Group. For example, in June 2010, the Bank's former Chief Risk Officer was appointed to a more senior position at another entity within the UniCredit Group. The Board resolved on 30 July 2010 to apply to the

BRSA in order to appoint Wolfgang Schilk, a senior executive from UniCredit Group, as Chief Risk Officer. This appointment was confirmed as of October 2010.

Conflicts

None of the members of the Bank's Board or Senior Management has any existing or potential conflicts of interests with respect to his duties to the Bank and his private interests or other duties.

SHARE CAPITAL AND OWNERSHIP

Share Capital

The Bank's share capital consists of 434,705,128.40 thousand authorised shares with a nominal value of TL 0.01 each. The Bank's shares are listed on the Istanbul Stock Exchange and its global depositary receipts are listed on the London Stock Exchange.

The Bank's issued and fully paid up share capital was held as of the dates specified as follows:

	As of 30 September 2013		As of 31 December 2012		As of 31 December 2011		As of 31 December 2010	
	Ownership	Capital	Ownership	Capital	Ownership	Capital	Ownership	Capital
	(%)	*(TL, thousands)*	*(%)*	*(TL, thousands)*	*(%)*	*(TL, thousands)*	*(%)*	*(TL, thousands)*
Shareholders								
Koç Financial Services A.S.	81.80	3,555,712	81.80	3,555,712	81.80	3,555,712	81.80	3,555,712
Others shareholders (minorities)	18.20	791,339	18.20	791,339	18.20	791,339	18.20	791,339
Historical share capital	100.00	4,347,051	100.00	4,347,051	100.00	4,347,051	100.0	4,347,051
Adjustment to share capital		(60,471)		(60,471)		(60,471)		(60,471)
Share premium		535,679		535,679		535,679		535,679
Total share capital and share premium		**4,822,259**		**4,822,259**		**4,822,259**		**4,822,259**

On 18 January 2012, the Board decided to increase the registered capital ceiling from TL 5 billion, the maximum level that the Board is authorised to increase the share capital absent a resolution of the General Assembly, to TL 10 billion. Such increase of the registered capital ceiling was approved by the CMB and the BRSA in February 2012 and was finalised upon the approval of the shareholders during the General Assembly meeting dated 22 March 2012.

Ownership

Yapı Kredi's controlling shareholder is KFS with an 81.8% stake. The remaining 18.2% of Yapı Kredi's shares are publicly traded and held by minority shareholders. The direct or indirect acquisition of shares, which represent 10% or more of the share capital of any bank, or the direct or indirect acquisition or transfer of shares resulting in the total number of shares held by a shareholder to increase above or fall below 10%, 20%, 33% or 50% of the share capital of a bank, requires the permission of the BRSA. In addition, irrespective of these thresholds, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee or issuance of new shares with such privileges is also subject to the authorisation of the BRSA.

Controlling Shareholders

Koç Financial Services

KFS is a financial holding company and an equal share (50%/50%) joint venture between the Koç Group and UniCredit Group. In connection with the establishment of the joint venture, UniCredit Group and Koç Group entered into a shareholders' agreement to govern various aspects of the management of KFS and the Bank (the "**Shareholders' Agreement**"). The Shareholders' Agreement includes an agreement between the parties to ensure that both are represented equally on the Board of Directors of KFS and the Bank and their various committees and among the senior management and sets out terms under which the shareholders may dispose of their relevant stake in KFS. In addition, the parties agree not to compete with the Bank in the Turkish banking market.

Koç Holding A. S.

Koç Holding is one of Turkey's largest conglomerates in terms of turnover and exports, with operations in the energy, automotive, consumer durables and finance sectors, employing over 83,000 employees. Koç Holding derives its strength from a large distribution network and after sales services, a wide customer base in different business segments together with strong customer relationship management capabilities enabling efficient upward and cross selling, leading brands and strong recognition and optimum portfolio diversification. Koç Holding had total sales that corresponded to 7% of Turkey's GDP and exports that comprised 10% of Turkey's total exports as of 31 December 2012. As of 31 December 2012, Koç Holding generated U.S.$47.3 billion in total revenues.

UniCredit and the UniCredit Group

UniCredit S.p.A. ("**UniCredit**") is a bank incorporated as a joint-stock company under Italian law, with registered office at Via A. Specchi, 16, 00186, Rome, Italy, and with head office and principal centre of business at Piazza Cordusio, 20123, Milan, Italy.

UniCredit is the parent holding company of the Gruppo UniCredit registered with the Register of Banking Groups held by the Bank of Italy pursuant to Article 64 of the Italian Banking Act under number 02008.1 (the "**UniCredit Group**").

The UniCredit Group is a global financial institution with an established presence in 22 European countries and 50 other financial markets with over 9,000 branches. The UniCredit Group is strategically positioned in its primary markets such as Italy, southern Germany, Austria, Poland and Central-Eastern Europe.

As at 30 June 2013, the UniCredit Group had over 150,000 (full-time equivalent) employees.

UniCredit Bank AG, as lead manager and the Issuer are affiliates of UniCredit S.p.A., the parent company of the UniCredit Group. Further information about this relationship is set out in "*Related Party Transactions*".

