IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER: (a) PURCHASING IN OFFSHORE TRANSACTIONS AND NOT U.S. PERSONS (EACH AS DEFINED IN REGULATION S) OR (b) QIBS (AS DEFINED BELOW).

IMPORTANT: You must read the following before continuing. The following applies to the attached Prospectus (the **Prospectus**), 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 (or on behalf of) the issuer as a result of such access.

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

THE ATTACHED PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS 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, THEN 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 the Prospectus or make an investment decision with respect to the securities described therein, prospective investors must be either: (a) purchasing in offshore transactions and not U.S. persons (each as defined in Regulation S) or (b) qualified institutional buyers within the meaning of Rule 144A under the Securities Act (**QIBs**). The Prospectus is being sent at your request and by accepting this electronic distribution and accessing the Prospectus, you will be deemed to have represented to the issuer that: (i) you and any customers you represent in connection herewith are either: (A) purchasing in offshore transactions and not U.S. persons and, if applicable, that the electronic mail address to which this electronic transmission has been delivered is not located in the United States or (B) QIBs, (ii) you consent to delivery of the Prospectus by electronic transmission and (iii) you have understood and agree to the terms set out herein.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the 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 the 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 to the extent that offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and an underwriter or any affiliate of an underwriter is a licensed broker or dealer in that jurisdiction, then the offering will be deemed to be made by such underwriter or such affiliate on behalf of the issuer in such jurisdiction.

The Prospectus has been provided 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 Banco Bilbao Vizcaya Argentaria, S.A., Citigroup Global Markets Limited, HSBC Bank plc and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the **Initial Purchasers**), the issuer or any person who controls any of them, nor any director, officer, employee, counsel nor agent of any of them or any 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 Initial Purchasers.

You are responsible for protecting against viruses and other destructive items. Your use of this electronic transmission 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.

The Prospectus is being distributed only to and directed only at: (a) persons who are outside the United Kingdom, (b) persons in the United Kingdom 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 (c) those persons in the United Kingdom to whom it may otherwise lawfully be distributed (all such persons together being referred to as **relevant persons**). In the United Kingdom, the Prospectus is directed only at relevant persons and must not be acted on or relied upon by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which the Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

The Prospectus is being distributed only to and directed at real persons and legal entities domiciled outside of Turkey.

TÜRKİYE GARANTI BANKASI A.Ş.
Issue of U.S.$750,000,000 4.750% Notes due 2019
under its U.S.$6,000,000,000 Global Medium Term Note Programme
Issue price: 99.876%

The U.S.$750,000,000 4.750% Notes due 2019 (the **Notes**) are being issued by Türkiye Garanti Bankası A.Ş., a banking institution organised as a public joint stock company under the laws of Turkey and registered with the İstanbul Trade Registry under number 159422 (the **Bank** or the **Issuer**) under its U.S.$6,000,000,000 Global Medium Term Note Programme (the **Programme**).

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

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

The Notes will bear interest from (and including) 17 April 2014 (the **Issue Date**) to (but excluding) 17 October 2019 (the **Maturity Date**) at a fixed rate of 4.750% *per annum*. Interest will be payable semi-annually in arrear in equal instalments on the 17th day of each April and October in each year (each an **Interest Payment Date**) up to (and including) the Maturity Date; *provided* that if any such date is not a Payment Business Day (as defined in Condition 7.6), then such payment will be made on the next Payment Business Day but without any further interest or other payment being made in respect of such delay. Principal of the Notes is scheduled to be repaid on the Maturity Date, but may be repaid earlier under certain circumstances described herein and in the Base Prospectus. For a more detailed description of the Notes, see "*Terms and Conditions of the Notes*" herein.

This Prospectus has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (the **Prospectus Directive**). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and European Union (**EU**) law pursuant to the Prospectus Directive. Such approval relates only to the Notes that are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or that are to be offered to the public in any member state of the European Economic Area. Application has been made to the Irish Stock Exchange for the Notes to be admitted to its official list (the **Official List**) and trading on its regulated market (the **Main Securities Market**); *however*, no assurance can be given that such application will be accepted. References in this Prospectus to the Notes being **listed** (and all related references) shall mean that the Notes have been admitted to the Official List and trading on the Main Securities Market.

Application has been made to the Capital Markets Board of Turkey (the **CMB**), in its capacity as competent authority under Law No. 6362 (the **Capital Markets Law**) of the Republic of Turkey (**Turkey**) relating to capital markets, for the issuance and sale of the Notes by the Bank outside of Turkey. The Notes cannot be sold before the approved issuance certificate (*ihraç belgesi*) and the approved tranche issuance certificate (*tertip ihraç belgesi*) have been obtained from the CMB. The CMB issuance certificate relating to the issuance of notes under the Programme based upon which the offering of the Notes is conducted was obtained on 10 February 2014, and the tranche issuance certificate bearing the approval of the CMB relating to the Notes is expected to be obtained from the CMB on or before the Issue Date.

The Notes are expected to be rated at issuance "BBB" by Fitch Ratings Ltd. (**Fitch**) and "Baa2" (negative outlook) by Moody's Investors Service Limited (**Moody's** and, together with Fitch and Standard & Poor's Credit Market Services Europe Limited, the **Rating Agencies**). The Bank has also been rated by the Rating Agencies, as set out on page 140 of the Base Prospectus. Each of the Rating Agencies is established in the EU and is registered under Regulation (EU) No 1060/2009, as amended (the **CRA Regulation**). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes are being offered under Rule 144A and Regulation S by each of Banco Bilbao Vizcaya Argentaria, S.A., Citigroup Global Markets Limited, HSBC Bank plc and Merrill Lynch, Pierce, Fenner & Smith Incorporated (each an **Initial Purchaser** and, collectively, the **Initial Purchasers**), subject to their acceptance and right to reject orders in whole or in part. It is expected that: (a) delivery of the Rule 144A Notes will be made in book-entry form only through the facilities of The Depository Trust Company (**DTC**), against payment therefor in immediately available funds on the Issue Date (*i.e.*, the fifth Business Day following the date of pricing of the Notes; such settlement cycle being referred to herein as **T+5**)), and (b) delivery of the Regulation S Notes will be made in book-entry form only through the facilities of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**), against payment therefor in immediately available funds on the Issue Date.

Joint Lead Managers

BofA Merrill Lynch **Banco Bilbao Vizcaya Argentaria, S.A.** **Citigroup** **HSBC**

The date of this Prospectus is 15 April 2014.

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

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

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

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

To the fullest extent permitted by law, none of the Initial Purchasers accept any responsibility for the information contained in, or incorporated by reference into, this Prospectus or any other information provided by the Issuer in connection with the Notes or for any statement consistent with this Prospectus made, or purported to be made, by an Initial Purchaser or on its behalf in connection with the Notes. Each Initial Purchaser accordingly disclaims all and any liability that it might otherwise have (whether in tort, contract or otherwise) in respect of the accuracy or completeness of any such information or statements.

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

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

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

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes (or beneficial interests therein) shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof (or, if such information is stated to be as of an earlier date, subsequent to such earlier date) or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Initial Purchasers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

The distribution of this Prospectus and the offer or sale of Notes (or beneficial interests therein) may be restricted by law in certain jurisdictions. The Issuer and the Initial Purchasers do not represent that this Prospectus may be lawfully distributed, or that the Notes (or beneficial interests therein) may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer that is intended to permit a public offering of the Notes (or beneficial interests therein) or distribution of this Prospectus in any jurisdiction in which action for that purpose is required. Accordingly, no Notes (or beneficial interests therein) may be offered or sold, directly or indirectly, and neither: (a) this Prospectus nor (b) any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this Prospectus or any Notes (or beneficial interests therein) may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus, any advertisement or other offering material and the offering and sale of Notes (or beneficial interests therein). In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes (or beneficial interests therein) in the United States, the European Economic Area (including the United Kingdom), Turkey, Japan, Switzerland, the People's Republic of China (the **PRC**) and the Hong Kong Special Administrative Region of the PRC. See "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus.

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

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

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

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

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

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

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

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

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

GENERAL INFORMATION

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

The Issuer has obtained the approved issuance certificate (*ihraç belgesi*) from the CMB (dated 10 February 2014 No. 298333736-105.03-286/1374) (the **CMB Approval**) and the Banking Regulatory and Supervisory Agency approval (dated 20 December 2013 and numbered 20008792.42.2-31683) (together with the CMB Approval, the **Approvals**) required for the issuance of the Notes. In addition to the Approvals, a tranche issuance certificate (*tertip ihraç belgesi*) in respect of the Notes is required to be obtained from the CMB by the Issuer on or before the Issue Date. As the Issuer is required to maintain all authorisations and approvals of the CMB necessary for the offer, sale and issue of Notes under the Programme, the scope of the Approvals might be amended and/or new approvals from the CMB and/or the BRSA might be obtained from time to time. Pursuant to the Approvals, the offer, sale and issue of the Notes has been authorised and approved in accordance with Decree 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, **Decree 32**), the Turkish Banking Law No. 5411 of 2005 (the **Banking Law**) and its related legislation, the Capital Markets Law numbered 6362 and Communiqué No. II-31.1 on Debt Instruments (the **Communiqué on Debt Instruments**) or its related regulation. The tranche issuance certificate from the CMB relating to the approval of the issue of the Notes is expected to be obtained on or before the Issue Date.

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

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

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

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

In connection with the issue of the Notes, Merrill Lynch, Pierce, Fenner & Smith Incorporated (the **Stabilisation Manager**) (or persons acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail; *however*, there is no assurance that the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) will undertake any stabilisation action. Any stabilisation action or over-allotment may begin on or after the date on which adequate public disclosure of the terms of the offer of the 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 Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

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

In this Prospectus, **Bank** means Türkiye Garanti Bankası A.Ş. on a standalone basis and **Group** means the Bank and its subsidiaries (and, with respect to consolidated accounting information, its consolidated entities).

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

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

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RISK FACTORS

Prospective investors in the Notes should consider carefully the information contained in this Prospectus and the documents (or parts thereof) that are incorporated herein by reference, and in particular should consider all the risks inherent in making such an investment, including the information under the heading "*Risk Factors*" on pages 16 to 47 (inclusive) of the Base Prospectus (the **Programme Risk Factors**), before making a decision to invest. In investing in the Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors that individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors that it currently deems not to be material may become material as a result of the occurrence of future events of which the Issuer does not have knowledge as of the date of this Prospectus. The Issuer has identified in the Programme Risk Factors a number of factors that could materially adversely affect its business and ability to make payments due under the Notes. In addition, a number of factors that are material for the purpose of assessing the market risks associated with the Notes are also described in the Programme Risk Factors.

In addition, for purposes of the Notes the Programme Risk Factors shall be deemed to be revised as follows:

(a) The last paragraph of the risk factor entitled "*Risks relating to Turkey – Political Developments*" on pages 19 and 20 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

These events are particularly noteworthy as municipal elections were held in Turkey on March 30, 2014 and Presidential elections are scheduled to be held in August 2014. In the March elections, the governing party received approximately 44% of the total votes cast, which (though less than the 49.8% received in the 2011 elections) can be considered to be a successful election for the governing party. The governing party won by a strong margin in İstanbul, while the top two parties were almost tied in Ankara (with the governing party winning the majority) and the primary opposition party won decisively in İzmir. While the March election results were largely in line with market expectations, the events surrounding such elections and/or the results of the elections could contribute to the volatility of Turkish financial markets and/or have an adverse effect on investors' perception of Turkey. Actual or perceived political instability in Turkey could have a material adverse effect on the Group's business, financial condition and/or results of operations and on the value of the Notes.

(b) The second paragraph of the risk factor entitled "*Risks related to Notes generally – EU Savings Directive*" on page 44 of the Base Prospectus is hereby deleted in its entirety and replaced by the following (with corresponding changes to the second paragraph of the section of the Base Prospectus entitled "*Taxation – EU Savings Directive*"):

On 24 March 2014, the European Council adopted an EU Council Directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the EU Savings Directive to include certain additional types of income, and widen the range of recipients payments to whom are covered by the EU Savings Directive, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by 1 January 2016 (which national legislation must apply from 1 January 2017).

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the sections of the Base Prospectus (the **Base Prospectus**) of the Bank dated 27 March 2014 relating to the Programme entitled as set out in the table below:

(b) the independent auditors' audit reports and audited consolidated IFRS Financial Statements of the Group for each of the years ended 31 December 2011, 2012 and 2013; and

(c) the independent auditors' audit reports and audited unconsolidated BRSA Financial Statements of the Bank for each of the years ended 31 December 2011, 2012 and 2013.

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 that is capable of affecting the assessment of the Notes.

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

The BRSA Financial Statements incorporated by reference into this Prospectus, all of which are in English, were prepared as convenience translations of the corresponding Turkish language BRSA Financial Statements (which translations the Bank confirms were direct and accurate).

Copies of documents incorporated by reference in this Prospectus are available on the Bank's website at:

(a) http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/Garanti_Base_Prospectus_March_2014.page? (with respect to the Base Prospectus);

(b) http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_and_interim_reports/annual_and_interim_reports_ifrs.page? (with respect to the IFRS Financial Statements of the Group); and

(c) http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_and_interim_reports/annual_and_interim_reports_brsa.page? (with respect to the BRSA Financial Statements of the Bank).

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

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

OVERVIEW OF THE OFFERING

The following overview does not purport to be complete but sets out certain information relating to the offering of the Notes, including the principal provisions of the terms and conditions thereof. The following is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus (including in the Base Prospectus). See, in particular, "Terms and Conditions of the Notes" set out on pages 80 to 113 of the Base Prospectus.

Issue:	U.S.$750,000,000 4.750% Notes due 2019 issued under the U.S.$6,000,000,000 Global Medium Term Note Programme of the Bank.
Interest and Interest Payment Dates:	The Notes will bear interest from and including the Issue Date (*i.e.*, 17 April 2014) at a fixed rate of 4.750% *per annum*, payable semi-annually in equal instalments in arrear on each Interest Payment Date (*i.e.*, 17 April and 17 October in each year); *provided* that, as described in Condition 7.6, if any such date is not a Payment Business Day, then such payment will be made on the next Payment Business Day but without any further interest or other payment being made in respect of such delay. The first interest payment (representing a full six months of interest) will be made on the first Interest Payment Date.
Maturity Date:	Unless previously redeemed or purchased and cancelled as provided in the Conditions, the Notes will be redeemed by the Bank at their principal amount on the Maturity Date (*i.e.*, 17 October 2019).
Use of Proceeds:	The net proceeds of the offering of the Notes will be used by the Bank for general corporate purposes.
Status:	The Notes will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Bank and (subject as provided above) will rank *pari passu* without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Bank, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
Negative Pledge:	Subject to certain exceptions set out in Condition 4, so long as any of the Notes remains outstanding, the Bank will not create or have outstanding any Security Interest (as defined in Condition 4) upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness unless the Bank, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that: (a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness, (b) such Security Interest is terminated, (c) such other

	arrangement (whether or not it includes the giving of a Security Interest) is provided for the benefit of the Noteholders as is approved by an Extraordinary Resolution of the Noteholders or (d) such Security Interest is provided as is approved by an Extraordinary Resolution of the Noteholders. See "*Terms and Conditions of the Notes – Condition 4*" in the Base Prospectus.
Certain Covenants:	The Bank will agree to certain covenants, including covenants limiting transactions with affiliates. See "*Terms and Conditions of the Notes – Condition 5*" in the Base Prospectus for the details of such covenants and the exceptions to them.
Taxation (Payment of Additional Amounts):	All payments in respect of the Notes by or on behalf of the Bank will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of any Relevant Jurisdiction unless the withholding or deduction of the Taxes is required by law. In that event, the Bank will (subject to certain exceptions) pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction will equal the respective amounts that would have been receivable in respect of the Notes in the absence of the withholding or deduction. See "*Taxation – Certain Turkish Tax Considerations*" and "*Terms and Conditions of the Notes – Condition 9*" in the Base Prospectus. All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to FATCA or any law implementing an intergovernmental approach to FATCA, as provided in Condition 7.1 and, in accordance with Condition 9.1, no additional amount will be payable by the Issuer in respect of any such withholding or deduction.
Optional Redemption for Tax Reasons:	The Notes may be redeemed at the option of the Bank in whole, but not in part, at any time at their principal amount together with interest accrued to (but excluding) the date of redemption if: (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 17 April 2014, on the next Interest Payment Date, the Bank would be required to: (i) pay additional amounts as provided or

referred to in Condition 9, and

(ii) make any withholding or deduction for, or on account of, any Taxes imposed or levied by or on behalf of the Relevant Jurisdiction at a rate in excess of the prevailing applicable rates on 17 April 2014, and

(b) such requirement cannot be avoided by the Bank taking reasonable measures available to it.