RELATED PARTY TRANSACTIONS

Related parties include entities that are directors, shareholders or affiliates of, or entities under common management or control with, Yapı Kredi. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, The Group is controlled by Koç Group and UniCredit Group, owning 50% of the ordinary shares each of KFS and as a result, both UniCredit Group and Koç Group are considered related parties of the Group.

All of the related-party credit applications must go through the Group's normal credit review process. All extensions of credit to the related parties are made on an arm's length basis and the credit and payment terms in respect of such credits are no more favourable than those offered to third parties.

The Banking Law places limits on a bank's exposure to related parties. Under the Banking Law, the total amount of loans to be extended by a bank to its risk group must not be more than 20% of its own funds. As of 30 September 2013, the Bank's total net exposure to its risk group totalled TL 2,128 million, an amount corresponding to 10.1% of its own funds; the Bank is therefore, within the limits of the Banking Law in terms of its exposure to its subsidiaries and other affiliates.

The following tables shows the loans of the Group's risk group as of the dates indicated:

	As of 30 September 2013					
	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Group's risk group[(1)(2)]	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
			(TL, thousands)			
Loans and other receivables						
Balance at the beginning of the period	35,480	2,559	361,814	403,915	777,335	937,437
Balance at the end of the period	83,340	2,760	358,426	334,066	829,641	1,198,040
Interest and commission income received	**2,016**	**21**	**7,291**	**1,691**	**46,012**	**9,262**

(1) Defined in subsection 2 of the 49th article of Banking Act No.5411.
(2) The information in the table above includes loans and due from banks, as well as, marketable securities.

	As of 31 December 2012					
	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Group		Other real and legal persons that have been included in the risk group	
Group's risk group[(1)(2)]	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
			(TL, thousands)			
Loans and other receivables						
Balance at the beginning of the period	15,079	2,053	426,591	230,061	693,445	723,808
Balance at the end of the period	35,480	2,559	361,814	403,915	777,335	937,437
Interest and commission income received	**1,743**	**24**	**12,950**	**2,215**	**65,755**	**14,903**

(1) Defined in subsection 2 of the 49th article of Banking Act No.5411.
(2) The information in the table above includes loans and due from banks, as well as, marketable securities.

The following table shows the deposits of the Group's risk group for the periods indicated:

	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
			For the nine months ended			
Group's risk group[(1)(2)]	**30 September 2013**	**30 September 2012**	**30 September 2013**	**30 September 2012**	**30 September 2013**	**30 September 2012**
			(TL, thousands)			
Beginning of the period	15,788	10,801	8,646,705	7,546,932	8,339,879	4,885,191
End of the period	14,957	15,788	11,485,335	8,646,705	6,580,736	8,339,879
Interest expense on deposits	**988**	**285**	**318,657**	**241,260**	**211,033**	**163,343**

(1) Defined in subsection 2 of the 49th article of Banking Act No.5411.
(2) The information in the table above includes borrowings, marketable securities issued and repo transactions, as well as, deposits.

The following table shows the forward and option agreements and other derivative instruments with the Group's risk group for the periods indicated:

Group's risk group[1]	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	For the nine months ended					
	30 September 2013	30 September 2012	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	(TL, thousands)					
Transactions at fair value through profit or loss[2]						
Beginning of the period[3]	—	—	300,627	216,174	432,403	97,206
End of the period[3]	—	—	108,620	300,627	205,665	432,403
Total profit/loss	**938**	**4,785**	**3,010**	**(3,513)**	**8,553**	**11,002**
Transactions for hedging purposes[2]						
Beginning of the period[3]	—	—	—	—	—	—
End of the period[3]	—	—	—	—	—	—
Total profit/loss	—	—	—	—	—	—

(1) Defined in subsection 2 of the 49th article of Banking Act No.5411.

(2) The Bank's derivate instruments are classified as "Financial instruments at fair value through profit or loss" or "Derivate financial instruments held for hedging" according to TAS 39.

(3) The balances at the beginning and end of the periods are disclosed as the total of buy and sell amounts of derivate financial instruments.

On 21 November 2013, the Bank's Board of Directors authorised the Bank to repay the Bank's existing EUR350 million subordinated loan facility advanced by Goldman Sachs International with UniCredito Italiano S.p.A. guaranteeing the Bank's obligation thereunder, and to enter into a new subordinated loan facility with UniCredit Bank Austria AG amounting to EUR350 million (or the U.S. Dollar equivalent). The new facility will have either a fixed ten-year maturity or a ten-year maturity with a repayment option at the end of five years. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Sources of Funding—Funds Borrowed*".

ISSUE TERMS

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

28 November 2013

YAPI VE KREDİ BANKASI A.Ş.

Issue of U.S.$500,000,000 5.25% Notes due 2018 (the Notes)

under the U.S.$1,250,000,000

Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 20 September 2013 (the "**Base Prospectus**"), the supplement to the Base Prospectus dated 5 November 2013 and the Prospectus dated 28 November 2013, which, together in the manner described in such Prospectus, constitute a prospectus for the purposes of Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (the "**Prospectus Directive**") (the "**Prospectus**"). This document constitutes the issue specific terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these issue specific terms and the Prospectus.

1.	Issuer:		Yapı ve Kredi Bankası A.Ş.
2.	(a)	Series Number:	13
	(b)	Tranche Number:	1
	(c)	Date on which the Notes will be consolidated and form a single Series:	Not Applicable
3.	Specified Currency or Currencies:		U.S. Dollars or U.S.$
4.	USD Payment Election:		Not Applicable
5.	Aggregate Nominal Amount:		
	(a)	Series:	U.S.$500,000,000
	(b)	Tranche:	U.S.$500,000,000
6.	Issue Price:		99.342 per cent. of the Aggregate Nominal Amount.
7.	(a)	Specified Denominations:	U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
	(b)	Calculation Amount:	U.S.$1,000
8.	(a)	Issue Date:	3 December 2013
	(b)	Interest Commencement Date:	Issue Date

9.	Maturity Date:	3 December 2018
10.	Interest Basis:	5.25 per cent. Fixed Rate (*see paragraph 15 below*)
11.	Redemption Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
12.	Change of Interest Basis:	Not Applicable
13.	Put/Call Options:	Not Applicable
14.	(a) Status of the Notes:	Unsubordinated, unsecured
	(b) Date Board approval for issuance of Notes obtained:	25 July 2013

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions	Applicable
	(a) Rate(s) of Interest:	5.25 per cent. per annum payable in arrear on each Interest Payment Date
	(b) Interest Payment Date(s):	3 June and 3 December in each year up to and including the Maturity Date
	(c) Fixed Coupon Amount(s):	Not Applicable
	(d) Broken Amount(s):	Not Applicable
	(e) Day Count Fraction:	30/360
	(f) Determination Date(s):	Not Applicable
16.	Floating Rate Note Provisions	Not Applicable
17.	Zero Coupon Note Provisions	Not Applicable

PROVISIONS RELATING TO REDEMPTION

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

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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

Signed on behalf of **YAPI VE KREDİ BANKASI A.Ş.**

By:..	By: ....
Duly authorised	*Duly authorised*

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(a)	Listing and Admission to trading:	Application has been made to the Irish Stock Exchange for the Notes to admitted to the Official List and trading on its regulated market with effect from 4 December 2013.
(b)	Estimate of total expenses related to admission to trading:	EUR 4,791.20

2. RATINGS

Ratings:	The Notes to be issued are expected to be rated: "BBB" by Fitch Ratings Ltd. ("**Fitch**") and "Baa2" by Moody's Deutschland GmbH ("**Moody's**"). Each of Fitch and Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).

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

Save for any fees payable to the Joint Lead Managers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. 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 other services for, the Issuer and its affiliates in the ordinary course of business.

4. YIELD

Indication of yield:	5.402 per cent. *per annum* The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. OPERATIONAL INFORMATION

(a)	ISIN Code:	US984848AD30 in respect of the Restricted Global Certificate and XS0994815016 in the respect of the Unrestricted Global Certificate
(b)	Common Code:	099499052 in respect of the Restricted Global Certificate and 099481501 in the respect of the Unrestricted Global Certificate
(c)	CUSIP:	984848 AD3 in respect of the Restricted Global Certificate.
(d)	Any clearing system(s) other than DTC Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s):	Not Applicable

(e)	Delivery:	Delivery against payment
(f)	Names and addresses of additional Paying Agent(s) (if any):	Not Applicable
(g)	Deemed delivery of clearing system notices for the purposes of Condition 15:	Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the first business day after the day on which it was given to such clearing system.

6. DISTRIBUTION

(a)	Method of distribution:	Syndicated
(b)	If syndicated, names of Managers:	BNP Paribas Citigroup Global Markets Limited HSBC Bank PLC Merrill Lynch, Pierce, Fenner & Smith Incorporated UniCredit Bank AG
(c)	Date of Subscription Agreement:	28 November 2013
(d)	Stabilising Manager(s) (if any):	Merrill Lynch, Pierce, Fenner & Smith Incorporated
(e)	If non-syndicated, name of relevant Dealer:	Not Applicable
(f)	U.S. Selling Restrictions:	Reg. S Compliance Category 2 and Rule 144A

FORM OF THE NOTES

The sections entitled "*Registered Notes*" and "*Transfers of Interest*" in the "*Form of the Notes*" section of the Base Prospectus on pages 50-57 shall be deemed to be deleted and replaced with the following sections:

Registered Notes

The Notes offered and sold in reliance on Regulation S in offshore transactions to persons other than U.S. persons will initially be represented by a global note in registered form (an "**Unrestricted Global Certificate**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes, the Notes offered and sold in reliance on Regulation S (including Definitive Regulation S Registered Notes) or beneficial interests therein may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and such beneficial interests in an Unrestricted Global Certificate may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Notes will bear a legend regarding such restrictions on transfer.

The Notes (or beneficial interests therein) offered and sold in the United States or to, or for the account or benefit of, U.S. persons may only be offered and sold in private transactions to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("**QIBs**"). The Notes sold to QIBs pursuant to Rule 144A will be represented by a global note in registered form (a "**Restricted Global Certificate**").

The Notes will either be (i) deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company ("**DTC**") or (ii) deposited with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of that common depositary, as specified in the Terms and Conditions of the Notes herein. Persons holding beneficial interests in the Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4 in the Base Prospectus) as the registered holder of the Notes on the relevant Record Date. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Payments of principal, interest or any other amount in respect of the Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4 in the Base Prospectus) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depositary for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. The Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "*Subscription and Sale*" and "*Transfer Restrictions*".