Events of Default:	The Notes will, subject to customary grace periods and exceptions, be subject to certain events of default, including (among others) non-payment, breach of obligations, cross-acceleration and certain bankruptcy and insolvency events. See "*Terms and Conditions of the Notes – Condition 11*" in the Base Prospectus.
Form, Transfer and Denominations:	Notes offered and sold in reliance upon Regulation S will be represented by beneficial interests in the Regulation S Global Note in registered form, without interest coupons attached, which will be deposited with the Common Depositary and registered in the name of a nominee of the Common Depositary. Notes offered and sold in reliance upon Rule 144A will be represented by beneficial interests in the Rule 144A Global Note(s), each in registered form, without interest coupons attached, which will be deposited with the Custodian and registered in the name of Cede & Co. as nominee for DTC. Except in limited circumstances, certificates for the Notes will not be issued to investors in exchange for beneficial interests in the Global Notes. Interests in the Global Notes will be subject to certain restrictions on transfer. See "*Subscription and Sale and Transfer and Selling Restrictions*" in the Base Prospectus. Interests in the Regulation S Global Note will be represented in, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg (or their respective direct or indirect accountholders, as applicable). Interests in the Rule 144A Global Note(s) will be represented in, and transfers thereof will be effected only through, records maintained by DTC (or its direct or indirect participants, as applicable). Notes will be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
ERISA:	Subject to certain conditions, the Notes may be invested in by an "employee benefit plan" as defined in and subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (**ERISA**), a "plan" as defined in and subject to Section 4975 of the Code, or any entity whose underlying assets include "plan

	assets" of any of the foregoing. See "*Certain Considerations for ERISA and other U.S. Employee Benefit Plans*" in the Base Prospectus.
Governing Law:	The Notes, the Agency Agreement, the Deed Poll and the Deed of Covenant and any non-contractual obligations arising out of or in connection with the Notes, the Agency Agreement, the Deed Poll and the Deed of Covenant are (or will be, as applicable) governed by, and construed in accordance with, English law.
Listing and admission to trading:	Application has been made by the Bank to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market; *however*, no assurance can be given that such application will be accepted.
Turkish Selling Restrictions:	The offer and sale of the Notes (or beneficial interests therein) are subject to restrictions in Turkey in accordance with applicable CMB and BRSA laws and regulations. See "*Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions – Turkey*" in the Base Prospectus.
Other Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act or any U.S. State securities laws and beneficial interests therein may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act) except to QIBs in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes (or beneficial interests therein) is also subject to restrictions in the European Economic Area (including the United Kingdom), Japan, Switzerland, the PRC and the Hong Kong Special Administrative Region of the PRC. See "*Subscription and Sale and Transfer and Selling Restrictions – Selling Restrictions*" in the Base Prospectus.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. These are set out under "*Risk Factors*" in the Base Prospectus and include risks relating to the Group and its business, the Group's relationship with the Issuer's principal shareholders, Turkey and the Turkish banking industry. In addition, there are certain other factors that are material for the purpose of assessing the risks associated with the Notes, including certain market risks. See "*Risk Factors*."
Issue Price:	99.876% of the principal amount of the Notes.
Yield:	4.776% *per annum*.

Regulation S Global Note Security Codes:	ISIN: Common Code:	XS1057541838 105754183
Rule 144A Global Note Security Codes:	CUSIP: ISIN: Common Code:	90014QAA5 US90014QAA58 105773129
Representation of Noteholders:	There will be no trustee.	
Expected Ratings:	"BBB" by Fitch and "Baa2" (negative outlook) by Moody's.	
Fiscal Agent and Principal Paying Agent:	The Bank of New York Mellon, London Branch	
Registrar, Transfer Agent and Paying Agent:	The Bank of New York Mellon (Luxembourg) S.A.	
United States Paying Agent and Transfer Agent:	The Bank of New York Mellon, New York Branch	

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

The following discussion and analysis should be read in conjunction with the Group's IFRS Financial Statements (including the notes thereto) incorporated by reference into the Base Prospectus.

As used in this Prospectus, the term "Group" is used to denote the Group on a consolidated basis and the term "Bank" indicates that the context refers to the Bank on a stand-alone basis.

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

The Group's financial condition, results of operations and prospects depend significantly upon the macro-economic conditions prevailing in Turkey as well as other factors. The impact of these and other potential factors may vary significantly in the future and many of these factors are outside the control of the Group. Prospective investors should (among other things) consider the factors set forth under "*Cautionary Statement Regarding Forward-Looking Statements*" in the Base Prospectus and "*Risk Factors*." The following describes the most significant of such factors since the beginning of 2011.

Turkish Economy

The Group's operations are primarily in Turkey (or related to Turkish activities) and almost all of its operating income and net income are derived from its Turkish operations (including Turkish-related business for the Group's operations abroad). Accordingly, its results of operations and financial condition are and will continue to be significantly affected by Turkish political, regulatory and macro-economic factors, including factors such as economic growth rates, currency fluctuations, the Central Bank's regulatory policy, inflation and fluctuations in interest rates in Turkey. The following table provides certain macro-economic indicators for Turkey, including real GDP, inflation rates and the Central Bank's overnight Turkish Lira interest rate for each of the indicated periods, as well as the average exchange rates announced by the Bank between the Turkish Lira and each of the U.S. Dollar and the Euro for such periods:

	2009	2010	2011	2012	2013
GDP (real)(1)	(4.8)%	9.2%	8.8%	2.2%	4.0%
Consumer price index(1)	6.5%	6.4%	10.5%	6.2%	7.4%
Producer price index(1)	5.9%	8.9%	13.3%	2.5%	7.0%
Period-end Central Bank overnight TL rate(2)	6.50%	1.50%	5.00%	5.00%	7.75%
Daily average TL/$ exchange rate(3)	1.53	1.49	1.66	1.78	1.88
Daily average TL/€ exchange rate(4)	2.13	1.97	2.31	2.28	2.50

(1) As published by TurkStat.
(2) The overnight borrowing rate announced by the Central Bank. Starting from 2010, the Central Bank announces the weekly repo lending rate as the reference rate, which was 4.50% as of 31 December 2013, 5.50% as of 31 December 2012 and 5.75% as of 31 December 2011.
(3) The Turkish Lira exchange rate for purchases of U.S. Dollars announced by the Bank.
(4) The Turkish Lira exchange rate for purchases of Euro announced by the Bank.

In 2011, in line with the positive trends in the global and domestic economies, the Group's loan portfolio grew by 30.3%. This growth was driven by an increase in consumer loans (and, in particular, general purpose loans, credit card receivables and mortgage loans) and loans to the construction and service sectors and certain industrial sectors such as food, tourism and energy, each of which reflected improving trends during the year. This expansion was also reflected in inflation, as reflected by increases in the producer price index, the consumer price index and the depreciation of the Turkish Lira against the U.S. Dollar and the Euro during that year.

In 2012, the Turkish Lira depreciated against a basket of currencies, principally due to the Central Bank's measures aimed at reducing the appreciation pressure on the Turkish Lira. After having stayed at levels above 10% throughout the first quarter of 2012, consumer price inflation fell to 6.2% by the end of 2012, in part due to decreases in the prices of food together with the Central Bank's tightening of monetary policy in late 2011. Bank-only loans grew by 9.6% over 2012, with Turkish Lira loans forming an increasing proportion of the Bank's loan portfolio compared to foreign currency lending. This Turkish Lira loan growth was primarily driven by the Bank's SME, retail and commercial customers.

In 2013, the Turkish Lira depreciated by 22.5% against the currency basket, largely resulting from the Central Bank's decrease of the policy rate to 4.50% and narrowing the interest rate corridor by 100 basis points due to weakening global growth and capital inflows and a slow recovery in domestic demand. Bank-only loan growth was 29.2% over 2012, principally driven by Turkish Lira-denominated loans granted to the Bank's retail and commercial customers mainly as consumer loans and loans to certain industrial sectors such as the energy, textile, construction, transportation and logistics, food and service sectors. The Bank's management expects that the Turkish economy will continue to grow in 2014, although GDP is expected to grow at a lower rate than in 2013, with growth rates in the low single digits due to adverse effects of economic and political instabilities in the local market.

Currency Exchange Rates

A significant portion of the Group's assets and liabilities are denominated in foreign currencies, particularly the U.S. Dollar and the Euro (45.3% of total assets and 51.4% of total liabilities as of 31 December 2013). While the Group monitors its net open position in foreign currencies (which is the amount by which its foreign currency-denominated assets differ from its foreign currency-denominated liabilities) and each of the Bank and the Group is required to comply with foreign currency net open position limits promulgated by the BRSA, each of the Bank and the Group has maintained and likely will continue to maintain gaps between the balances of its foreign currency assets and liabilities. The limit imposed by the BRSA is defined as an amount plus/minus 20% of the total capital used in the calculation of regulatory capital adequacy ratios. The Group's and the Bank's foreign currency net open position ratios were (2.4)% and 1.1% respectively, as of 31 December 2013, (1.4)% and 1.4%, respectively, as of 31 December 2012, and (1.1)% and 0.8%, respectively and as of 31 December 2011.

The Group's short foreign currency position increased to approximately U.S.$410 million as of 31 December 2013 from U.S.$301 million as of 31 December 2012, which itself was an increase from an equivalent of U.S.$166 million as of 31 December 2011. The following table provides the Group's net open position in different currencies as of the indicated dates:

	As of 31 December		
	2011	**2012**	**2013**
		(millions)	
US Dollars	$(157)	$12	$(1,318)
Euro	€(235)	€(467)	€320
Other currencies[1]	$(295)	$302	$467
Total net foreign exchange position[1][2]	**$(166)**	**$(301)**	**$(410)**

(1) For the convenience of the reader, the total amounts of other currencies have first been converted into Turkish Lira by using the rates announced by the Bank as of the last day of the applicable year and then converted into U.S. Dollars based upon the TL/$ Exchange Rate as of such dates.

(2) The positions indicated are net of the effects of hedging transactions and other off-balance sheet positions.

The Group translates its foreign currency assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains or losses realised upon the sale of such assets, to Turkish Lira in preparing its financial statements. As a result, the Group's reported income is affected by changes in the value of the Turkish Lira with respect to foreign currencies. The overall effect of exchange rate movements on the Group's results of operations depends upon the successful implementation of the Group's hedging strategies as well as upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading currencies. The Group generally seeks to be fully hedged in terms of foreign exchange exposures; *however*, depending upon market conditions, it may prefer to carry certain open positions through spot or derivative foreign exchange transactions. In such cases, exposures are managed with hedges subject to the limits set by the management of the Bank and its subsidiaries and applicable BRSA legal limits.

By maintaining a reasonably balanced foreign currency position throughout each of 2011, 2012 and 2013, the Group had moderate net foreign exchange gains or losses (after giving effect to the Group's hedging strategy and other off-balance sheet positions) in each such period – net foreign exchange gains of TL 338,414 thousand in 2013 and TL 435,055 thousand in 2012 and a net foreign exchange loss of TL 340,950 thousand in 2011. The major driver behind the foreign exchange loss in 2011 was the volatility of the Turkish Lira as a result of monetary interventions by the Central Bank. These interventions, including increases in reserve requirements, changes in currency compositions of such requirements and the tightening of monetary policy, each adversely affected the Group's income statement through both on balance and off balance sheet items. See also "Operating Income - Other Operating Income" and "Operating Expenses" in "*Analysis of Results of Operations for the Years Ended 31 December 2010, 2011 and 2012*."

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

Interest Rate Environment

One of the primary factors influencing the Group's profitability is the level of interest rates in Turkey, which in turn influences the return on its securities portfolio and its loan and deposit rates. Interest earned and paid on the Group's assets and liabilities reflect, to a certain degree, inflation, expectations regarding inflation, shifts in short-term interest rates set by the Central Bank and movements in long-term real interest rates. The fluctuations in short-term and long-term interest rates impact the Group's net interest income differently based upon the re-pricing profile of the Group's interest-earning assets and interest-bearing liabilities. Due principally to historical inflation expectations in Turkey, as of 31 December 2013, 41.7% of the Bank's Turkish Lira-denominated cash loan portfolio had a maturity of one year or less and 25.6% of such portfolio carried a floating rate of interest (47.1% and 19.4%, and 51.0% and 24.0% as of 31 December 2012 and 2011, respectively).

Because the Group's interest-bearing liabilities (principally deposits) generally re-price faster than its interest-earning assets, changes in the short-term interest rates in the economy generally are reflected in the rates of interest paid by the Group on its liabilities before such interest rates are reflected in the rates of interest earned by the Group on its assets. Therefore, when short-term interest rates fall, the Group is both positively affected (for example, the value of its fixed rate securities portfolio may increase and its interest margins can improve), but can also be negatively impacted (for example, through the decline in net interest margins on assets funded by 0% interest rate demand deposits). On the other hand, when short-term rates increase, the Group's interest margin is generally negatively affected as it will generally pay higher interest rates on its interest-bearing liabilities before it can modify the rates of its interest-earning assets. An increase in long-term rates generally has at least a short-term negative effect on the Group's net interest margin because its interest-earning assets generally have a longer re-pricing duration than its interest-bearing liabilities and because a portion of its interest-earning assets have fixed rates of interest (for example, 58.9%, 61.3% and 61.0% of the Bank's interest-earning assets were fixed-rate as of 31 December 2011, 2012 and 2013, respectively); *however*, 36.1% of the Group's securities portfolio consisted of consumer price index-linked securities as of 31 December 2013 (32.2% and 30.8% as of 31 December 2012 and 2011, respectively). The Group's yield on its securities has been declining, including in 2013, mainly due to the redemption of older securities and lower CPI readings.

The following table provides the Bank's net interest margin and average spread for the indicated periods:

	2011	2012	2013
Net interest margin(1)	3.6%	4.3%	3.9%
Turkish Lira assets	5.2%	5.5%	5.1%
Foreign currency assets	1.2%	1.7%	1.7%
Average spread(2)			
Turkish Lira assets/liabilities	4.5%	5.5%	4.3%
Foreign currency assets/liabilities	1.5%	2.4%	2.3%

(1) The Bank's net interest income as a percentage of its total average assets. Total average assets are calculated as the average of the opening, quarter-end and closing balances for the applicable period.

(2) Difference between the weighted average interest rate of the Bank's average interest-earning assets and interest-bearing liabilities. Average interest-earning assets and interest-bearing liabilities are calculated as the average of the opening, quarter-end and closing balances for the applicable period.

The overnight Turkish Lira borrowing rate announced by the Central Bank increased from 1.5% in December 2010 to 5.0% in December 2011 and remained at that level in 2012 before decreasing to 3.5% in 2013. The Central Bank increased the overnight Turkish Lira borrowing rate to 8.0% in January 2014. The Bank's management expects such increase to result in narrowing interest margins in the short term due to the maturity mismatch between deposits and loans, and also to lead to a deceleration in loan growth and increase in deposit funding costs in the Turkish market as banks reflect the increased rates in the loan and deposit interest rates.

The improvement in net interest margins and spreads in 2012 was principally due to the growth in the Group's lending activities on loans with more profitable margins (*e.g.*, consumer loans) and a decrease in interest rates on deposits. The decrease in 2013 was principally due to the moderation of local market conditions (including inflationary pressures), the increases to reserve requirements introduced by the Central Bank (no interest is earned on such reserves) and the tightening of monetary policy in Turkey over the period. In 2013, margins also narrowed (particularly in Turkish Lira-denominated loans) due to adverse economic and political developments in the country starting in June 2013.

The following table provides the Group's net interest margin and average spread for the indicated periods:

	2011	2012	2013
Net interest margin(1)	3.5%	3.8%	3.6%
Average spread(2)	3.2%	3.5%	3.7%

(1) The Group's net interest income as a percentage of its total average assets. Total average assets are calculated as the average of the opening, quarter-end and closing balances for the applicable period.

(2) Difference between the weighted average interest rate of the Group's average interest-earning assets and interest-bearing liabilities. Average interest-earning assets and interest-bearing liabilities are calculated as the average of the opening, quarter-end and closing balances for the applicable period.

The relatively lower Group figures for net interest margin (when compared to the Bank's stand-alone results) is principally a result of the different balances of currencies in which the Bank and its non-Turkish subsidiaries operate (for example, interest rates and margins are generally lower in Dollar- and Euro-denominated transactions than Turkish Lira-denominated transactions).

Significant Securities Portfolio

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 2011, 2012 and 2013, accounting for 32.3%, 29.0% and 25.4%, respectively, of its total interest income (and 26.2%, 26.3% and 20.9%, respectively, of its gross operating income before deducting interest expense and fee and commission expense when trading gains on sale of securities are also considered). The Group also has obtained large realised gains from the sale of securities, which gains represented 25.2% of the Group's other operating income in 2013, 52.9% in 2012 (largely attributed to the Bank's partial sale of eurobonds in its held-to-maturity portfolio in the third quarter of 2012 pursuant to the exception granted by IAS 39 for the sale of securities originally classified as securities held-to-maturity in cases where the regulatory capital requirement increases, such as following Basel II's effectiveness on 1 July 2012) and 23.9% in 2011.

While the contribution of income from the Group's securities portfolio (including interest earned, trading gains and other income) has been significant over the past three fiscal years, the Group expects that trading gains will not continue to be as large going forward and that the percentage of its assets invested in securities will decline further as loan demand keeps accelerating due to the continued (though limited) growth in the Turkish economy. In addition, interest income may be diminished over coming years as the Group's holding of securities issued during periods of higher interest rates reduces through repayment, as in the case of redemption of some CPI-linked notes in 2013.

The Group's securities portfolio principally contains Turkish government debt securities, with more limited holdings of other securities such as corporate and foreign government debt securities. The Group's investment securities portfolio (which excludes its trading portfolio) represented 22.3%, 22.5% and 17.7%, respectively, of the Group's total assets as of 31 December 2011, 2012 and 2013. While essentially remaining at the 2011 level in 2012, the share of the Group's investment securities portfolio in its total assets decreased in 2013 as the Group increased its cash loan lending, in part due to higher loan demand. As the Group's investment securities portfolio is comprised largely of high quality securities (principally Turkish government debt, most of which is held in the available-for-sale portfolio), the Group experienced insignificant credit losses on its investment securities portfolio and established immaterial provisions relating thereto during each of 2011, 2012 and 2013; *however*, its trading portfolio and available-for-sale investment securities portfolio are marked-to-market with the mark-to-market losses or gains being included in income (for the trading portfolio and where there is a permanent impairment of available-for-sale securities) or shareholders' equity (for the available-for-sale portfolio) as appropriate. In case of permanent impairments of held-to-maturity securities, such impairment losses are also recognised in income. See Note 10 of the 2013 IFRS Financial Statements and "*Selected Statistical and Other Information – Securities Portfolio*."

Provisions for Probable Loan Losses

The Group's financial results can be significantly affected by the amount of provisions for probable loan losses. The net provision for probable losses on cash loans increased from TL 200,954 thousand in 2011 to TL 1,158,033 thousand (a 476.3% increase) in 2012, and further increased to TL 1,454,093 thousand (a 25.6% increase) in 2013. These increases were due to further provision requirements on consumer loans and credit cards as the Group's loan portfolio grew, certain non-performing commercial loans (though with strong collateralisation) and the impact of the smaller growth in the economy in the second half of 2013. The ratio of the Group's non-performing loans to total gross cash loans increased from 2.3% as of 31 December 2011, to 2.8% as of 31 December 2012, and then slightly increased to 2.9% as of 31 December 2013. In 2011, improvements in general economic conditions, supported by a 30.3% growth in cash loans, together with strong collections in the last quarter of the year, contributed to the decrease in the ratio of non-performing loans to total cash loans to 2.3%. In 2012, the ratio increased to 2.8% due to the decrease in the pace of collections and loan growth, impacted by the slowing pace of growth in the Turkish economy (particularly in domestic demand). In 2013, the ratio of non-performing loans to total cash loans remained almost at the same level due to a strong collection performance, declining NPL inflows and the sale of NPLs (NPLs amounting to TL 327,728 thousand sold for a consideration of TL 58,885 thousand).

In addition to the provisions that the Group is required to take for non-performing loans according to BRSA requirements (see "*Turkish Regulatory Environment – Loan Loss Reserves*" in the Base Prospectus; IFRS provisioning is described below in "*Significant Accounting Policies – Allowance for Loan Losses, Guarantees and Other Commitments*"), the Group's management may take additional provisions should the management determine this to be prudent either in the form of specific provisions or general provisions. For example, in 2009 the Group's management elected to take a TL 330,000 thousand general provision in order to act conservatively in the context of the uncertainty created by the global financial crisis. In addition to the negative impact on net income caused by the increase to total operating expenses resulting from such provisions, from a tax perspective the Group is unable to deduct these general provisions from its taxable income, thus increasing its effective tax rate. The Bank's management decided to maintain this general provision in the following years, and elected to take a further TL 90,000 thousand provision in 2011; *however*, in 2013 the Bank's management decided to reverse TL 115,000 thousand of these provisions, which reversal was recorded as income under other operating income in the income statement. Deloitte has qualified its audit reports or review reports (as applicable) for the IFRS Financial Statements incorporated by reference into this Prospectus, because general provisions are not permitted under IFRS. See the IFRS Financial Statements incorporated by reference into this Prospectus.

Significant Accounting Policies

The Group's accounting policies are integral to understanding its results of operations and financial condition presented in the IFRS Financial Statements (including the notes thereto). The Group's significant accounting policies under IFRS are described in the notes to the IFRS Financial Statements. In the application of the Group's significant accounting policies, the management is required to make judgments, estimates and assumptions about future conditions. The use of available information and the application of judgment are inherent in the formation of estimates. The Group's critical accounting policies are those that are most important to the portrayal of its financial condition and results of operations and that require the Group to make its most difficult and subjective judgments, often as a result of a need to make estimates of matters that are inherently unpredictable. The Bank's management believes that the Group's critical accounting policies where judgment is necessarily applied are those related to allowance for loan losses, guarantees and other commitments; valuation of investments and derivatives; valuation of defined benefit plans; and income taxes. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. The Group's results may differ from the estimates under different assumptions, judgments and conditions.

The policies related to the critical accounting judgments are outlined below. All other significant accounting policies that are necessary to fair presentation of the Group's financial condition and results of operations are presented in the "Significant accounting policies" disclosure in the Group's IFRS Financial Statements incorporated by reference into this Prospectus.

Allowance for Loan Losses, Guarantees and Other Commitments

The Group's accounting policy for losses arising from the impairment of customer loans and advances is described in the "Significant accounting policies" disclosure in the IFRS Financial Statements. Loan impairment allowances represent management's best estimate of losses incurred in the loan portfolios at the balance sheet date based upon its evaluation of credits granted (see, however, the discussion under "Significant Factors Affecting the Group's Financial Condition and Results of Operations – Provisions for Probable Loan Losses" above). In addition, the Group establishes provision liabilities for probable losses under guarantees and other commitments. The Group reviews its financial assets as of each balance sheet date to determine whether there is objective evidence of impairment. If there is objective evidence that the Group will not be able to collect all amounts due (principal and interest) according to the original contractual terms of a loan, then the loan is considered impaired and classified as a "non-performing loan." The allowance for a loan is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate, including any probable foreclosure of collateral. Impairment and uncollectibility are measured and recognised individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired.

These allowances involve significant estimates and are regularly evaluated by the Group for adequacy. The allowances are based upon the Group's own loss experience and management's judgment of the level of losses that will most likely be recognised from assets in each credit risk category by reference to the debt service capability and repayment history of the borrower. The allowances for loan losses in the IFRS Financial Statements have been determined on the basis of existing economic and political conditions, except for the general provisions discussed elsewhere herein. The Group is not able to predict with certainty what changes in conditions will take place in the markets in which it operates and what effect such changes might have on the adequacy of the allowances for loan losses in future periods. See "*Turkish Regulatory Environment – Loan Loss Reserves*" in the Base Prospectus with respect to the Turkish regulatory requirements for provisions for loans.

Fair Value of Securities

The Group's securities are classified as either financial assets at fair value through profit or loss (*i.e.*, trading securities) or investment securities (which include both available-for-sale securities and held-to-maturity securities). While held-to-maturity securities are recorded at their acquisition cost and measured at amortised cost calculated as per the effective interest rate method, the Group's trading securities and available-for-sale investment securities (which collectively represented 64.8% of the Group's total securities portfolio as of 31 December 2013) are recorded at fair value, with changes in fair value being recorded in income (for the trading portfolio and where there is a permanent impairment or sale of available-for-sale securities) or shareholders' equity (for mark-to-market movements in available-for-sale securities). In the case of permanent impairment of held-to-maturity securities, such impairment losses are also recognised in income. As of 31 December 2011, 2012 and 2013, a total of TL 31,574,131 thousand, TL 39,045,253 thousand and TL 25,373,843 thousand, respectively, in such securities were recorded at fair value in the Group's balance sheet.

The following table sets out the distribution of the Group's securities recorded at fair value as of each of the indicated dates:

	31 December		
	2011	**2012**	**2013**
		(TL thousands)	
Financial assets at fair value through profit or loss	419,271	550,926	538,145
Investment securities available-for-sale	31,154,860	38,494,327	24,835,698
Total	**31,574,131**	**39,045,253**	**25,373,843**

Fair value is defined as the value at which a position could be closed out or sold in a transaction with a willing and knowledgeable unrelated party, without any deduction for transaction costs. The Group estimates fair value using quoted market prices when available. When quoted market prices are not available, the Group uses a variety of models that include dealer quotes, pricing models and quoted prices from instruments with similar characteristics or discounted cash flows. The determination of fair value when quoted market prices are not available involves judgment by the Group's management. There is often limited market data to rely upon when estimating the impact of holding a large or aged position. Similarly, judgment must be applied in estimating prices when no external parameters exist. Other factors that can affect the estimates include incorrect model assumptions and unexpected correlations. The imprecision in estimating these factors may affect the amount of revenue or loss recorded for a specific asset or liability. As of 31 December 2013, the Group held trading securities and available-for-sale investment securities for which it could not use market prices or observable market inputs to determine fair value representing only 1.2% of its total assets.

Besides the trading securities and available-for-sale securities, the Group also monitors the fair value of its securities held-to-maturity to determine whether a decline in their fair value reflects that a write-down would be appropriate, which occurs if such a decline represents a loss event as described in the IFRS Financial Statements. Although the investment securities held-to-maturity are kept at their amortised costs on the balance sheet and the marked-to-market differences on the investment securities available-for-sale are recorded under equity instead of the income statement, if the Group's management determines such to be the case, then such securities would be written-down and be reflected as impairment losses, net, under operating expense in the income statement. Factors that are used by the Group's management in determining whether a decline is "other-than-temporary" and represents a loss event include the credit quality of the issuer, the conditions of the issuer's operations and business segments, the observed period of the loss, the degree of the loss and management's expectations.

Derivatives

The Group enters into transactions with derivative instruments, including forward contracts, swaps and options in the foreign exchange and capital markets. For example, the Group enters into interest rate swap transactions in order to hedge certain cash flow exposures primarily on floating rate assets and liabilities through converting its floating rate income/payments into fixed rate income/payments. These derivative transactions are considered as effective economic hedges under the Group's risk management policies but (other than transactions in which the hedge accounting relationship is evidenced), if they do not qualify for hedge accounting under the specific provisions of IAS 39, are treated as derivatives held-for-trading. Derivative financial instruments are recognised in the balance sheet at their fair value.

The fair value of financial instruments is based upon their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, then the fair value of an instrument is estimated using the available market information and the appropriate valuation methodologies; *however*, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates made are not necessarily indicative of the amounts that could be realised in a current transaction.

The fair value of a derivative that is not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract as of the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to income for the period whereas gains and losses arising from changes in the fair value of derivatives designated as cash flow hedges are reflected directly as a separate component of equity and reclassified to income when the hedged transaction is settled.

Defined Benefit Plan

As described in "*Management – Compensation – Pension Plans*" in the Base Prospectus, the Bank has a defined benefit plan for its Turkish employees (*i.e.*, the Fund). As described therein, certain of the assets and obligations of the Fund are subject to transfer to the SSF and the SSF is required to collect the unfunded portion (if any) from the employee benefit funds and the banks employing the relevant fund participants, which will be severally liable, in annual instalments to be paid over a period of up to 15 years. If there is a shortfall at the time of the transfer of the fund (as determined by the SSF), then the Bank would be liable to make the supplemental payments described above for 15 years.

The excess benefits, which are not subject to the transfer to the SSF, are accounted for in the Group's IFRS Financial Statements in accordance with IAS 19 ("Employee Benefits.") The obligation in respect of this retained portion of the benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, which benefit is discounted to determine its present value by using the projected unit credit method, and any unrecognised past service costs and the fair value of any plan assets are deducted.

Taxation

Income tax is calculated on the basis of taxable income as calculated by applicable tax laws and regulations, which differ in certain material respects from IFRS. The Group's effective tax rate was 20.46% in 2011, 20.75% in 2012 and 20.23% in 2013. In preparing its financial statements, the Group is required to estimate taxes on income, which involves an estimation of current tax expenses together with an assessment of temporary differences resulting from differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Group's carrying value of net deferred tax assets assumes that the Group will be able to generate sufficient future taxable income based upon estimates and assumptions. If these estimates and related assumptions change in the future, then the Group may be required to record valuation allowances against its deferred tax assets resulting in additional tax expense in its income. The Group evaluates the recoverability of the deferred tax assets on each business day.

Key Performance Indicators

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

	As of (or for the year ended) 31 December		
Ratios	**2011[13]**	**2012[13]**	**2013**
Net interest margin[1]	3.5%	3.8%	3.6%
Adjusted net interest margin[2]	3.4%	3.1%	2.8%
Net yield[3]	4.2%	4.5%	4.4%
Adjusted net interest income as a percentage of average interest-earning assets[3][4]	3.7%	4.0%	3.7%
Net fee and commission income to total operating income	25.0%	24.6%	28.3%
Cost-to-income ratio[5]	45.8%	46.9%	49.8%
Operating expenses as a percentage of total average assets[6]	2.3%	2.2%	2.3%
Non-performing loans to total gross cash loans	2.3%	2.8%	2.9%
Free capital ratio[7]	10.0%	11.1%	9.6%
Group's capital adequacy ratios[8]			
Tier I capital adequacy ratio[9]	14.11%	15.50%	12.76%
Total capital adequacy ratio[9]	15.75%	16.86%	13.70%
Allowance for probable loan losses to non-performing loans[10]	94.7%	93.7%	96.0%
Return on average total assets[11]	2.3%	2.0%	1.8%
Return on average shareholders' equity[12]	19.6%	17.0%	15.8%

(1) Net interest income as a percentage of total average assets (calculated as the average of the opening, quarter-end and closing balances for the applicable period). The above is calculated on the basis of IFRS. For Bank-only net interest margin, please see "– Significant Factors Affecting the Group's Financial Condition and Result of Operations – Interest Rate Environment."

(2) Net interest income reduced by provision for loan losses, as a percentage of total average assets (calculated as the average of the opening, quarter-end and closing balances for the applicable period).

(3) Net interest income as a percentage of average interest-earning assets (calculated as the average of the opening, quarter-end and closing balances for the applicable period).

(4) Adjusted net interest income is net interest income *plus/minus* net foreign exchange gains/losses *minus* provision for probable loan losses.

(5) "Cost" includes total operating expenses excluding impairment losses, net, reserve for employee severance indemnities and foreign exchange and trading losses. "Income" includes operating income *minus* foreign exchange and trading losses and impairment losses, net, except for provisions made on a portfolio basis to cover any inherent risk of loss for cash loans and non-cash loans. If "income" were calculated without subtracting impairment losses, net, then the ratios would be 44.6%, 42.0% and 43.9% for 2011, 2012 and 2013, respectively.

(6) Operating expenses for purposes of this calculation are total operating expenses excluding impairment losses, net, depreciation and amortisation expenses, reserve for employee severance indemnities and foreign exchange and trading losses. Total average assets are calculated as the average of the opening, quarter-end and closing balances for the applicable period.

(7) Total shareholders' equity *minus* goodwill, tangible assets, assets held for resale, investment property, investments in equity participations and net non-performing loans excluding allowance made on a portfolio basis to cover any inherent risk of loss, as a percentage of total assets.

(8) Calculated in accordance with BRSA regulations for the Group. Each of the Bank and the Group is required to maintain a capital adequacy ratio over the legal minimum only on a total capital basis. See "*Capital Adequacy*" below. The 2011 capital adequacy ratio is not comparable to the ratios of 2012 and 2013 as the calculation method changed to Basel II starting on 1 July 2012.

(9) The total capital adequacy ratio is calculated by *dividing*: (a) the "Tier I" capital (*i.e.*, the "core capital," which comprises the share capital, reserves and retained earnings) plus the "Tier II" capital (*i.e.*, the "supplementary capital," which comprises general provisions, subordinated debt, unrealised gains/losses on available-for-sale assets and revaluation surplus (reduced by certain items such as leasehold improvements and intangibles)) and *minus* items to be deducted from capital (the "deductions from capital," which comprises items such as unconsolidated equity interests in financial institutions and assets held for resale but held longer than five years), *by* (b) the aggregate of the risk-weighted assets and off-balance sheet exposures (*i.e.*, value at credit risk), value at market risk and value at operational risk. The "Tier I" capital adequacy ratio is calculated by dividing the "Tier I" capital by the aggregate of the value at credit risk, value at market risk and value at operational risk.

(10) Excluding allowances made on a portfolio basis to cover any inherent risk of loss.

(11) Net income for the period as a percentage of average total assets (calculated as the average of the opening, quarter-end and closing balances for the applicable period).

(12) Net income for the period as a percentage of average shareholders' equity (calculated as the average of the opening, quarter-end and closing balances for the applicable period).

(13) The effects of corrections made by the Bank for the calculation of SDIF premiums between the years 2007 and 2012 on the prior periods' consolidated financial statements have been adjusted.

Analysis of Results of Operations for the Years Ended 31 December 2011, 2012 and 2013

The following summary financial and operating data as of and for the years ended 31 December 2011, 2012 and 2013 have been extracted from the IFRS Financial Statements. This information should be read in conjunction with the IFRS Financial Statements (including the notes thereto) incorporated by reference into this Prospectus.

The table below summarises the Group's income statement for the indicated years, the components of which are described in greater detail in the following sections:

	For the year ended 31 December		
	2011(2)(3)	**2012**(3)	**2013**
		(TL thousands)	
Net interest income	5,235,893	6,407,461	7,118,805
Net fee and commission income	2,130,603	2,072,749	2,667,043
Other operating income	1,366,337	1,154,681	1,158,368
Total operating income	**8,732,833**	**9,634,891**	**10,944,216**
Impairment losses, net(1)	(358,209)	(1,247,431)	(1,588,314)
Other operating expenses	(4,107,027)	(4,110,413)	(4,848,288)
Total operating expenses	**(4,465,236)**	**(5,357,844)**	**(6,436,602)**
Income before tax	**4,267,597**	**4,277,047**	**4,507,614**
Taxation charge	(873,265)	(887,330)	(911,749)
Net income for the year	**3,394,332**	**3,389,717**	**3,595,865**
Attributable to equityholders of the Bank	3,374,902	3,361,802	3,571,499
Attributable to non-controlling interests	19,430	27,915	24,366

(1) "Impairment losses, net" includes provision for loan losses, net.