U.S. TAXATION

This is a general summary of certain United States federal tax considerations in connection with an investment in the Notes. This summary does not address all aspects of United States federal tax laws and does not discuss any state or local tax considerations. While this summary is considered to be a correct interpretation of existing laws in force on the date of this Prospectus, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the income tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies. **Prospective investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition of beneficial interests therein) as well as any tax consequences that may arise under the laws of any state, municipality or other taxing jurisdiction.**

Certain U.S. Federal Income Tax Consequences

Notice pursuant to Treasury Department Circular 230

The discussion of U.S. tax matters set forth in this Prospectus was written in connection with the promotion or marketing of this Offering and was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax-related penalties under U.S. federal, state or local tax law. Each taxpayer should seek advice based upon its particular circumstances from an independent tax advisor.

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

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

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

The discussion below is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. Treasury Regulations thereunder, and judicial and administrative interpretations thereof, all as in effect as of the date of this Prospectus and any of which may at any time be repealed, revoked or modified or subject to differing interpretations, potentially retroactively, so as to result in U.S. federal income tax consequences different from those discussed below.

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

Payments of interest

The Issuer does not expect the Notes to be, and this discussion assumes that the Notes will not be, issued with original issue discount ("**OID**"). Payments of stated interest on the Notes, including additional amounts, if any, generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. Holder's usual method of accounting for U.S. federal income tax purposes. Interest paid on a Note and any additional amounts generally will constitute foreign source income for U.S. federal income tax purposes and generally will be considered "passive" income, which is treated separately from other types of income in computing the foreign tax credit that may be allowable to U.S. Holders under U.S. federal income tax laws. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisor regarding the availability of the foreign tax credit under your particular circumstances.

Sale, exchange and redemption of Notes

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

Further Issues

The Issuer may, without the consent of the Noteholders, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series of the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even though the Issuer does not expect the original notes to be issued with OID. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

Information reporting and backup withholding

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

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

Foreign Asset Reporting

Certain U.S. Holders who are individuals (and some specified entities) are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for notes held in accounts maintained by financial institutions). U.S. Holders are urged to consult their tax advisors regarding their information reporting obligations, if any, with respect to their ownership and disposition of the Notes.

FATCA

FATCA imposes a new reporting regime and up to 30% withholding tax (a) on certain payments made to any non-U.S. financial institution (an "**FFI**") that either (1) is not a "Participating FFI" (i.e. an FFI that has entered into an agreement with the IRS to provide the IRS with certain information in respect of its account holders and investors) or (2) is not otherwise exempt from or deemed in compliance with FATCA and (b) with respect to certain payments to any investor that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of a Participating FFI (unless otherwise exempt from FATCA). The Issuer or any paying agent may be classified as an FFI.

Under current Treasury Regulations (as modified by recent guidance by the IRS), the new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "foreign passthru payments" no earlier than 1 January 2017. This withholding generally will not apply to payments in respect of the Notes unless the Notes are significantly modified on or after the "**grandfathering date**," which is the later of (a) 1 July 2014 and (b) the date after the date that is six months after the date on which final Treasury Regulations defining the term "foreign passthru payment" are filed with the Federal Register. In addition, if the Issuer creates and issues further notes after the grandfathering date that are consolidated and form a single series with the outstanding Notes as permitted by Condition 15 (Further Issues) in the Base Prospectus, a withholding agent may not be able to distinguish between the outstanding Notes and the further notes, which may result in withholding on both the outstanding Notes and the further notes, unless such further notes are issued pursuant to a "qualified reopening" of the outstanding Notes for U.S. federal income tax purposes.

If an amount in respect of FATCA were to be deducted or withheld from interest, principal or other payments on or with respect to the Notes, neither the Issuer, a paying agent, nor any other party would have an obligation to pay additional amounts or otherwise indemnify a holder for any such withholding or deduction by the Issuer, a paying agent or any other party. As a result, investors may receive less interest or principal than expected.

An FFI investor that is not a Participating FFI and that is withheld upon generally will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles the investor to a reduced rate of tax on the payment that was subject to withholding under FATCA, provided the required information is furnished in a timely manner to the IRS.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments it makes (unless it has agreed to do so under the U.S. "qualified intermediary," "withholding foreign partnership" or "withholding foreign trust" regimes). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a

Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Turkey have not currently entered into an IGA.

Significant aspects of the application of FATCA are not currently clear. Investors should consult their own advisors about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

THE ABOVE SUMMARIES ARE NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE INVESTMENT IN THE NOTES. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS. THIS DISCUSSION IS BASED UPON LAWS AND RELEVANT INTERPRETATIONS THEREOF IN EFFECT AS OF THE DATE OF THIS PROSPECTUS.

CERTAIN ERISA CONSIDERATIONS

The following description is general in nature, is not intended to be all-inclusive, and is based on the law and practice in force at the date of this document and is subject to any subsequent changes therein. In view of the individual nature of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), the Code, and Similar Law (as defined below) consequences, each potential investor that is a Benefit Plan (as defined below) or any plan subject to Similar Law is advised to consult its own legal advisor with respect to the specific ERISA, Code and Similar Law consequences of investing in the Notes and to make its own independent decision with respect to any such investment. The following is merely a summary and should not be construed as legal advice.