(2) In 2011, the Group reassessed the accounting treatment applied for the reserve for employee severance indemnity and restated the prior year's financial statements.

(3) In 2013, the Bank made a correction to "impairment losses, net" for the calculation of SDIF premiums between the years 2007 and 2012 on its prior years' income statements amounting to TL 3,007 thousand as of 31 December 2012 and TL 3,594 thousand as of 31 December 2011, net of tax.

Net Income

The Group's net income for a period is calculated by reducing its operating income for such period by the amount of its operating expenses and taxation charge for such period. The Group's net income for 2013 was TL 3,595,865 thousand, a 6.1% increase from TL 3,389,717 thousand in 2012, which itself was a 0.1% decrease from TL 3,394,332 thousand in 2011. The net income for 2011, 2012 and 2013 was affected by certain exceptional items, which are quantified in the table below:

	2011	**2012**	**2013**
		(TL thousands)	
Exceptional items			
Sale/liquidation of equity participations	172,379	17	-
Sale of non-performing loans	54,207	31,472	44,325
Other provision(1)(3)	(4,493)	(101,848)	(42,164)
Other operating expenses(4)	-	-	(257,038)
Provision for general banking risks(2)	(90,000)	-	115,000
Tax effects of the items listed above	(21,279)	14,026	5,753
Total impact on net income	**110,814**	**(56,333)**	**(134,124)**
Reported net income for the year	3,394,332	3,389,717	3,595,865
Net income adjusted for above events	**3,283,518**	**3,446,050**	**3,729,989**

(1) Including mainly provisions for checks in 2012.

(2) As it had initially done in 2009, in 2011 the Bank's management decided to take a conservative approach to provisioning due to the uncertainty in the economy and market conditions during the global financial crisis and made provisions for general banking risks that it believed were prudent. These provisions form a component of "impairment losses, net" and affect the balance sheet as an element of "Other liabilities and accrued expenses." As such general provisions are not permitted under IFRS, the Group's independent auditors noted this departure from IFRS in the Group's 2011, 2012 and 2013 IFRS Financial Statements. Should the Bank's management determine that

market conditions have improved to such an extent that such additional reserves are not required, then they may elect to reverse such reserves in future periods, which would have the result of increasing income in such period.

(3) In 2013, the Bank made a correction to "impairment losses, net" for the calculation of SDIF premiums between the years 2007 and 2012 on its prior years' income statements amounting to TL 3,007 thousand as of 31 December 2012 and TL 3,594 thousand as of 31 December 2011, net of tax.

(4) Including floor on expertise fees, effects of organizational changes among Garanti Group, tax penalties and an administrative fine amounting to TL 160,038 thousand by Turkish Competition Board.

After adjusting for these exceptional events, the increase in net income was 8.2% in 2013 as compared to 2012, also increasing 4.9% in 2012 as compared to 2011. In 2013, the increase in net income was a result of strong trading gains from the sale of securities, increase in net fee and commission income (especially from retail banking) and better margins in the first six months of 2013. The increase in net income in 2012 was principally due to an increase in interest income on loans, which resulted from the Group's focus on high margin products and timely re-pricing of loans. In 2011, there was a decrease in net income primarily due to actions taken in response to regulatory requirements by the BRSA as well as continued competition for both loans and deposits. In particular, the increase in reserve requirements resulted in an increase in the Group's non-interest earning assets.

The following sections describe the components of the Group's net income (*i.e.*, operating income, operating expenses and taxation charges) in greater detail.

Operating Income

The Group's operating income is comprised of its net interest income, net fee and commission income and other operating income. Each of these is described in greater detail below. The following table identifies the share that net interest income, net fee and commission income and other operating income have represented in the Group's total operating income for each of the indicated years:

	2011	**2012**	**2013**
Net interest income	60.0%	66.5%	65.0%
Net fee and commission income	24.4%	21.5%	24.4%
Other operating income	15.6%	12.0%	10.6%
Total operating income	**100.0%**	**100.0%**	**100.0%**

Net Interest Income

The Group's net interest income is the difference between the interest income and its interest expense (each described below) and is the principal area of income for the Group. As a result, the differential between the interest rates that the Group receives on interest-earning assets and the interest rates that it pays on interest-bearing liabilities (*i.e.*, its average spread) and the volume of such assets and liabilities tend to have the most significant impact on the Group's results of operations. Net interest income represented 60.0%, 66.5% and 65.0% of the Group's total operating income in 2011, 2012 and 2013, respectively.

Net interest income amounted to TL 7,118,805 thousand in 2013, which was a 11.1% increase from TL 6,407,461 thousand in 2012, which was a 22.4% increase from TL 5,235,893 thousand in 2011. The Group's net yield (*i.e.*, its net interest income as a percentage of its average interest-earning assets (which is calculated as the average of the opening, quarter-end and closing balances for the applicable year)), was 4.4% in 2013, compared to 4.5% in 2012 and 4.2% in 2011. There was a general decline in margins in the Turkish market from 2010 onwards as a result of increased competition across all sectors of the Group's business; *however*, the volumes, especially in lending activities, increased in 2011, 2012 and 2013 as further described in "*Assets - Loans and Advances to Customers*" below. There was a slight improvement in 2012 as a result of a decrease in the cost of funding, especially in deposits. In 2013, to a large extent the volumes maintained the same level as in 2012.

Net interest margin was 3.9% in 2013 for the Bank (3.6% for the Group) compared with 4.3% in 2012 for the Bank (3.8% for the Group) and 3.6% in 2011 for the Bank (3.5% for the Group). The Group's net interest margin slightly improved in 2012 as a result of the Group's focus on high margin products and reducing funding costs by decreasing interest rates on deposits; *however*, it slightly decreased in 2013 due to pressure on margins in the second half of the year.

The average spread for the Bank and the Group followed a similar pattern. See also "– Significant Factors Affecting the Group's Financial Condition and Results of Operations – Interest Rate Environment."

Interest income and interest expense are discussed in greater detail below.

Interest Income. Interest income is the interest (including the amortisation of interest-earning assets purchased at a discount and the interest component of lease receivables) and certain loan-related fees (such as closing fees received on project finance loans) received by the Group on its interest-earning assets, principally loans and debt securities. Interest income is a function of both the volume of interest-earning assets and the yield that the Group earns on these holdings. In 2013, the Group's interest income increased by 0.6% to TL 13,912,708 thousand from TL 13,826,233 thousand in 2012, which itself was an increase of 21.4% from TL 11,393,106 thousand in 2011. The following table sets out the interest earnings on the Group's interest-earning assets during each of the indicated years:

	2011	**2012**	**2013**
		(TL thousands)	
Interest on loans	7,165,025	9,164,868	9,809,579
Interest on securities	3,677,404	4,005,815	3,527,487
Interest on lease business	172,135	239,758	289,234
Interest on deposits at banks	309,804	352,702	236,292
Others	68,738	63,090	50,116
Total interest income	**11,393,106**	**13,826,233**	**13,912,708**

As noted above, interest income is a function of both the volume of, and yield earned on, the Group's interest-earning assets. In 2013, the increase in interest income was principally due to a 7.0% increase in "interest income on loans." The increase was largely offset by a decline in interest on securities, due both to a declining interest rate environment and a declining number of securities with higher yields held by the Group). In 2012, the increase in interest income was principally due to a 27.9% increase in interest income on loans.

The following table sets forth the average yield earned by the Bank (daily average) and the Group (quarterly average) on certain interest-earning assets for the indicated years. For additional information with respect to the Bank's interest income, including with respect to Turkish Lira- and foreign currency-denominated assets, see "*Selected Statistical and Other Information Interest Differential – Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential – Average Balance Sheet and Interest Data*" and "– *Net Changes in Interest Income and Expense – Volume and Rate Analysis*."

	2011	**2012**	**2013**
Total average yield for the Bank	**9.08%**	**9.99%**	**8.73%**
Deposits at banks	2.63%	2.75%	1.92%
Investment securities	10.91%	11.31%	9.77%
Loans and advances to customers	9.08%	10.15%	8.90%
Total average yield for the Group	**9.04%**	**9.80%**	**8.67%**

The decline in yield in 2013 compared to 2012 primarily resulted from the declining interest rate environment in global and Turkish markets as a result of the global financial crisis and governmental responses thereto, including increases in liquidity facilities by the Central Bank and sharp reductions in its interest rates as well as increase in competition in the Turkish market. The increase in 2012 is in line with the Group's strategy of focusing on high-margin products.

The growth in the Group's interest income in the past three years was primarily due to the increase in the size of its loan portfolio. In 2011, strong loan demand from the Turkish market underpinned the continued growth in the volume of cash loans as the Group reduced its securities portfolio to, in part, fund loan growth (along with deposits and new wholesale funding), although pricing continued to be negatively impacted by competition from state and private banks; *however*, the increase in volume more than offset the pricing impact leading to an increase in interest income. In 2012, the Group's loan portfolio continued to grow and was supported by better margins resulting from a selective lending strategy that focused on higher-yielding products. In 2013, interest income was only slightly larger than in 2012 notwithstanding the growth in the Group's loan portfolio due to the declining average yield. The above-described increase of interest rates by the Central Bank in January 2014 is expected by the Bank's management to result in narrowing interest margins in the short term due to the maturity mismatch between deposits and loans, and also to lead to a deceleration in loan growth and increase in deposit funding costs in the Turkish market as banks reflect the increased rates in the loan and deposit interest rates.

Interest Expense. Interest expense is the interest and certain loan-related fee expenses (such as fees paid on syndicated loans) of the Group on its interest-bearing liabilities, principally time deposits and borrowings. As with interest income, interest expense is a function of both the volume of interest-bearing liabilities and the interest rates that the Group pays on these liabilities. In 2013, the Group's interest expense decreased by 8.4% to TL 6,793,903 thousand from TL 7,418,772 thousand in 2012, which itself was an increase of 20.5% from TL 6,157,213 thousand in 2011. The following table sets out the interest expense on the Group's interest-bearing liabilities by category during each of the indicated years:

	2011	2012	2013
		(TL thousands)	
Interest on saving, commercial and public deposits	4,047,763	5,036,622	4,522,899
Interest on borrowings and obligations under repurchase agreements	1,743,956	1,872,825	1,605,374
Interest on bonds payable	177,431	321,472	486,571
Interest on bank deposits	107,148	164,573	147,692
Interest on subordinated liabilities	69,623	11,696	5,173
Other	11,292	11,584	26,194
Total interest expense	**6,157,213**	**7,418,772**	**6,793,903**

The decrease in the Group's interest expense in 2013 was principally a result of a decrease in market interest rates and effective management of funding costs (including attracting additional demand deposits and the opportunistic utilisation of alternative funding sources such as repurchase agreements, money market borrowings, issuance of bonds and foreign borrowings). As noted above, changes in the interest rates that the Group pays on its interest-bearing liabilities significantly affect the Group's interest expense. Most significantly, the Group's interest-bearing deposits represent the largest portion of its liabilities by 50.6%, 48.5% and 47.2%, respectively, as of 31 December 2011, 2012 and 2013. As a result, the interest rates that the Group pays on its deposits typically have the largest impact on the Group's interest expense. The following table sets forth the average interest rates paid by the Bank (daily average) and the Group (quarterly average) on interest-bearing deposits and other interest-bearing liabilities for the indicated years:

	2011	2012	2013
Total interest rates for the Bank	**5.69%**	**6.28%**	**4.93%**
Deposits from customers	5.57%	6.13%	4.74%
Short-term debt	5.98%	7.41%	6.60%
Long-term debt	5.92%	6.29%	5.58%
Repurchase agreements	6.04%	7.40%	5.04%
Total interest rates for the Group	**5.83%**	**6.33%**	**5.00%**

In 2011, the cost of the Group's interest-bearing liabilities began to reduce, principally as a result of interest rate-easing by the Central Bank (which began in 2009 and continued thereafter until near the end of 2013 and resulted in significantly lower interest rates on Turkish Lira deposits and Turkish Lira-denominated repurchase agreements) and declining interest rates generally across global markets in response to the global financial crisis. The TL overnight rate gradually declined from 15.0% on 31 December 2008 to 5.0% on 31 December 2011, and remained at that level in 2012, but again increased to 7.75% by the end of 2013. The increase in the Group's interest expense in 2012 was principally a result of a significant increase in interest-bearing liabilities incurred to meet the increasing demand for loans from the Group's customers and Central Bank actions to restrain growth in the Turkish economy. This growth in demand for loans was primarily due to the strong recovery of the Turkish economy in 2010 and 2011 from the global financial crisis, which strong recovery led the Central Bank to increase banks' reserve requirements and to increase its interest rates in an attempt to moderate growth in the Turkish economy. These Central Bank interventions resulted in an increase in the Group's interest expense in 2012. In 2013, the decrease in interest rates (resulting principally from declining rates globally in the first half of 2013) paid by the Group exceeded the additional interest expense resulting from the increase in the amount of the Group's interest-bearing liabilities during the year. See "- Financial Condition - Liabilities" below.

For additional information with respect to the Bank's interest expense, including with respect to the size of and yield paid on Turkish Lira- and foreign currency-denominated liabilities, see "*Selected Statistical and Other Information – Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential – Liabilities – Average Interest-Bearing Liabilities*" and "*– Net Changes in Interest Income and Expense – Volume and Rate Analysis*." In addition, certain information on the interest rates paid by the Group on its interest-bearing liabilities can be found in "*Selected Statistical and Other Information – Borrowings and Certain Other Liabilities*" below.

Net Fee and Commission Income

The second largest component of the Group's operating income is its net fee and commission income. The Group earns fee and commission income on both capital-intensive products (such as origination fees on cash loans and fees for credit cards, letters of credit and guarantees) and capital-free products (such as investment advice and brokerage fees in respect of debt and equity trading). The principal drivers for fee and commission income are the credit card and retail banking businesses. The Bank's management expects the contribution of fee and commission income to the Group's overall operating income to increase, particularly with the expected growth in its retail lending businesses and tightening interest margins; *however*, the Turkish government periodically imposes limits or prohibitions on fees and commissions that a bank may charge for certain banking services and the adoption of any such limits or prohibitions could result in lower fee and commission income for the Group.

The Group's net fee and commission income for 2013 was TL 2,667,043 thousand, an increase of 28.7% from TL 2,072,749 thousand in 2012, which itself was a decrease of 2.7% from TL 2,130,603 thousand in 2011. The decrease in the Group's net fee and commission income in 2012 was in part due to the reduced cap on fund management fees required by a change in applicable Turkish regulations along with an expansion of the coverage of fees subject to amortisation through the life of cash loan contracts (if each such factor were excluded, the Bank would have experienced approximately a 9% increase in net fee and commission income over the period); *however* such decreases were partly offset by an increase in the number of credit cards issued by the Group and therefore an increase in the fees payable by users of such credit cards. While strong growth was experienced throughout the Group's fee and commission sources in 2013, this increase was primarily due to the growth in consumer and SME loans, which tend to have higher fees and commissions than corporate and commercial loans.

The following table sets out the categories of the Group's fee and commission income and expenses (identified by the principal business lines of the Group) and their respective amounts during each of the indicated years:

	2011	2012	2013
		(TL thousands)	
Fee and Commission Income			
Credit card fees	1,131,262	1,381,179	1,435,242
Retail banking	609,651	499,062	964,701
SME banking	345,189	309,768	367,710
Commercial banking	219,011	232,008	253,468
Corporate banking	30,873	24,532	28,223
Other	198,180	133,918	155,433
Total fee and commission income	**2,534,166**	**2,580,467**	**3,204,777**
Fee and Commission Expense			
Credit card fees	(318,329)	(373,177)	(405,321)
Retail banking	(13,406)	(32,401)	(39,264)
SME banking	(1,849)	(10,787)	(12,363)
Commercial banking	(523)	(3,412)	(4,648)
Corporate banking	(488)	(1,418)	(1,349)
Other	(68,968)	(86,523)	(74,789)
Total fee and commission expense	**(403,563)**	**(507,718)**	**(537,734)**
Net fee and commission income	**2,130,603**	**2,072,749**	**2,667,043**

Other Operating Income

Other operating income includes net trading gains, net foreign exchange gains, premium income from the insurance business and other items. Total other operating income for 2013 amounted to TL 1,158,368 thousand, increasing by 0.3% from TL 1,154,681 thousand in 2012, which itself was a 15.5% decrease from TL 1,366,337 thousand in 2011 (despite incurring a net foreign exchange loss in 2011 (included in operating expenses), mainly due to the large net foreign exchange gain in 2011. See "Net Income" above. The following table sets out the Group's other operating income by category during each of the indicated years:

	2011	2012	2013
		(TL thousands)	
Trading gains, fixed/floating securities	326,257	610,211	291,613
Trading gains/(losses), derivative transactions	350,936	(439,901)	(227,764)
Trading gains, net[(1)]	**677,193**	**170,310**	**63,849**
Premium income from insurance business	228,713	299,617	350,715
Foreign exchange gains, net.	-	435,055	338,414
Other operating income	460,431	249,699	405,390
Total other operating income	**1,366,337**	**1,154,681**	**1,158,368**

(1) See note 29 to the 2013 IFRS Financial Statements incorporated by reference into this Prospectus.