Subject to the following discussion, the Notes may be acquired by pension, profit sharing or other employee benefit plans subject to the provisions of Part 4 of Subtitle B of Title I of ERISA, as well as individual retirement accounts, Keogh plans and other plans covered by Section 4975 of the Code, as well as entities deemed to hold "plan assets" of any of the foregoing under the Plan Asset Regulation Section 3(42) of ERISA (each such entity, a "**Benefit Plan**"). Section 406 of ERISA and Section 4975 of the Code prohibit a Benefit Plan from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons or the fiduciaries of the Benefit Plan. In addition, Title I of ERISA also requires fiduciaries of a Benefit Plan subject to ERISA to make investments that are prudent, diversified and in accordance with the governing plan documents.

The acquisition, holding or disposition of Notes by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Issuer, the Fiscal Agent or any of their respective affiliates is or becomes a party in interest or a disqualified person with respect to such Benefit Plan. Certain exemptions from the prohibited transaction rules could be applicable to the acquisition, holding and disposition of Notes by a Benefit Plan depending on the type and circumstances of the plan fiduciary making the decision to acquire such Notes. Included among these exemptions are: Prohibited Transaction Class Exemption ("**PTCE**") 96-23, regarding transactions effected by "in-house asset managers;" PTCE 95-60, as modified, regarding investments by insurance company general accounts; PTCE 91-38, as modified, regarding investments by bank collective investment funds; PTCE 90-1, regarding investments by insurance company pooled separate accounts; and PTCE 84-14, as modified, regarding transactions effected by "qualified professional asset managers." In addition to the class exemptions listed above, there are statutory exemptions under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for prohibited transactions between a Benefit Plan and a person or entity that is a party in interest to such Benefit Plan solely by reason of providing services to the Benefit Plan (other than a party in interest that is a fiduciary, or its affiliate, that has or exercises discretionary authority or control or renders investment advice with respect to the assets of the Benefit Plan involved in the transaction), *provided that* there is adequate consideration for the transaction. Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts that might be construed as prohibited transactions. There can be no assurance that any of these, or any other exemption, will be available with respect to any particular transaction involving the Notes and prospective purchasers that are Benefit Plans should consult with their advisors regarding the applicability of any such exemption.

By acquiring a Note (or a beneficial interest therein), each purchaser and transferee will be deemed to represent and warrant that: (a) either: (i) the funds used for such acquisition do not constitute the assets of any "employee benefit plan" as defined in Section 3(3) of ERISA, that is subject to the provisions of Part 4 of Subtitle B of Title I of ERISA, any plan to which Section 4975 of the Code applies, any entity whose underlying assets include "plan assets" of any of the foregoing under the Plan Asset Regulation, or a governmental, church or non-U.S. plan subject to any Similar Law, or (ii) the acquisition, holding and disposition of such Note (or a beneficial interest therein) does not and will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code (or, in the case of a governmental, church, or non-U.S. plan, a violation of any Similar Laws), and (b) it agrees not to sell or otherwise transfer any interest in the Notes otherwise than to an acquirer or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and employee benefit plans subject to non-U.S. law are not subject to ERISA's requirements, although they may be subject to provisions under any federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code ("**Similar Law**"). Accordingly, assets of such plans may be invested in the Notes without regard to the ERISA considerations discussed above, subject to the provisions of Similar Law.

A FIDUCIARY OF A BENEFIT PLAN CONSIDERING THE PURCHASE OF NOTES (OR A BENEFICIAL INTEREST THEREIN) SHOULD CONSULT ITS LEGAL ADVISORS REGARDING WHETHER THE ASSETS OF THE ISSUER WOULD BE CONSIDERED PLAN ASSETS, THE POSSIBILITY OF EXEMPTIVE RELIEF FROM THE PROHIBITED TRANSACTION RULES, WHETHER THE NOTES WOULD BE AN APPROPRIATE INVESTMENT FOR THE BENEFIT PLAN UNDER ERISA AND THE CODE AND OTHER ISSUES AND THEIR POTENTIAL CONSEQUENCES. A FIDUCIARY OF A PLAN SUBJECT TO SIMILAR LAW CONSIDERING THE ACQUISITION OF NOTES (OR A BENEFICIAL INTEREST THEREIN) SHOULD CONSULT ITS LEGAL ADVISORS REGARDING THE APPLICABILITY OF THE PROVISIONS OF SIMILAR LAW AND WHETHER THE NOTES WOULD BE AN APPROPRIATE INVESTMENT FOR THE PLAN UNDER SIMILAR LAW. THE SALE OF NOTES TO A BENEFIT PLAN OR TO A PLAN SUBJECT TO SIMILAR LAW IS IN NO RESPECT A REPRESENTATION BY THE ISSUER THAT THIS INVESTMENT MEETS ALL THE RELEVANT LEGAL REQUIREMENTS WITH RESPECT TO INVESTMENT BY BENEFIT PLANS OR PLANS SUBJECT TO SIMILAR LAW GENERALLY OR BY ANY PARTICULAR BENEFIT PLAN OR PLAN SUBJECT TO SIMILAR LAW, OR THAT THIS INVESTMENT IS APPROPRIATE FOR BENEFIT PLANS OR PLANS SUBJECT TO SIMILAR LAW GENERALLY OR FOR ANY PARTICULAR BENEFIT PLAN OR PLAN SUBJECT TO SIMILAR LAW.