The largest component of total other operating income in 2011 (representing 49.6% of the total) was the net trading gains, while it was net foreign exchange gains in 2012 (representing 37.7% of the total). In 2013 premium income from insurance business represented the largest component of total other operating income (representing 30.3% of the total). As the market share and transaction volume of the Group's life and pension business increase, its contribution to other operating income is expected to increase. See "*The Group and its Business – Subsidiaries – Garanti Pension and Life*" below.

Net trading gains in 2012 and 2013 resulted from trading of fixed- and floating-rate debt securities. The strong increase in trading income in 2011 was again primarily attributable to securities trading transactions in the first quarter of 2011, which accounted for almost half of trading income for the year. This was partly due to the sale of higher rate fixed interest securities as interest rates decreased. Gains on derivative transactions (which to a large extent are used to hedge the Group's own positions) accounted for the remainder of the gains in 2011. These gains were the result of an increase in the volume and size of customer-driven transactions due to the increasing adverse effects of the global financial crisis on Turkish customers, reversing the trend seen in 2010. In 2012, the Bank's sales from its held-to-maturity portfolio due to changes in the local capital adequacy legislation, as permitted by IAS 39, drove the sharp increase in trading gains from fixed and floating rate debt securities; *however*, this was partially offset by trading losses on derivative transactions due to mark-to-market losses on derivatives (including in particular losses arising from interest-rate swaps hedging the interest rate risk associated with long-term fixed rate Turkish Lira loans). As it is not possible for the Group to fully model hedge accounting for such hedges, the results are presented in different lines of the Group's income statement and, accordingly, generally offset each other and do not have an aggregate impact on the Group's overall result of operations.

The second largest component of other operating income is the net foreign exchange gains, which had a 29.2% share in total other operating income in 2013, compared to 37.7% in 2012. The Group's foreign exchange gains/losses include both realized and unrealised gains/losses. The realized gains/losses result from the settlement of foreign exchange transactions and spot legs of derivative transactions, whereas unrealised gains/losses arise from the Group's foreign currency positions. The unrealised gains/losses consist of two parts - unrealised gains/losses on the balance sheet position and unrealised gains/losses on the off-balance sheet position. The foreign exchange gains/losses arising from the settlement of foreign exchange transactions and the unrealised gains/losses from the balance sheet foreign currency position are included under "foreign exchange gains/losses, net" whereas both the realized and unrealised gains/losses on off-balance sheet transactions and positions (which principally result from forward legs of derivative transactions) are recorded under "trading gains/losses." Therefore, although the Group did not hold any material foreign currency net open positions throughout 2011, 2012 and 2013 (considering both on-balance sheet and off-balance sheet positions), "foreign exchange gains/losses, net" varied among these years depending upon the balance sheet and off-balance sheet positions in gross terms. In 2013, the Group recorded foreign exchange gains, net of TL 338,414 thousand, compared to net of TL 435,055 thousand in 2012 (included in operating expenses) and foreign exchange losses, net of TL 340,950 thousand in 2011. The Group's foreign exchange loss in 2011 was due to the volatility of foreign exchange rates during the year. With respect to foreign exchange gains, see "*Significant Factors Affecting the Group's Financial Condition and Results of Operations – Currency Exchange Rates*" above.

In 2013, other operating income includes partial reversal of general provisions amounting to TL 115,000 thousand provided by the Bank's management in prior periods in order to act conservatively in the context of the uncertainty created by the global financial crisis. The reversal was included due to the management's decision that certain related risks diminished.

Operating Expenses

The Group's operating expenses include business expenses such as salaries/benefits and rent, but also include impairment losses (including provisions for non-performing loans). Operating expenses in 2013 increased by 20.1% to TL 6,436,602 thousand, almost at the same rate of increase as in 2012 by 20.0% to TL 5,357,844 thousand from TL 4,465,236 thousand in 2011. The increase in 2012 is 29.9% when net foreign exchange losses are excluded in 2011. The increase in 2013 principally resulted from an increase in the Group's provisions for loans and other credit risks and also increases in employee and expansion-related expenses (as further explained in "- Salaries and Wages" below). See "*Provisions for Probable Loan Losses*" below.

As noted above, as a banking institution, the Group's management focuses closely on the Group's efficiency and (within the context of maintaining the quality of its services) seeks to decrease its cost/income ratio. The Group's costs (which includes total operating expenses excluding impairment losses, net, reserve for employee severance indemnities and foreign exchange and trading losses) to income (which includes operating income *minus* foreign exchange and trading losses and impairment losses, net, except for provisions made on a portfolio basis to cover any inherent risk of loss for cash loans and non-cash loans) ratio increased to 49.8% in 2013 from 46.9% in 2012 (45.8% in 2011). A similar ratio monitored by the Group is its ratio of operating expenses (calculated for this purpose as total operating expenses excluding impairment losses, net, depreciation and amortisation expenses, reserve for employee severance indemnities and foreign exchange and trading losses) to total average assets, which ratio improved slightly from 2.3% in 2011 to 2.2% in 2012 but returned to 2.3% in 2013. The deterioration in the cost-to-income ratio was due to the significant increase in provisions for loans and other credit risks, whereas the ratio of operating expenses as a percentage of total average assets has remained constant as a result of the Group's close and effective control of costs.

The following table sets out the Group's total operating expenses by category during each of the indicated years:

	2011	2012	2013
		(TL thousands)	
Salaries and wages	1,321,469	1,441,706	1,606,010
Provisions for loans and other credit risks, net	220,070	1,202,379	1,519,617
Credit card rewards and promotion expenses	438,765	427,893	501,692
Employee benefits(2)	330,928	405,304	410,165
Depreciation and amortisation	233,751	258,233	285,315
Rent expenses	193,994	215,817	248,662
Communication expenses	150,159	171,892	183,069
Taxes and duties other than on income	128,589	145,607	180,044
Impairment losses, net(3)	138,139	45,052	68,697
Foreign exchange loss, net	340,950	-	-
Other operating expenses(1)	968,422	1,043,961	1,433,331
Total operating expenses(2)	**4,465,236**	**5,357,844**	**6,436,602**

(1) Other operating expenses include various normal course expenses such as advertising expenses, utility charges and repair and maintenance, none of which is individually material. See note 30 to the 2013 IFRS Financial Statements incorporated by reference into this Prospectus.

(2) In accordance with IFRS, the expenses associated with the Group's insurance business are, where appropriate, included within the various expense line items set out above.

(3) In 2013, the Bank made a correction on "impairment losses, net" for the calculation of SDIF premiums between the years 2007 and 2012 on its prior years' income statements amounting to TL 3,758 thousand as of 31 December 2012 and TL 4,493 thousand as of 31 December 2011.

Two items, salaries and wages and impairment losses, net (including provisions for loans and other credit risks) are discussed in greater detail below. With respect to foreign exchange losses, net, see "*Significant Factors Affecting the Group's Financial Condition and Results of Operations – Currency Exchange Rates*" above.

Impairment Losses, Net. The Group's total operating expenses can be materially negatively affected by provisions that the Group takes for probable losses on its cash loans and other impairments. The provision for loan losses is comprised of amounts for specifically-identified impaired and non-performing cash loans plus a further portfolio-basis allowance amount that the Bank's management believes to be adequate to cover the inherent risk of loss present in the pool of performing cash loans. In 2011, low level of provisions for loans and other credit risks normalised following the strong recoveries experienced in 2010 as economic conditions improved following the global financial crisis; *however* the substantial increase in the size of the Group's loan portfolio drove an increase in the net provision (offset somewhat by a TL 504,460 thousand sale of non-performing loans in 2011, which itself was offset somewhat by the Bank's decision to take a general provision of TL 90,000 thousand as detailed below). In 2012, a sharp increase in the Group's provisions for loans and other credit risks resulted from increasing provision needs for commercial and consumer loans. Provisions for loans and other credit risks, net further increased by 26.4% in 2013, particularly resulting from commercial loans.

The Group makes provision for probable loan losses for anticipated problem loans and non-performing loans already so classified each business day. See "*Selected Statistical and Other Information – Summary of Loan Loss Experience*" below.

In addition to provisions for probable losses on cash loans and non-cash loans, the Group's impairment losses, net include provisions for tangible assets and goodwill, investment in equity participations, other receivables and (where applicable) reversal of related prior year provisions. See notes 9,11,12,13 and 21 to the 2013 IFRS Financial Statements incorporated by reference into this Prospectus.

The following table sets out the movements in the Group's allowance for probable loan losses on cash loans, including the portfolio-basis allowance, during each of the indicated years:

	2011	2012	2013
		(TL thousands)	
Balance at the beginning of the year	**2,457,953**	**2,487,786**	**3,413,019**
Write-offs...	(230,780)	(208,557)	(321,568)
Recoveries and reversals......................................	(502,734)	(222,912)	(517,787)
Provision for the year, specific.............................	651,247	1,160,565	1,859,264
Provision for the year, portfolio-basis (net)	112,100	196,137	236,169
Balance at the end of the year...........................	**2,487,786**	**3,413,019**	**4,669,097**

The Group's net provision for probable losses on cash and non-cash loans in 2013 was TL 1,519,607 thousand, a 26.4% increase from TL 1,202,187 thousand in 2012, which itself was a 452.7% increase from TL 217,504 thousand in 2011. As a result of the strong growth of the Group's loan portfolio and strong collection performance, the Group's "non-performing loans to total gross cash loans" ratio increased from 2.3% in 2011 to 2.8% in 2012 and then increased slightly to 2.9% in 2013, due primarily to a deterioration in commercial and consumer loans. The large write-offs in 2011, 2012 and 2013 are principally due to sales from NPL portfolios. The effect of such sales on the non-performing loan ratio was to reduce it by 0.2%, 0.2% and 0.5% for 2013, 2012 and 2011, respectively.

In addition to the specific and portfolio-basis provisions detailed above, the Group's management elected to take a TL 360,000 thousand general provision in 2009 in order to act conservatively in the context of the uncertainty created by the global financial crisis. This was increased by TL 90,000 thousand in 2011, but reduced by TL 115,000 thousand in 2013. The Group's audit reports for the years ended 31 December 2011, 2012 and 2013 were qualified with respect to general provisions that were allocated by the Group. The provisions were taken in accordance with the conservatism principle applied by the Group in considering the circumstances that may arise from any changes in the economy or market conditions. See the IFRS Financial Statements incorporated by reference into this Prospectus. These general provisions are not included in the allowance for probable loan losses on cash loans in the table above but do form a component of "impairment losses, net" when there is an increase and form a component of "other operating income" when there is a reversal, and affect the balance sheet as an element of "other liabilities, accrued expenses and provisions."

Salaries and Wages. The Group's operating expenses include the salaries and wages that it pays to its employees. Salaries and wages increased by 11.4% to TL 1,606,010 thousand in 2013 from TL 1,441,706 thousand in 2012, itself a 9.1% increase from TL 1,321,469 thousand in 2011. The increase in 2011 was broadly in line with inflation, principally due to an increased emphasis on effective cost management and management of human resources. As of 31 December 2013, the Group had 21,853 employees, compared to 20,287 as of 31 December 2012 and 19,685 as of 31 December 2011. The increase in the number of employees principally resulted from the Group's branch expansion (growing by 2.0% from 918 as of 31 December 2011 to 936 as of 31 December 2012, and then growing 6.9% more to 1,001 as of 31 December 2013).

Taxation Charge

The Group is subject to different forms of income taxation in each market in which it has operations, although the principal driver is Turkish taxation of the Group's income. Taxation and duties other than on income are included in operating expenses whereas taxation on income is applied to income before tax in order to determine the Group's net income. Income taxation charges for 2013 amounted to TL 911,749 thousand, which was a 2.8% increase from TL 887,330 thousand in 2012, itself a 1.6% increase from TL 873,265 thousand in 2011. The Group's taxation charges for 2013 included a reduction in deferred tax benefits amounting to TL 249,746 thousand compared to an increase in deferred tax benefits amounting to TL 414,755 thousand for 2012 (and a reduction in deferred tax benefits amounting to TL 391,809 thousand for 2011).

The Group's effective income tax rate (calculated based upon its reported taxation charge divided by its income before tax) for 2013, 2012 and 2011 was 20.23%, 20.75% and 20.46% (each very close to the Turkish corporate income tax rate of 20%), respectively. The deviation from the Turkish tax rate of 20% in 2012 was due to the Group incurring certain disallowable expenses. The deviation from the Turkish tax rate of 20% in 2011 and 2013 was principally due to the changes in general provisions detailed above.

Taxes on income from the Group's non-Turkish operations have been immaterial. For more information on the Group's taxation, see note 20 to the Group's 2013 IFRS Financial Statements incorporated by reference into this Prospectus.

Financial Condition

The following summary balance sheet data for each of the indicated dates have been extracted from the IFRS Financial Statements incorporated by reference into this Prospectus. This information should be read in conjunction with such financial statements (including the notes thereto).

	As of 31 December					
	2011	**% of Total**	**2012**	**% of Total**	**2013**	**% of Total**
	(TL thousands, except for percentages)					
Assets						
Cash and balances with central banks	3,429,820	2.1	4,519,405	2.5	6,849,292	3.2
Financial assets at fair value through profit or loss	419,271	0.3	550,926	0.3	538,145	0.2
Loans and advances to banks	15,232,714	9.4	9,409,593	5.3	11,639,668	5.4
Loans and advances to customers	92,653,780	57.4	102,260,080	57.6	131,315,161	60.3
Other assets(1)(3)	11,754,933	7.3	18,761,561	10.6	26,141,641	12.0
Investment securities	35,941,390	22.3	39,861,281	22.5	38,609,492	17.7
Investment in equity participations	24,593	0.0	25,340	0.0	41,788	0.0
Tangible assets, net	1,710,768	1.1	1,643,451	0.9	2,018,893	0.9
Deferred tax asset	233,752	0.1	467,898	0.3	581,695	0.3
Total assets	**161,401,021**	**100.0**	**177,499,535**	**100.0**	**217,735,775**	**100.0**
Liabilities						
Deposits from banks	3,096,810	1.9	5,583,786	3.1	6,733,280	3.1
Deposits from customers	90,138,994	55.9	92,191,501	51.9	112,461,129	51.6
Obligations under repurchase agreements and money market fundings	11,738,157	7.3	14,106,944	7.9	16,007,738	7.3
Loans and advances from banks and other institutions	24,325,549	15.1	25,879,355	14.6	34,189,584	15.7
Bonds payable	3,742,056	2.3	6,125,986	3.5	10,835,298	5.0
Subordinated liabilities	1,122,090	0.7	148,680	0.1	147,491	0.1
Current tax liabilities	77,248	0.0	340,879	0.2	133,384	0.1
Provisions, other liabilities and accrued expenses(2)(3)(4)	9,022,992	5.6	11,200,449	6.3	13,752,702	6.3
Total liabilities	**143,263,896**	**88.8**	**155,577,580**	**87.6**	**194,260,606**	**89.2**
Total shareholders' equity and non-controlling interests	**18,137,125**	**11.2**	**21,921,955**	**12.4**	**23,475,169**	**10.8**
Total liabilities, shareholders' equity and non-controlling interests	**161,401,021**	**100.0**	**177,499,535**	**100.0**	**217,735,775**	**100.0**

(1) Includes "Goodwill, net."
(2) Includes deferred tax liabilities.
(3) Receivables from securities lending market and payables to securities lending market are netted-off in the balance sheet as of 31 December 2012 for presentation purposes. Accordingly, such items, both amounting to TL 737,814 thousand as of 31 December 2011, are also netted-off in the above table for comparison purposes.
(4) The effects of corrections to other provisions, current tax liability and shareholders' equity made by the Bank in 2013 for the calculation of SDIF premiums between the years 2007 and 2012 on the prior periods' consolidated financial statements, amounted to TL 19,702 thousand TL 3,941 thousand and TL 15,761 thousand as of 31 December 2012 and TL 15,945 thousand, TL 3,189 thousand and TL 12,754 thousand as of 31 December 2011, respectively.

The following summarises the Group's assets, liabilities and shareholders' equity as extracted from its IFRS Financial Statements (without any material adjustment).

Assets

As of 31 December 2013, the Group's total assets amounted to TL 217,735,775 thousand, an increase of 22.7% from TL 177,499,535 thousand as of 31 December 2012, itself an increase of 10.0% from TL 161,401,021 thousand as of 31 December, 2011. Cash and balances with central banks represented 3.2%, 2.5% and 2.1% of the Group's total assets as of 31 December 2013, 2012 and 2011, respectively, as most of the Group's funds are invested in interest-earning assets. The following describes the Group's loans and advances to customers and investment securities, which jointly represented 78.0% of the Group's total assets as of 31 December 2013, 80.1% as of 31 December 2012 and 79.7% as of 31 December 2011.

Loans and Advances to Customers. Loans and advances to customers represented 60.3%, 57.6% and 57.4% of the Group's total assets as of each of 31 December 2013, 2012 and 2011, respectively. The Group's loans and advances to customers amounted to TL 131,315,161 thousand as of 31 December 2013, an increase of 28.4% from TL 102,260,080 thousand as of 31 December 2012, itself an increase of 10.4% compared to TL 92,653,780 thousand as of 31 December 2011. The following table summarises the Group's loans and advances to customers as of the indicated dates:

	As of 31 December					
	2011	**% of Total**	**2012**	**% of Total**	**2013**	**% of Total**
	(TL thousands, except for percentages)					
Consumer loans	28,804,750	31.1	34,069,621	33.3	44,205,827	33.7
Mortgage loans	*9,426,631*		*10,874,185*		*14,099,824*	
Credit card receivables	*9,455,308*		*11,222,929*		*13,790,108*	
Auto loans	*1,100,089*		*1,289,677*		*1,472,637*	
General purpose and other consumer loans	*8,822,722*		*10,682,830*		*14,843,258*	
Energy	6,686,124	7.2	7,794,220	7.6	12,403,326	9.4
Service sector	8,840,305	9.5	8,914,845	8.7	10,150,903	7.7
Construction	5,712,675	6.2	6,460,719	6.3	8,000,008	6.1
Transportation and logistics	4,294,677	4.6	4,773,793	4.7	5,762,964	4.4
Food	4,634,551	5.0	4,044,540	4.0	5,201,218	4.0
Textile	3,480,649	3.8	3,704,404	3.6	5,096,942	3.9
Metals and metal products	3,911,535	4.2	3,471,713	3.4	4,312,306	3.3
Tourism	2,466,146	2.7	3,287,980	3.2	3,552,135	2.7
Data processing	2,260,765	2.4	1,921,479	1.9	3,509,651	2.7
Financial institutions	2,150,904	2.3	2,243,896	2.2	3,480,388	2.7
Transportation vehicles and sub-industry	2,917,806	3.1	2,726,962	2.7	2,783,878	2.1
Agriculture and stockbreeding	1,829,093	2.0	2,069,407	2.0	2,018,005	1.5
Other	9,940,315	10.8	11,433,592	11.2	14,222,238	10.8
Total performing loans	**87,930,295**	**94.9**	**96,917,171**	**94.8**	**124,699,789**	**95.0**
Financial lease receivables, net of unearned income	2,478,834	2.7	2,677,055	2.6	3,558,657	2.7
Factoring receivables	1,232,659	1.3	1,813,595	1.8	1,974,663	1.5
Income accrual on loans, factoring and lease receivables	1,290,551	1.4	1,254,005	1.2	1,751,101	1.3
Total performing loans and advances to customers	**92,932,339**	**100.3**	**102,661,826**	**100.4**	**131,984,210**	**100.5**
Non-performing loans, factoring and lease receivables	2,209,227	2.4	3,011,273	2.9	4,000,048	3.1
Allowance for probable losses from loans, factoring and lease receivables	(2,487,786)	(2.7)	(3,413,019)	(3.3)	(4,669,097)	(3.6)
Loans and advances to customers, net	**92,653,780**	**100.0**	**102,260,080**	**100.0**	**131,315,161**	**100.0**

In 2013 the Group's loan portfolio grew by 28.4%, principally as a result of growth in consumer loans, credit cards and commercial loans, especially in energy, construction and textile. In 2012, the Group's loan portfolio grew by 10.4%, as global and domestic economies continued their recovery from the global financial crisis. This growth was reflected across a wide range of groups and industries, but, in particular, the Group achieved growth in its loan portfolio by meeting increased demand for consumer loans, credit card receivables, loans to certain industry sectors, including energy, construction and tourism. In 2013, the Group's non-performing loans increased by 32.8% to TL 4,000,048 thousand (33.4% if the effect of sale of NPLs is excluded) from TL 3,011,273 thousand as of 31 December 2012, which itself was a 36.3% increase from TL 2,209,227 thousand as of 31 December 2011.

The proportion of the Group's non-performing loans to gross cash loans was 2.9% as of 31 December 2013, 2.8% as of 31 December 2012 and 2.3% as of 31 December 2011. In 2012 and 2013, the ratio increased largely due to new non-performing commercial loans with strong collateralisation. The ratio of the Group's non-performing loans to total gross cash loans and non-cash loans was 2.4% as of 31 December 2013, 2.3% as of 31 December 2012 and 1.9% as of 31 December 2011.

For additional information on the Group's loan portfolio, including its non-performing loans and related provisions, see note 7 to the 2013 IFRS Financial Statements and "*Selected Statistical and Other Information – Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential – Average Balance Sheet and Interest Data*" and "*– Cash Loan Portfolio-Types of Loans*," "*– Cash Loan Portfolio – Risk Elements*" and "*– Summary of Loan Loss Experience*."

Investment Securities. Investment securities, principally Turkish government securities, have historically represented a significant portion of the Group's assets. As of 31 December 2011, 2012 and 2013, investment securities represented 22.3%, 22.5% and 17.7%, respectively, of the Group's total assets. The decline in investment securities as a portion of the Group's assets in 2013 was as a result of the growth of lending in response to increasing local demand resulting from improving market conditions (particularly during the first half of the year) and reductions in the Group's security portfolio to partially fund such growth. The following table provides information as to the breakdown of the Group's investment securities portfolio as of the indicated dates:

	As of 31 December					
	2011	**% of Total**	**2012**	**% of Total**	**2013**	**% of Total**
	(*TL thousands, except for percentages*)					
Securities available-for-sale						
Turkish government bonds at floating rate	6,678,750	18.6	8,111,245	20.3	7,130,126	18.4
Turkish government bonds and treasury bills in TL	4,726,353	13.1	8,118,758	20.4	5,640,990	14.6
Turkish government bonds indexed to consumer price index	11,128,147	31.0	13,018,710	32.7	4,857,943	12.6
Bonds issued by financial institutions	1,019,593	2.8	3,286,844	8.2	4,041,506	10.5
Bonds issued by foreign governments	886,002	2.5	1,048,636	2.6	1,101,364	2.9
Eurobonds (Turkish government)	338,562	0.9	304,793	0.8	1,094,389	2.8
Bonds issued by corporations	2,647,282	7.4	304,790	0.8	460,594	1.2
Discounted Turkish government bonds inTL	3,704,782	10.3	4,270,780	10.7	459,301	1.2
Other	25,389	0.1	29,771	0.1	49,485	0.1
Total securities available-for-sale	**31,154,860**	**86.7**	**38,494,327**	**96.6**	**24,835,698**	**64.3**
Securities held-to-maturity						
Turkish government bonds indexed to consumer price index	-	-	-	-	8,559,886	22.2
Turkish government bonds in TL	2,026,372	5.6	102	0.0	3,000,881	7.8
Turkish government bonds at floating rate	916,647	2.6	910,865	2.3	909,338	2.4
Eurobonds (Turkish government)	1,578,712	4.4	441,641	1.1	463,687	1.2
Discounted Turkish government bonds in TL	-	-	-	-	205,269	0.5
Other	-	-	9,455	0.0	189,934	0.4
Sub-total	**4,521,731**	**12.6**	**1,362,063**	**3.4**	**13,328,995**	**34.5**
Income accrual on held-to-maturity	264,799	0.7	4,891	0.0	444,799	1.2
Total securities held-to-maturity	**4,786,530**	**13.3**	**1,366,954**	**3.4**	**13,773,794**	**35.7**
Total investment securities	**35,941,390**	**100.0**	**39,861,281**	**100.0**	**38,609,492**	**100.0**

Securities issued by the Turkish government represented 84.1%, 87.5% and 86.9% of the Group's total securities portfolio as of 31 December 2013, 2012 and 2011, respectively.

The most significant change in the Group's investment portfolio in 2011, 2012 and 2013 was the increase in holdings of Turkish government bonds indexed to the Turkish consumer price index, which increased from 31.0% of the Group's total investment securities portfolio as of 31 December 2011 to 32.7% as of 31 December 2012 then to 34.8% as of 31 December 2013. The increase was a result of the Group's decision to increase its investments in such securities due to the more attractive yield available on such securities compared to fixed rate instruments and thus hedge itself against market volatility. The held-to-maturity portfolio declined from 13.3% as of 31 December 2011 to 3.4% as of 31 December 2012 as a result of the Group's sale of a large part of its Turkish government eurobonds covered by an exception granted by IAS 39 for the sale of such securities in cases where the regulatory capital requirement increases, such as following the effective date of Basel II; *however*, held-to-maturity portfolio represented 35.7% of the Group's total investment securities portfolio as of 31 December 2013. The Bank reclassified certain securities issued by the Turkish Treasury, with a total face value of TL 8,965,094 thousand from the financial assets available-for-sale portfolio to the investments held-to-maturity portfolio in 2013.

Pursuant to Turkish market practice, the Group pledges securities to acquire funding under security repurchase agreements. The Group utilises such funding depending upon the difference in rates paid on deposits compared to Central Bank rates, which vary based upon market conditions as well as Central Bank policy. The securities so pledged amounted to TL 17,856,320 thousand as of 31 December 2013, TL 15,415,648 thousand as of 31 December 2012 and TL 12,580,108 thousand as of 31 December 2011, comprising 45.6%, 38.1% and 34.6%, respectively, of the Group's total securities portfolio.

For additional information on the Group's investment securities portfolio, see note 10 to the 2013 IFRS Financial Statements and "*Selected Statistical and Other Information – Securities Portfolio*."

Liabilities

As of 31 December 2013, the Group's total liabilities amounted to TL 194,260,606 thousand, an increase of 24.9% from TL 155,577,580 thousand as of 31 December 2012, itself an increase of 8.6% from TL 143,263,896 thousand as of 31 December 2011.

The Group's TL 135,790,394 thousand in average interest-bearing liabilities during 2013 (calculated as the average of the opening, quarter-end and closing balances for 2013) resulted primarily from TL 46,807,805 thousand and TL 33,816,141 thousand in average Turkish Lira-denominated and foreign currency-denominated time deposits of customers, respectively, TL 13,396,774 thousand in average obligations under repurchase agreements and TL 28,127,533 thousand in average loans and advances from banks.

The following summarises the three principal categories of the Group's liabilities - deposits, obligations under repurchase agreements and loans and advances from banks.

Deposits. Deposits have been and are expected to continue to be the most important source of funding for the Group. The Group's total deposits from customers (including expense accruals) amounted to TL 112,461,129 thousand as of 31 December 2013, an increase of 22.0% from TL 92,191,501 thousand as of 31 December 2012, which was itself an increase of 2.3% from TL 90,138,994 thousand as of 31 December 2011. The share of deposits from customers in total liabilities decreased to 57.9% as of 31 December 2013 from 59.3% as of 31 December 2012 and 62.9% as of 31 December 2011, while the share of other funding sources increased during that period. The Bank's management believes that at least some of the decrease in recent years is a result of the Group's issuance of Turkish Lira-denominated bonds to individual investors, many of which might otherwise have deposited the invested funds with the Bank. Foreign currency deposits (principally U.S. Dollars and Euro) represented 48.9%, 49.0% and 50.1% of the Group's total deposits as of 31 December 2011, 2012 and 2013, respectively. For additional information on the Group's deposits, see notes 14 and 15 to the Group's 2013 IFRS Financial Statements and "*Selected Statistical and Other Information – Deposits*."

Obligations under Repurchase Agreements. Obligations under repurchase agreements amounted to TL 16,007,738 thousand as of 31 December 2013, comprising 8.2% of the Group's total liabilities, decreasing its share as compared to TL 14,106,944 thousand as of 31 December 2012, which comprised 9.1% of the Group's total liabilities, but having the same level compared to TL 11,738,157 thousand as of 31 December 2011, which also comprised 8.2% of the Group's total liabilities. The share of the outstanding balances of such transactions in the Group's balance sheet changes depending upon the relative costs of funding in the market. For additional information on the Group's obligations under repurchase agreements, see note 16 to the 2013 IFRS Financial Statements.

Loans and Advances from Banks and Other Institutions. As deposits are generally of a short-term duration, the Group has obtained wholesale funding on a more limited basis principally to better match the maturity and currency of its longer-term assets. This funding has included (among others) syndicated bank loans and financings collateralised by certain of the wire transfers and other remittances received by the Bank from its correspondent banks and other senders of such transfers. Loans and advances from banks and other institutions amounted to TL 34,189,584 thousand as of 31 December 2013 (constituting 17.6% of the Group's total liabilities) as compared to TL 25,879,355 thousand as of 31 December 2012 (constituting 16.6% of the Group's total liabilities) and TL 24,325,549 thousand as of 31 December 2011 (constituting 17.0% of the Group's total liabilities). It is important to note that a portion of these liabilities (either when incurred or as a result of aging) are themselves short-term (as of 31 December 2013, 49.3% of loans and advances from banks had a remaining term-to-maturity of one year or less as compared to 56.2% as of 31 December 2012 and 51.3% as of 31 December 2011). For additional information on the Group's loans and advances from banks, see note 17 to the 2013 IFRS Financial Statements and "*Selected Statistical and Other Information – Borrowings and Certain Other Liabilities*."

Shareholders' Equity

The Group's total shareholders' equity including non-controlling interests as of 31 December 2013 amounted to TL 23,475,169 thousand, which was an increase of 7.1% from TL 21,921,955 thousand as of 31 December 2012, itself also an increase of 20.9% compared to TL 18,137,125 thousand as of 31 December 2011. Shareholders' equity principally changes as a result of the Group's net income and changes in the amount of unrealised gains on available-for-sale assets (which changes are not included in income). The following table summarises the components of the Group's shareholders' equity and non-controlling interests as of the indicated dates:

	As of 31 December		
	2011(1)	**2012**(1)	**2013**
		(TL thousands)	
Share capital	5,145,012	5,143,305	5,146,371
Share premium	11,880	11,880	11,880
Non-controlling interests	112,583	140,524	162,825
Unrealised (losses)/gains on available-for-sale assets	92,778	1,093,683	(494,581)
Hedging reserve	(55,766)	(55,377)	(239,657)
Actuarial gain/(loss)	-	-	(1,458)
Translation reserve	38,995	34,612	357,132
Legal reserves	757,480	956,192	1,156,024
Retained earnings(2)	12,034,163	14,597,136	17,376,633
Total shareholders' equity and non-controlling interests	**18,137,125**	**21,921,955**	**23,475,169**

(1) The Group started applying net investment hedges for its investments in foreign operations from 1 July 2013; accordingly, the Group's hedging reserves and translation reserves of prior years have been shown in gross amounts for comparison purposes.
(2) The Bank made a correction in 2013 for the calculation of SDIF premiums between the years 2007 and 2012 on its prior years' financial statements, accordingly, the consolidated financial statements of prior periods have been adjusted.

The net unrealised market value performances of available-for-sale assets became negative by the end of 2013. This was due both to the reduction resulting from the sale of certain available-for-sale securities in 2013 (for which the Group booked a total gain of TL 489,788 to the income statement) and a significant decline in the market values of the remaining pool of available-for-sale securities due to a decrease in yields starting from the second quarter of 2013. This decline in 2013 largely reversed significant increases in market values during 2012 resulting from improving market conditions. For additional information on the Group's shareholders' equity and non-controlling interests, see notes 10 and 22 in the 2013 IFRS Financial Statements. In addition, see "*Capital Adequacy*" below.

Off-Balance Sheet Arrangements

In the normal course of business in order to meet the needs of its customers and to hedge the Group's own positions (and generally not for speculative purposes), the Group enters into certain off-balance sheet transactions. These transactions expose the Group to credit risk that is not reflected on the Group's balance sheet. The Group applies to these transactions the same credit policies in making commitments and assuming conditional obligations as it does for on-balance sheet transactions, including the requirement to obtain collateral when it is considered necessary.

The most significant category of such transactions includes letters of guarantee, letters of credit and other support that the Group provides to its import and export customers, as well as off-balance sheet exposure for the Group's commitments to make loans to its borrowers, derivatives and other transactions. For detailed information on the Group's off-balance sheet commitments and contingencies, see notes 24 and 25 to the 2013 IFRS Financial Statements.

The following summarises the three principal categories of the Group's off-balance sheet exposures – letters of credit and similar transactions, derivatives and commitments to customers under credit facilities.

Letter of credit and similar transactions. As of 31 December 2013, the Group had issued (or confirmed) letters of credit amounting to TL 9,584,333 thousand, guarantee letters and other guarantees amounting to TL 23,957,654 thousand and acceptance credits amounting to TL 638,089 thousand compared to letters of credit amounting to TL 6,141,429 thousand, guarantee letters and other guarantees amounting to TL 16,918,981 thousand and acceptance credits amounting to TL 720,896 thousand as of 31 December 2012. (letters of credit amounting to TL 6,231,224 thousand, guarantee letters and other guarantees amounting to TL 15,490,635 thousand and acceptance credits amounting to TL 515,550 thousand as of 31 December 2011). Most of such letters of credit and guarantees were issued (or confirmed) in connection with the export and trade finance-related activities of the Group's customers. The following table summarises the Group's exposure under such transactions as of the indicated dates:

	As of 31 December		
	2011	**2012**	**2013**
		(TL thousands)	
Letters of guarantee	15,420,399	16,852,681	23,877,730
Letters of credit	6,231,224	6,141,429	9,584,333
Acceptance credits	515,550	720,896	638,089
Others	70,236	66,300	79,924
Total commitments and contingencies	**22,237,409**	**23,781,306**	**34,180,076**

The Group generates significant amounts of fees from these transactions while incurring a very small amount of credit losses thereon as almost all of these transactions expire without any need for payment by the Group (for example, a letter of credit expiring when the related buyer of goods makes its payment to the seller).