SUBSCRIPTION AND SALE

The Issuer intends to offer the Notes through the Joint Lead Managers and their broker-dealer affiliates, as applicable, named below. Subject to the terms and conditions stated in a subscription agreement dated on or about 28 November 2013 (the "**Subscription Agreement**"), among the Joint Lead Managers and the Issuer, each of the Joint Lead Managers has severally agreed to purchase, and the Issuer has agreed to sell to each of the Joint Lead Managers, the principal amount of the Notes set forth opposite each Joint Lead Manager's name below.

	Principal Amount of Notes
	(U.S dollars)
Joint Lead Managers	
BNP Paribas	100,000,000
Citigroup Global Markets Limited	100,000,000
HSBC Bank plc	100,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	100,000,000
UniCredit Bank AG	100,000,000
Total	**500,000,000**

The Subscription Agreement provides that the obligations of the Joint Lead Managers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Joint Lead Managers must purchase all the Notes if they purchase any of the Notes. The offering of the Notes by the Joint Lead Managers is subject to receipt and acceptance and subject to the Joint Lead Managers' right to reject any order in whole or in part.

The Issuer has been informed that the Joint Lead Managers propose to resell the Notes at the offering prices set forth on the cover page of this Prospectus within the United States to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A) in reliance upon Rule 144A, and to non-U.S. persons outside the United States in reliance upon Regulation S. See "*Transfer Restrictions*" below. The prices at which the Notes are offered may be changed at any time without notice.

Selling Restrictions

United States of America

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

The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "*Transfer Restrictions*".

Accordingly, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The Notes will constitute a new class of securities of the Bank with no established trading market. The Bank cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Joint Lead Managers have advised the Bank that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, the Bank cannot assure you as to the liquidity of or the trading market for the Notes.

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

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers or their respective affiliates may have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they may have received customary fees and expenses. The Joint Lead Managers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Issuer and its affiliates in the ordinary course of their business.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer or the Issuer's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Issuer hedge their credit exposure to the Issuer consistent with their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes offered hereby. 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 Notes. Any such short positions could adversely affect future trading prices of Notes. 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.

The Issuer has agreed to indemnify the several Joint Lead Managers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Joint Lead Managers may be required to make because of those liabilities.

TRANSFER RESTRICTIONS

Because the following restrictions will apply with respect to the Notes, purchasers of the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes.

According to Article 15d(ii) of Decree 32 regarding the Protection of the Value of the Turkish Currency, residents of Turkey will be free to purchase and sell securities and other capital market instruments (or beneficial interests therein) traded on financial markets outside of Turkey on an unsolicited (reverse inquiry) basis, *provided that* such sale and purchase is made through banks and/or licensed brokerage institutions authorised pursuant to the CMB communiqués and the purchase price is transferred through banks. As such, Turkish residents should use banks or licensed brokerage institutions when purchasing Notes (or beneficial interests therein) and transfer the purchase price through banks. However, the Notes cannot be offered or sold in Turkey, as the CMB's approval of the issuance is conditioned on the Notes being offered and sold exclusively outside Turkey. Additionally, following the primary sale of the Notes, no transaction may occur that may be deemed as a sale of the Notes (or beneficial interests therein) in Turkey by way of private placement or public offering.

The Bank has not registered the Notes under the Securities Act or the laws of any state securities commission and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (1) to persons reasonably believed to be "**qualified institutional buyers**" (as defined in Rule 144A under the Securities Act), commonly referred to as "**QIBs",** in compliance with Rule 144A under the Securities Act and (2) to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act.

If you purchase the Notes, you will be deemed to have acknowledged, represented and agreed with the Joint Lead Managers and the Bank as follows:

(1) You understand and acknowledge that the Notes have not been registered under the Securities Act or any other applicable securities law and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities law, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, or pursuant to an exemption therefrom or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You are not an "**affiliate**" (as defined in Rule 144 under the Securities Act) of the Bank and you are not acting on the Bank's or their behalf and you are either (i) a QIB and are aware that any sale of Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB or (ii) not a "**U.S. person**" (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person (other than a distributor) and you are purchasing Notes in an offshore transaction in accordance with Regulation S under the Securities Act.

(3) You acknowledge that none of the Bank or the Joint Lead Managers, or any person representing the Bank or the Joint Lead Managers, has made any representation to you with respect to the Bank or the offer or sale of any of the Notes, other than the information contained in this Prospectus, which has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that the Joint Lead Managers make no representation or warranty as to the accuracy or completeness of this Prospectus. You have had access to such financial and other information concerning the Bank and the Notes as you have deemed necessary in connection with your decision to

purchase the Notes, including an opportunity to ask questions of and request information from the Bank and the Joint Lead Managers.

(4) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such Notes prior to (x), the date which is one year (or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereunder) after the later of the date of the original issue of the Notes and the last date on which the Bank or any affiliate of the Bank was the owner of such Notes (or any predecessor thereto), or (y), such later date, if any, as may be required by applicable law (the "**Resale Restriction Termination Date**"), only (a) to the Bank, (b) pursuant to a registration Statement which has been declared effective under the Securities Act, (c) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of another QIB to whom you give notice that the transfer is being made in reliance on Rule 144A, (d) in an offshore transaction complying with Rule 903 or 904 of Regulation S under the Securities Act, or (e) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. You acknowledge that the Bank reserves the right prior to any offer, sale or other transfer of the Notes pursuant to clause (d) or (e) above, to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Bank.