Derivatives. The Group's exposure to derivative transactions arises principally in connection with customer-dealing and funding activities. The Group also enters into certain derivatives transactions in order to hedge its currency, interest rate and other risks. The Group enters into derivative transactions with domestic and foreign counterparties that it considers to be credit-worthy (mostly with an investment grade rating) or, in most cases, that are fully-secured. As of 31 December 2013, the Group's notional amounts of outstanding derivative contracts arising from various derivatives amounted to TL 85,480,706 thousand, a 59.1% increase from TL 53,725,410 thousand as of 31 December 2012, itself a 22.4% increase from TL 43,880,483 thousand as of 31 December 2011. The increases resulted from currency swap transactions and options entered into for the Group and its customers mainly in order to hedge the positions against the volatility in exchange rates in the markets. See note 25 to the 2013 IFRS Financial Statements and for a breakdown of the Group's commitments arising from derivatives as of 31 December 2011, 2012 and 2013, "*Selected Statistical and Other Information – Derivative Transactions*."

Governments in the United States, Europe and elsewhere have made or are expected to make changes in laws relating to derivatives transactions, including how they settle. The Bank's management does not anticipate that such changes will have a material adverse effect on its ability to obtain reasonably-priced hedges for its currency, interest rate and other risks; *however*, the volatility in the markets in recent years has made certain derivatives more expensive than in previous years and such increased costs may make the Group's hedging operations less cost-effective.

Commitments to Customers. The Group's commitments to customers include unused credit limits for credit cards, overdrafts, checks and loans to customers and commitments for credit-linked-notes, which amounted to approximately TL 40,614,981 thousand as of 31 December 2013, an increase of 45.3% from TL 27,955,379 thousand as of 31 December 2012, itself an increase of 1.7% from TL 27,495,547 thousand as of 31 December 2011. The increases in 2011, 2012 and 2013 are consistent with the general growth of the Group's lending business, including its credit card business.

Capital Adequacy

Each of the Bank and the Group is required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures. The total capital ratio for each of the Bank and the Group is calculated by dividing: (a) its "Tier I" capital (*i.e.*, its "core capital," which mainly comprises its share capital, reserves and retained earnings (reduced by certain items such as leasehold improvements on operational leases, intangible assets and goodwill)) *plus* its "Tier II" capital (*i.e.*, its "supplementary capital," which mainly comprises general provisions, subordinated debts, unrealised gains/losses on available-for-sale assets and revaluation surplus and *minus* items to be deducted from capital (its "deductions from capital," which comprises mainly unconsolidated equity interests in financial institutions and assets held for resale but held longer than five years), by (b) the aggregate of value at credit risk, value at market risk and value at operational risk. In accordance with these guidelines, each of the Bank and the Group is required under BRSA requirements to maintain a total capital ratio in excess of 8%. Although the BRSA recommends a total capital ratio of 12%, the BRSA does not have a separate requirement with respect to "Tier I" capital. For additional information on the rules governing the Group's capital adequacy ratios, see "*Turkish Regulatory Environment – Capital Adequacy*" in the Base Prospectus.

The Group maintains regulatory capital adequacy ratios on both a Bank-only and consolidated basis in excess of the regulatory minimums required and recommended levels. The Bank's total capital adequacy ratio (calculated pursuant to the BRSA Financial Statements) was 14.42% as of 31 December 2013, compared to 18.09% as of 31 December 2012 and 16.77% as of 31 December 2011. While neither the Bank nor the Group is required to maintain a minimum "Tier I" capital ratio, the Bank's "Tier I" capital adequacy ratio (calculated pursuant to the BRSA Financial Statements) was 13.17% as of 31 December 2013, compared to 16.25% as of 31 December 2012 and 14.79% as of 31 December 2011.

The following table sets forth the calculation of the Group's capital adequacy ratios as of each of the indicated dates based upon its BRSA Financial Statements; *however*, as the Basel II application became mandatory for all banks operating in Turkey effective from 1 July 2012, the 2011 ratios are not comparable with the later ratios prepared in accordance with Basel II.

	As of 31 December		
	2011	**2012**	**2013**
		(*TL thousands*)	
Core capital (Tier 1)	18,010,081	20,768,116	23,421,364
Supplementary capital (Tier 2)	2,167,255	1,984,805	1,859,358
	20,177,336	**22,752,921**	**25,280,722**
Deductions from capital	(80,068)	(169,359)	(132,725)
Total capital	**20,097,268**	**22,583,562**	**25,147,997**
Value at credit risk	107,808,578	117,708,805	164,738,696
Value at market risk	6,821,925	1,770,050	3,653,738
Value at operational risk	12,981,944	14,469,692	15,116,463
Total	**127,612,447**	**133,948,547**	**183,508,897**
Tier I capital adequacy ratio	14.11%	15.50%	12.76%
Total capital adequacy ratio	15.75%	16.86%	13.70%

The significant increases in the Group's capital in 2012 and 2013 represented the growth in the Group's retained earnings and (in respect of 2012 only) the significant increase in unrealised gains on available-for-sale assets described above. The Group's capital adequacy ratios decreased by 3.16 points in 2013 as a result of an increase in value at credit risk due to the growth in lending and the adverse effect of the devaluation of the Turkish Lira on foreign currency-denominated credit risk components.

Liquidity and Funding

The Group manages its assets and liabilities to seek to ensure that it has sufficient liquidity to meet its present and future financial obligations and that it is able to take advantage of appropriate business opportunities as they arise. Liquidity risk represents the potential for loss as a result of limitations on the Group's ability to adjust future cash flows to meet the needs of depositors and borrowers and to fund operations on a timely and cost-effective basis. Financial obligations arise from withdrawals of deposits, repurchase transactions, extensions of loans or other forms of credit and the Group's own working capital needs.

The ability to replace interest-bearing deposits at their maturity is a key factor in determining liquidity requirements, as well as the exposure to interest and exchange rate risks. The Group's principal source of funding is short-term and demand deposits and the Group has developed a diversified and stable deposit base in each of its retail, commercial, corporate and SME business lines. The Bank's management believes that funds from the Group's deposit-taking operations generally will continue to meet its liquidity needs for the foreseeable future. As of 31 December 2011, 2012 and 2013, the Group's cash loan to total deposit ratio was 99.4%, 104.6% and 110.2%, respectively. For additional information on deposits, see "*Selected Statistical and Other Information – Deposits*."

To a lesser extent, the Group also funds its operations through short-term and long-term borrowings, "future flow" transactions and other transactions. The Bank uses the relationships that it develops with its correspondent banks in connection with international payment and trade-related finance activities to raise funds from the syndicated loan markets. The Bank has also capitalised on its ability to generate foreign currency-denominated payments from abroad (such as diversified payment rights) by tapping international capital markets through "future flow" transactions; *however*, the availability of this funding market declined during the global financial crisis. See "*Selected Statistical and Other Information - Borrowings and Certain Other Liabilities*."

In each of 2011, 2012 and 2013, the Bank and certain of its subsidiaries issued debt securities and the Bank also raised long-term funds through its existing "diversified payment rights" programme. With respect to debt securities issued in 2013, see "*Selected Statistical and Other Information - Borrowings and Certain Other Liabilities – Bonds Payable*." Since 31 December 2013, the Bank has issued certain small Series of Notes under the Programme and is scheduled to complete a "diversified payment rights" transaction for U.S.$550 million with a maturity of 21 years.

The Bank may issue, from time to time, additional Series of Notes under the Programme, which (as permitted by the Programme) may be in any currency, with any tenor and with any interest rate and which issuances may be listed or unlisted.

The Bank is subject to the BRSA's regulations on the measurement of the liquidity adequacy of a bank, which currently is required to be calculated on a bank-only basis. In November 2006, the BRSA issued a communiqué on the measurement of the liquidity adequacy of banks, which regulation requires Turkish banks to meet a minimum 80% liquidity ratio of foreign currency assets/liabilities and a minimum 100% liquidity ratio of total assets/liabilities on a weekly and monthly basis. The Bank's average weekly and monthly ratios during the indicated years are shown below:

	2011	**2012**	**2013**
Average weekly foreign currency liquidity ratio	135.89%	131.56%	156.07%
Average monthly foreign currency liquidity ratio	94.32%	98.80%	104.26%
Average weekly total liquidity ratio	148.57%	139.73%	136.67%
Average monthly total liquidity ratio	109.14%	104.67%	103.75%

The following table sets out the calculation of the Bank's weekly average liquidity ratios during each of the past three fiscal years, including the "liquidity conversion ratios" that are applied to the applicable asset and liability category in determining (with respect to assets) how much liquidity the Bank maintains and (with respect to liabilities) how much liquidity the Bank is required to maintain:

	Liquidity Conversion Ratios	2011		2012		2013	
		Foreign Currency	FC + TL	Foreign Currency	FC + TL	Foreign Currency	FC + TL
Assets		*(TL thousands, except liquidity ratios)*					
Cash and Balances with Central Bank (excluding restricted balances)	100%	2,314,309	8,194,559	5,793,387	8,391,423	10,647,320	13,012,483
Financial Assets at Fair Value through Profit/Loss and Available-for-Sale	75-95%	515,749	19,725,150	650,621	21,909,418	150,383	18,726,425
Banks (excluding restricted balances)	100%	1,687,490	1,753,636	1,160,655	1,259,469	1,093,236	1,195,551
Interbank Money Markets, Reserve Deposits and Other Receivables	30-100%	1,126,400	1,251,177	1,532,704	1,532,704	1,965,281	1,943,066
Loans (excluding non-performing loans)	45-100%	1,116,816	9,722,542	1,064,461	11,431,217	1,129,537	11,840,885
Investments Held-to-Maturity	50-95%	769,758	1,643,144	608,890	1,186,624	67,189	2,544,247
Receivables from Leases	90%	-	-	-	-	-	-
Derivatives	100%	8,771,661	11,758,711	12,824,318	16,091,583	13,399,908	19,051,225
Total Liquid Assets		**16,302,183**	**54,048,919**	**23,635,036**	**61,802,438**	**28,452,854**	**68,313,882**
Liabilities							
Deposits	20-100%	9,220,208	22,131,559	10,356,069	25,218,935	11,844,958	28,733,625
Central Bank, Interbank Money Markets, Banks	100%	-	-	-	-	-	-
Other Borrowings (including subordinated debts)	100%	505,547	531,447	488,457	529,192	487,512	637,037
Other Sources (including repurchase agreements, payables for lease and factoring transactions, securities issued and payables to government institutions)	50-100%	446,866	11,679,978	576,133	12,054,400	678,977	11,854,016
Commitments and Contingencies (including unused credit limits, underwriting commitments)	2-15%	766,606	3,384,297	2,015,224	5,100,007	1,727,005	5,534,035
Derivatives	100%	6,343,999	11,793,948	10,485,638	16,143,008	12,553,002	19,085,471
Total Liquid Liabilities		**17,283,226**	**49,521,229**	**23,921,521**	**59,045,542**	**27,291,454**	**65,844,184**
Liquidity Ratios		**94.32%**	**109.14%**	**98.80%**	**104.67%**	**104.26%**	**103.75%**

In addition to the liquidity ratios described above, the Bank is also required to maintain deposits with the Central Bank against a minimum reserve requirement. These reserve deposits are calculated on the basis of Turkish Lira and foreign currency liabilities taken at the rates determined by the Central Bank. As of 31 December 2013, the reserve deposits for Turkish Lira and foreign currency liabilities have not earned any interest; *however*, as described in "*Turkey Regulatory Environment*" in the Base Prospectus, the Central Bank has announced in 2014 that it may start paying interest on certain reserve deposits.

The Group's banks in the Netherlands, Russia and Romania are also subject to similar reserve deposit requirements. For detailed information on the Group's reserve deposits requirements see note 9 to the 2013 IFRS Financial Statements.

Capital Expenditures

As a financial group, capital expenditures are not a material part of the Group's expenses and principally relate to expenses for branch expansion. The following table summarises the Group's capital expenditures for each of the past three fiscal years:

	2011	2012	2013
		(TL thousands)	
Land and buildings	36,382	15,758	49,980
Furniture, fixture, equipment and motor vehicles	251,811	250,009	455,118
Leasehold improvements and software	100,931	63,200	106,645
Construction in progress	17,812	29,007	68,230
Total capital expenditures	**406,936**	**357,974**	**679,973**

SELECTED STATISTICAL AND OTHER INFORMATION

The following tables present certain selected statistical and other information for the Group (or, when information about the Group is not readily-available or relevant, the Bank) as of the indicated dates and for the periods indicated. Except as specifically noted herein, the selected statistical and other information should be read in conjunction with the IFRS Financial Statements (including the notes thereto) and the information included in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

A. Average Balance Sheet and Interest Data

The following tables set out the average balances of assets and liabilities, and the interest earned or expensed on such amounts, of the Bank for the years ended 31 December 2011, 2012 and 2013. For purposes of the following tables, except as otherwise indicated, the average is calculated on a daily basis for each respective period and is based upon management estimates. For purpose of the following tables: (a) non-accruing credits have been treated as non-interest earning assets and (b) loan fees have been included in interest income.

	For the year ended 31 December								
	2011			2012			2013		
	Average Balance	Avg. Yield	Interest Income	Average Balance	Avg. Yield	Interest Income	Average Balance	Avg. Yield	Interest Income
				(TL thousands, except percentages)					
ASSETS									
Average Interest-Earning Assets									
Deposits with banks[1]	9,114,154	2.63%	239,700	8,164,613	2.75%	224,271	7,782,013	1.92%	149,535
Turkish Lira	2,363,936	8.52%	201,311	2,285,473	7.78%	177,718	2,062,188	5.68%	117,112
Foreign Currency	6,750,218	0.57%	38,389	5,879,140	0.79%	46,553	5,719,825	0.57%	32,423
Investments in securities	32,469,776	10.91%	3,542,346	34,312,259	11.31%	3,879,817	34,877,680	9.77%	3,408,445
Turkish Lira	29,277,033	11.35%	3,324,267	31,834,792	11.72%	3,730,076	32,834,010	10.02%	3,288,756
Foreign currency	3,192,743	6.83%	218,079	2,477,467	6.04%	149,741	2,043,670	5.86%	119,689
Loans and advances to customers, and other interest-earning assets	73,816,849	9.08%	6,701,483	84,397,663	10.15%	8,566,383	103,241,386	8.90%	9,183,445
Turkish Lira	40,537,775	11.98%	4,857,840	49,542,974	13.27%	6,574,221	61,877,776	11.33%	7,009,770
Foreign currency	33,279,074	5.54%	1,843,643	34,854,689	5.72%	1,992,162	41,363,610	5.26%	2,173,675
Total for Average Interest-Earning Assets	**115,400,779**	**9.08%**	**10,483,529**	**126,874,535**	**9.99%**	**12,670,471**	**145,901,079**	**8.73%**	**12,741,425**
Turkish Lira	**72,178,744**	**11.61%**	**8,383,418**	**83,663,239**	**12.53%**	**10,482,015**	**96,773,974**	**10.76%**	**10,415,637**
Foreign currency	**43,222,035**	**4.86%**	**2,100,111**	**43,211,296**	**5.06%**	**2,188,456**	**49,127,105**	**4.73%**	**2,325,788**
Average Non-Interest-Earning Assets									
Cash and cash equivalents	2,049,338			1,972,690			1,795,378		
Tangibles	1,319,619			1,401,707			1,511,519		
Equity participations	1,986,688			2,220,507			2,862,368		
Other assets and accrued income	16,547,273			19,210,159			25,010,522		
Total Average Non-Interest -Earning Assets	**21,902,918**			**24,805,063**			**31,179,787**		
Total Average Assets	**137,303,697**			**151,679,598**			**177,080,866**		

(1) Comprises balances with banks and interbank funds sold.

	For the year ended 31 December								
	2011			2012			2013		
	Average Balance	Avg. Rate	Interest Expense	Average Balance	Avg. Rate	Interest Expense	Average Balance	Avg. Rate	Interest Expense
				(TL thousands, except percentages)					
LIABILITIES									
Average Interest-Bearing Liabilities									
Deposits from customers	71,064,512	5.57%	3,956,603	80,750,427	6.13%	4,946,321	94,265,495	4.74%	4,468,817
Turkish Lira	40,390,726	7.70%	3,110,090	46,767,350	8.76%	4,096,220	53,821,869	6.87%	3,697,701
Foreign currency.........	30,673,786	2.76%	846,512	33,983,077	2.50%	850,101	40,443,626	1.91%	771,116
Short-term debt and other interest bearing liabilities	406,219	6.05%	24,580	417,413	7.41%	30,913	489,836	6.60%	32,336
Turkish Lira	258,296	7.46%	19,268	249,918	8.07%	20,175	311,996	8.60%	26,842
Foreign currency.........	147,923	3.59%	5,312	167,496	6.41%	10,739	177,840	3.09%	5,494
Long-term debt and other interest bearing liabilities	18,494,903	5.92%	1,095,227	18,852,667	6.29%	1,186,343	23,732,397	5.58%	1,323,554
Turkish Lira	6,424,697	7.87%	505,901	6,089,923	7.27%	442,688	7,587,971	9.15%	694,635
Foreign currency.........	12,070,207	4.88%	589,326	12,762,744	5.83%	743,654	16,144,426	3.90%	628,919
Repurchase agreements......	11,891,997	6.04%	718,172	10,648,473	7.40%	787,962	11,138,427	5.04%	561,088
Turkish Lira	9,743,724	6.86%	668,610	9,247,570	8.17%	755,387	8,738,122	5.91%	516,396
Foreign currency.........	2,148,273	2.31%	49,562	1,400,903	2.33%	32,575	2,400,305	1.86%	44,692
Total for Average Interest-Bearing Liabilities.........................	**101,857,631**	**5.69%**	**5,794,581**	**110,668,980**	**6.28%**	**6,951,539**	**129,626,155**	**4.93%**	**6,385,795**
Turkish Lira.............	**56,817,442**	**7.57%**	**4,303,868**	**62,354,761**	**8.52%**	**5,314,470**	**70,459,958**	**7.00%**	**4,935,574**
Foreign currency.......	**45,040,189**	**3.31%**	**1,490,713**	**48,314,219**	**3.39%**	**1,637,069**	**59,166,197**	**2.45%**	**1,450,221**
Average Non-Interest-Bearing Liabilities and Equity									
Deposits-demand	13,757,377			15,725,751			18,648,432		
Accrued expenses and other liabilities	4,739,640			5,753,098			6,719,205		
Current and deferred tax liabilities	67,849			293,976			97,107		
Shareholders' equity and net profit	16,881,200			19,237,793			21,989,967		
Total Average Non-Interest-Bearing Liabilities and Equity	**35,446,066**			**41,010,618**			**47,454,711**		
Total Average Liabilities and Equity	**137,303,697**			**151,679,598**			**177,080,866**		

The following tables set out the average balances of assets and liabilities, and the interest earned or expensed on such amounts, of the Group for the years ended 31 December 2011, 2012 and 2013. For purposes of the following tables, the average is calculated as the average of the opening, quarter-end and closing balances for the applicable year. For the purpose of the following tables: (a) non-accruing credits have been treated as non-interest earning assets and (b) loan fees have been included in interest income.