Each purchaser acknowledges that each Rule 144A Note will contain a legend substantially in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES THAT IT WILL NOT PRIOR TO (X), THE DATE WHICH IS ONE YEAR (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE THEREOF (OR OF ANY PREDECESSOR OF THIS NOTE) OR THE LAST DAY ON WHICH THE ISSUER OR ANY AFFILIATE (AS DEFINED IN RULE 144) OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE), OR (Y), SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE "**RESALE RESTRICTION TERMINATION DATE**"), OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE EXCEPT (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY

BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN COMPLIANCE WITH THE RELEVANT SECURITIES LAWS OF ANY OTHER JURISDICTION, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTICE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; *PROVIDED THAT* THE ISSUER AND THE ISSUING AND PAYING AGENT SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) OR (E) ABOVE, TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION REASONABLY SATISFACTORY TO THE ISSUER AND THE ISSUING AND PAYING AGENT. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

(5) If you are a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, you acknowledge that until the expiration of the "40-day distribution compliance period" within the meaning of Rule 903 of Regulation S, any offer or sale of the Notes shall not be made by you to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the Securities Act.

(6) If you purchase the Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to holders of the Notes.

(7) You acknowledge that the registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Bank and the registrar that the restrictions set forth herein have been complied with.

(8) You acknowledge that:

(a) the Bank, the Joint Lead Managers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify the Bank and the Joint Lead Managers promptly in writing; and

(b) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account and that each such investment account is eligible to purchase the Notes.

(9) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes.

(10) You understand that no action has been taken in any jurisdiction (including the United States) by the Bank or the Joint Lead Managers that would permit a public offering of the Notes or the possession, circulation or distribution of this Prospectus or any other material relating to the Bank or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth herein and under "*Subscription and Sale*" in the Base Prospectus.

Each purchaser and subsequent transferee of a Note (or a beneficial interest therein) will be deemed to have represented and warranted that (a) either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes (or beneficial interests therein) constitutes assets of any employee benefit plan subject to Title I of ERISA, any plan, individual retirement account or other arrangement subject to section 4975 of the Code or provisions under any Similar Law, or any entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement or (ii) the acquisition, holding and disposition of the Notes (or beneficial interests therein) by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law, and (b) such purchaser or transferee agrees not to sell or otherwise transfer any interest in the Notes otherwise than to an acquirer or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes.

GENERAL INFORMATION

The Bank is registered at the Istanbul Trade Registry under number 32736. It has its principal office at Yapı Kredi Plaza, D Blok, Levent 34330 Istanbul, Republic of Turkey. Its telephone number is +90 212 339 7011.

Authorisation

The establishment of the Programme and the issuance and sale of the Notes by the Issuer thereunder and the execution and delivery by the Issuer of the documents in relation thereto have been authorised pursuant to the authority of the officers of the Issuer under a resolution of its Board of Directors dated 25 July 2013 and 4 September 2013.

Listing

Application has been made to list the Notes on the Irish Stock Exchange, through the Listing Agent, Arthur Cox Listing Services Limited ("**ACLSL**"). ACLSL is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission to the Official List or to trading on the Main Securities Market. It is expected that admission of the Notes to listing on the Official List and to trading on the Main Securities Market will be granted on or before 4 December 2013, subject only to the issue of the Notes.

Clearing Systems

The Unrestricted Global Certificate has been accepted for clearance through Euroclear and Clearstream, Luxembourg (ISIN XS0994815016 and Common Code 099481501). Application has been made for acceptance of the Restricted Global Certificate into DTC's book-entry settlement system (ISIN US984848AD30, Common Code 099499052 and CUSIP 984848 AD3).

Significant or Material Adverse Change

There has been no material adverse change in the financial position or prospects of either the Issuer or the Group since 31 December 2012, being the end of the last financial period for which the Group's audited financial statements have been published and there has been no significant change in the financial or trading position of either the Issuer or the Group since 30 September 2013, being the date of the Group's last published Interim BRSA Financial Statements.

Financial Statements and Auditor

The consolidated Annual BRSA Financial Statements of the Bank as of 31 December 2012, 2011 and 2010 have been audited, without qualification, and the consolidated Interim BRSA Financial Statements as of 30 September 2013 (with 30 September 2012 comparables), have been reviewed by EY, independent certified public accountants in Turkey, located at Büyükdere, Cad. Beytem Plaza, Kat 1-2-3-5-8-9-10, Istanbul, 34381 Turkey, as stated in the convenience translations into English of the reports incorporated by reference herein. Güney Bagimsiz Denetim ve Serbest Muhasebeci Mali Müsavirlik A.S (a member firm of Ernst & Young Global Limited) is authorised by the CMB, BRSA, Turkish Treasury, EMRA and Public Oversight Accounting and Auditing Standard Authority Board to conduct independent audits. The Bank's financial statements are prepared on a quarterly basis, semi-annual and annual basis in accordance with BRSA.

Litigation

Save as disclosed on page 9 under the title "*The Bank is appealing a judgment in the Istanbul Commercial Court and has not recorded any provisions in its financial statements in respect of the judgment*", on page 18 under the title "*Turkish Tax Penalty*" and on page 111 under the title "*Legal Proceedings*" of this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), which may have, or have had, during the 12 months prior to the date of this Prospectus, a significant effect on the Group's consolidated financial position.

Documents

The following documents will be available in electronic form for inspection (in English except as specified) for so long as the Notes are outstanding:

- the Bank's articles of association (as amended from time to time) (in Turkish with certified English translations);
- the convenience translations into English of the audited BRSA Financial Statements as of and for the years ended 31 December 2012, 2011 and 2010, together with the respective independent auditors' reports;
- the convenience translations into English of the reviewed BRSA Financial Statements as of and for the nine months ended 30 September 2013 (with 30 September 2012 comparatives), together with the respective independent auditors' review reports;
- when published, the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer, in each case the convenience translation into English and together with any audit or review reports prepared in connection therewith. The Issuer currently prepares audited consolidated and unconsolidated financial statements in accordance with BRSA Principles on an annual basis, audited consolidated and unaudited unconsolidated financial statements in accordance with IFRS on an annual basis, unaudited consolidated and unconsolidated interim financial statements in accordance with BRSA Principles on a quarterly basis, and unaudited consolidated interim financial statements in accordance with IFRS on a semi-annual basis (though the Issuer's IFRS financial statements do not constitute a part of, and are not incorporated by reference into, this Prospectus);
- the Fiscal Agency Agreement (including the forms of the Notes);
- the Deed of Covenant;
- the Deed Poll; and
- a copy of this Prospectus and the Base Prospectus (including the supplements thereto).

The convenience translations into English of copies of the latest audited annual and unaudited half-yearly interim reports of the Bank delivered pursuant to Condition 5 may be obtained from the registered office of the Issuer.

In addition, copies of this Prospectus, each document incorporated by reference and the financial statements listed above will be available on the Issuer's website at the respective locations:

(i) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2012 and the audit report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/31-december-2012-signed_14415/download.aspx?t=635152720690000000;

(ii) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2011 and the audit report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/31-december-2011-signed_14414/download.aspx;

(iii) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the year ended 31 December 2010 and the audit report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/31-december-2010_14410/download.aspx;

(iv) the convenience translations into English of BRSA consolidated financial statements and related notes of the Group as of and for the nine months ended 30 September 2013 (with 30 September 2012 comparatives) and the review report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/30-september-2013-signed_15772/download.aspx;

(v) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2012 and the audit report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/31_15057/download.aspx;

(vi) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2011 and the audit report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/31-december-2011-signed_15058/download.aspx;

(vii) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the year ended 31 December 2010 and the audit report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/31-december-2010-signed_15059/download.aspx;

(viii) the convenience translations into English of BRSA unconsolidated financial statements and related notes of the Bank as of and for the nine months ended 30 September 2013 (with 30 September 2012 comparatives) and the review report of EY thereon, which are published on the Bank's website at:

http://www.yapikredi.com.tr/medium/file/30-september-2013-signed_15771/download.aspx.

Such websites are not, and should not be deemed to, constitute a part of, or be incorporated into, this Prospectus.

The translations from Turkish into English of the Bank's articles of association and financial statements referred to above are direct and accurate. In the event of a discrepancy, the original version prevails.

Material Contracts

Save as disclosed in this Prospectus and the Base Prospectus under "*Business of the Bank*", the Bank has not entered into any material contract outside the ordinary course of its business, which could result in the Bank being under an obligation or entitlement that is material to its ability to meet its obligations in respect of the Notes.

Foreign Text

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

ISSUER

Yapı ve Kredi Bankası A.Ş.
Yapı Kredi Plaza D Blok
Lèvent 34330 Istanbul,
Republic of Turkey

FISCAL AGENT

The Bank of New York Mellon, London Branch
One Canada Square
40th Floor
London E14 5AL
United Kingdom

REGISTRAR

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building – Polaris
2 4 rue Eugène Ruppert
L 2453 Luxembourg
Luxembourg

LEGAL COUNSEL

(to the Joint Lead Managers as to English and United States law)

Allen & Overy LLP
One Bishops Square
London El 6AD
United Kingdom

(to the Joint Lead Managers as to Turkish law and Turkish tax counsel)

Allen & Overy Danişmanlik Hizmetleri Avukatlik Ortakliği
Büyükdere Cad. No:185
Kanyon Ofis Binasi, Kat:6, Ofis No: 1018 1022
Levent/ Sisli, 34394 Istanbul
Turkey

Paksoy Ortak Avukat Bürosu
Sun Plaza
Bilim Sokak No: 5 K14
Maslak, 34398 Istanbul
Turkey

(to the Issuer as to English and United States law)

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

(to the Issuer as to Turkish law)

Akol Avukatlik Bürosu
Maya Akar Centre Büyükdere Cad. 100/29
34394 Esentepe Istanbul
Turkey

AUDITORS TO THE ISSUER

Güney Bağimsiz Denetim ve Serbest Muhasebeci Mali Müsavirlik A.Ş., a member firm of Ernst & Young Global Limited
Büyükdere Cad. Beytem Plaza
Kat 1-2-3-5-8-9-10 Istanbul 34381
Republic of Turkey

LISTING AGENT

Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

Yapı ve Kredi Bankası A.Ş.

U.S.$500,000,000 5.25% Notes due 2018

PROSPECTUS

28 NOVEMBER 2013

BofA Merrill Lynch

BNP PARIBAS

Citigroup

HSBC

UniCredit Bank

Joint Lead Managers