	For the year ended 31 December								
	2011			2012			2013		
	Average Balance	Avg. Yield	Interest Income	Average Balance	Avg. Yield	Interest Income	Average Balance	Average Yield	Interest Income
				(TL thousands, except percentages)					
ASSETS									
Average Interest-Earning Assets									
Loans and advances to banks[(1)]	9,283,112	3.34%	309,804	9,078,397	3.89%	352,702	8,248,142	2.86%	236,292
Investments in securities	35,012,338	10.50%	3,677,404	36,014,851	11.12%	4,005,815	36,861,749	9.57%	3,527,487
Loans and advances to customers	81,702,856	9.06%	7,405,898	95,994,255	9.86%	9,467,716	115,335,894	8.80%	10,148,929
Total for Average Interest-Earning Assets...............	**125,998,306**	**9.04%**	**11,393,106**	**141,087,503**	**9.80%**	**13,826,233**	**160,445,785**	**8.67%**	**13,912,708**
Average Non-Interest-Earning Assets..................	23,705,950			27,536,829			36,110,400		
Total Average Assets..................	**149,704,256**			**168,624,332**			**196,556,185**		

	For the year ended 31 December								
	2011			2012			2013		
	Average Balance	Avg. Rate	Interest Expense	Average Balance	Avg. Rate	Interest Expense	Average Balance	Avg. Rate	Interest Expense
				(TL thousands, except percentages)					
LIABILITIES									
Average Interest-Bearing Liabilities									
Deposits from banks	2,305,073	4.65%	107,148	3,645,340	4.51%	164,573	4,988,547	2.96%	147,692
Deposits from customers......................	65,265,075	6.20%	4,047,763	71,777,643	7.02%	5,036,622	80,623,946	5.61%	4,522,899
Loans and advances from banks and obligations under repurchase agreements....................	34,666,607	5.06%	1,755,248	36,755,773	5.10%	1,872,825	41,524,305	3.93%	1,631,568
Bonds payable	2,263,955	7.84%	177,431	4,604,392	6.98%	321,472	8,520,366	5.71%	486,571
Subordinated liabilities	1,022,979	6.81%	69,623	336,142	6.93%	23,280	133,231	3.88%	5,173
Total for Average Interest-Bearing Liabilities.....................	**105,523,690**	**5.83%**	**6,157,213**	**117,119,290**	**6.33%**	**7,418,772**	**135,790,395**	**5.00%**	**6,793,903**
Average Non-Interest-Bearing Liabilities and Equity....	44,180,566			51,505,042			60,765,790		
Total Average Liabilities and Equity	**149,704,256**			**168,624,332**			**196,556,185**		

The following table shows the net interest income and net yield for the Bank for each of the periods indicated.

	As of 31 December		
	2011	**2012**	**2013**
	(TL thousands, except percentages)		
Net Interest Income[1]			
Turkish Lira..	4,077,169	5,105,063	5,661,284
Foreign currency	611,779	613,869	694,347
Total	**4,688,948**	**5,718,932**	**6,355,631**
Net Yield[2]			
Turkish Lira..	5.65%	6.10%	5.85%
Foreign currency	1.42%	1.42%	1.41%
Total	**4.06%**	**4.51%**	**4.36%**

(1) Net Interest Income represents the difference between total interest earned and total interest expensed.
(2) Net Yield represents the net interest income as a percentage of total average interest-earning assets.

The following table shows the net interest income and net yield for the Group for each of the periods indicated.

	As of 31 December		
	2011	**2012**	**2013**
	(TL thousands, except percentages)		
Net Interest Income[1]	5,235,893	6,407,461	7,118,805
Net Yield[2]	4.16%	4.54%	4.44%

(1) Net Interest Income represents the difference between total interest earned and total interest expensed.
(2) Net Yield represents the net interest income as a percentage of total average interest-earning assets.

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

The following table provides a comparative analysis of net changes in interest earned and interest expensed by reference to changes in average volume and rates for the periods indicated for the Bank. Net changes in net interest income are attributed either to changes in average balances (volume changes) or changes in average rates (rate changes) for interest-earning assets and sources of funds on which interest is earned or expensed. Volume change is calculated as the change in volume multiplied by the current rate, while rate change is the change in rate multiplied by the previous volume. Average balances represent the average of the opening and closing balances for the respective year. For purpose of the following tables, non-performing loans have been treated as non-interest earning assets.

	For the year ended 31 December		
	2013/2012 Increase (decrease) due to changes in		
	Volume	**Rate**	**Net Change**
		(TL thousands)	
Interest Income			
Deposits with banks	(13,583)	(61,153)	(74,736)
Turkish Lira	(12,680)	(47,926)	(60,606)
Foreign currency	(903)	(13,227)	(14,130)
Investments in securities	74,679	(546,051)	(471,372)
Turkish Lira	100,085	(541,405)	(441,320)
Foreign currency	(25,406)	(4,646)	(30,052)
Loans and advances to customers, and other interest-earning assets	1,739,384	(1,122,322)	617,062
Turkish Lira	1,397,337	(961,789)	435,548
Foreign currency	342,047	(160,533)	181,514
Total interest income	**1,800,480**	**(1,729,526)**	**70,954**
Interest Expense			
Deposits from customers	607,844	(1,085,348)	(477,506)
Turkish Lira	484,644	(883,183)	(398,519)
Foreign currency	123,180	(202,165)	(78,985)
Short-term debt and other interest-bearing liabilities	5,661	(4,239)	1,422
Turkish Lira	5,341	1,326	6,667
Foreign currency	320	(5,565)	(5,245)
Long-term debt and other interest-bearing liabilities	268,873	(131,663)	137,210
Turkish Lira	137,137	114,808	251,945
Foreign currency	131,736	(246,471)	(114,735)
Repurchase Agreements	(11,498)	(215,375)	(226,873)
Turkish Lira	(30,107)	(208,885)	(238,992)
Foreign currency	18,609	(6,490)	12,119
Total interest expense	**870,880**	**(1,436,625)**	**(565,745)**
Net change in net interest income	**929,600**	**(292,901)**	**636,699**

	For the year ended 31 December		
	2012/2011		
	Increase (decrease) due to changes in		
	Volume	Rate	Net Change
		(TL thousands)	
Interest Income			
Deposits with banks	(137,392)	121,963	(15,429)
Turkish Lira	(149,225)	125,632	(23,593)
Foreign currency	11,833	(3,669)	8,164
Investments in securities	256,460	81,011	337,471
Turkish Lira	299,692	106,117	405,809
Foreign currency	(43,232)	(25,106)	(68,338)
Loans and advances to customers and other interest-earning assets	1,285,022	579,878	1,864,900
Turkish Lira	1,194,966	521,415	1,716,381
Foreign currency	90,056	58,463	148,519
Total interest income	**1,404,090**	**782,852**	**2,186,942**
Interest Expense			
Deposits from customers	641,295	348,424	989,719
Turkish Lira	560,891	425,239	986,130
Foreign currency	80,404	(76,815)	3,589
Short-term debt and other interest-bearing liabilities	279	6,055	6,334
Turkish Lira	(676)	1,583	907
Foreign currency	955	4,472	5,427
Long-term debt and other interest-bearing liabilities	16,317	74,798	91,115
Turkish Lira	(24,335)	(38,878)	(63,213)
Foreign currency	40,652	113,676	154,328
Repurchase Agreements	(57,908)	127,698	69,790
Turkish Lira	(40,528)	127,305	86,777
Foreign currency	(17,380)	393	(16,987)
Total interest expense	**599,983**	**556,975**	**1,156,958**
Net change in net interest income	**804,107**	**225,877**	**1,029,984**

II. Securities Portfolio

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

As of 31 December 2013, the size of the Group's aggregate securities portfolio decreased by 3.1% to TL 39,147,637 thousand from TL 40,412,207 thousand as of 31 December 2012, which in turn increased 11.1% from TL 36,360,661 thousand as of 31 December 2011. These changes resulted primarily from the Group's strategy of seeking selective/controlled growth in lending (that is, excess deposits were invested in securities while loan growth was constrained by the global financial crisis but was used for lending as the global and domestic economies recovered from such crisis).

A. Book Value of Securities

The following table sets out a breakdown of securities (on a book-value basis) held by the Group as of the dates indicated:

	As of 31 December		
	2011	2012	2013
		(TL thousands)	
Trading Securities	**419,271**	**550,926**	**538,145**
TL-denominated	290,982	468,958	417,666
Foreign currency-denominated and indexed	128,289	81,968	120,479
Investment Securities			
Available-for-Sale	**31,154,860**	**38,494,327**	**24,835,698**
TL-denominated	27,279,515	34,921,633	19,747,911
Foreign currency-denominated and indexed	3,875,345	3,572,694	5,087,787
Held-to-Maturity	**4,786,530**	**1,366,954**	**13,773,794**
TL-denominated	3,176,043	921,090	13,122,078
Foreign currency-denominated and indexed	1,610,487	445,864	651,716
Total	**36,360,661**	**40,412,207**	**39,147,637**

Trading Securities (Financial Assets at Fair Value through Profit or Loss)

The Group's trading securities portfolio is composed of debt and equity securities that the Group principally holds for the purpose of short-term profit taking. These include investments designated as trading instruments.

After initial recognition, securities that are classified as held-for-trading are measured at estimated fair value. When market prices are not available or if liquidating the Group's position would reasonably be expected to affect market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management's estimates of the amounts that can be realised.

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

	As of 31 December		
	2011	2012	2013
		(TL thousands)	
Turkish government bonds and treasury bills[(1)]	251,731	187,258	168,464
Gold	80,389	42,364	64,158
Others	87,151	321,304	305,523
Total trading portfolio	**419,271**	**550,926**	**538,145**

(1) Turkish currency-denominated securities.

As of 31 December 2013, the size of the Group's trading portfolio decreased by 2.3% to TL 538,145 thousand from TL 550,926 thousand as of 31 December 2012 (TL 419,271 thousand as of 31 December 2011). The Group's portfolio of trading securities comprises Turkish Lira-denominated bonds, eurobonds, bonds issued by corporations (including financial institutions) and foreign governments, gold held for trading and loans held at fair value through profit and loss. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Accounting Policies – Fair Value of Securities*."

Investment Securities Portfolio

Investment securities comprise held-to-maturity securities and available-for-sale securities. Held-to-maturity securities are financial assets with fixed or determinable payments and fixed maturities that the Group intends and has the ability to hold to maturity. The Group cannot classify any financial asset as held-to-maturity if the Group has, during the current fiscal year or during the two preceding fiscal years, sold or transferred any held-to-maturity securities before their maturities as per IAS 39 (except certain permissible transfers). Available-for-sale securities are financial assets that are not held for trading purposes or held-to-maturity. Available-for-sale instruments include certain debt and equity investments. The Group classifies investment securities depending upon the intention of management at the time of the purchase thereof.

Held-to-Maturity Portfolio

The Group's portfolio of held-to-maturity securities primarily consists of Turkish Lira-denominated government bonds and treasury bills, Turkish government eurobonds and bonds issued by foreign governments.

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

	As of 31 December		
	2011	**2012**	**2013**
	(TL thousands)		
Turkish government bonds and treasury bills[1]	3,176,043	911,349	13,112,753
Turkish government eurobonds[2]	1,610,487	445,864	469,092
Others	-	9,741	191,949
Total held-to-maturity securities	**4,786,530**	**1,366,954**	**13,773,794**

(1) Turkish currency-denominated securities.
(2) Foreign currency-denominated securities.

Due to changing market conditions, in 2011 and 2012 the Bank decided not to classify new purchases into this category. Additionally, in 2012 the Bank sold eurobonds from its held-to-maturity portfolio in accordance with the exception granted by IAS 39 for the sale of such securities in cases where regulatory capital requirements increase. As of 31 December 2013 the size of the held-to-maturity portfolio (excluding income accruals) increased by 878.6% to TL 13,328,995 thousand from TL 1,362,063 thousand as of 31 December 2012, itself a decrease of 69.9% from 31 December 2011. The decrease in this portfolio during 2012 is consistent with the Group's growth strategies and its intention regarding the portfolio size of securities to be held as "held-to-maturity." The increase in the held-to-maturity portfolio in 2013 was primarily due to the reclassification of certain securities issued by the Turkish Treasury (with a total face value of TL 8,965,094 thousand) from the financial assets available-for-sale portfolio to the investments held-to-maturity portfolio (see note 10 to the 2013 IFRS Financial Statements).

Available-for-Sale Portfolio

The Group's portfolio of available-for-sale securities consists of Turkish government bonds and treasury bills, Turkish government eurobonds and bonds issued by corporations (including financial institutions) and foreign governments.

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

	As of 31 December		
	2011	2012	2013
		(TL thousands)	
Turkish government bonds and treasury bills[(1)]	26,238,032	33,519,493	18,088,360
Bonds issued by corporations and financial institutions	3,666,875	3,591,634	4,502,100
Foreign government bonds	886,002	1,048,636	1,101,364
Turkish government eurobonds[(2)]	338,562	304,793	1,094,389
Others	25,389	29,771	49,485
Total available-for-sale portfolio	**31,154,860**	**38,494,327**	**24,835,698**

(1) Turkish currency-denominated securities.
(2) Foreign currency-denominated securities.

As of 31 December 2013, the size of the Group's available-for-sale securities portfolio decreased by 35.5% to TL 24,835,698 thousand from TL 38,494,327 thousand as of 31 December 2012, itself an increase of 23.6% as compared to the TL 31,154,860 thousand as of 31 December 2011. The decrease in 2013 was primarily due to the reclassification of investments to the held-to-maturity portfolio described above and the Group's strategy of classifying new purchases into its held-to-maturity securities portfolio.

As of 31 December 2013, 2012 and 2011 the Group's IFRS Financial Statements included unrealised loss (net of tax) on its available-for-sale portfolio amounting to TL 494,581 thousand as of 31 December 2013 and unrealised gains amounting to TL 1,093,683 thousand as of 31 December 2012 and TL 92,778 thousand as of 31 December 2011, in other comprehensive income under shareholders' equity.

In 2013 and 2011, net gains transferred to income on disposal from other comprehensive income amounted to TL 489,788 thousand and TL 286,075 thousand, respectively, whereas in 2012, net losses transferred to income on disposal from other comprehensive income amounted to TL 8,753 thousand.

B. Maturities of Securities

The following tables set out the maturities of the foreign currency-denominated securities in the Bank's securities portfolio (excluding equity shares and income accruals) as of 31 December 2013 and their respective weighted average yields for 2013:

	As of 31 December 2013				
	1 year or less	After 1 year through 5 years	After 5 years through 10 years	After 10 years	Total
			(TL thousands)		
Turkish government Eurobonds	378	344,783	315,650	647,437	1,308,248
Bonds issued by corporations	41,370	456,373	141,669	212,000	851,412
Foreign government bonds	-	-	-	-	-
Others	-	901,000	-	-	901,000
Total	**41,748**	**1,702,156**	**457,319**	**859,437**	**3,060,660**

	As of 31 December 2013				
	1 year or less	**After 1 year through 5 years**	**After 5 years through 10 years**	**After 10 years**	**Total**
Turkish government Eurobonds.......	3.36%	6.43%	6.62%	5.79%	6.16%
Bonds issued by corporations	0.87%	4.97%	7.83%	1.95%	4.49%
Foreign government bonds	-	-	-	-	-
Others	-	4.64%	-	-	4.64%
Total	**0.89%**	**5.09%**	**7.00%**	**4.84%**	**5.25%**

The following tables set out the maturities of the Turkish Lira-denominated securities in the Bank's investment portfolio (excluding equity shares and income accruals) as of and for the year ended 31 December 2013 and their respective weighted average yields for 2013:

	As of 31 December 2013				
	1 year or less	**After 1 year through 5 years**	**After 5 years through 10 years**	**After 10 years**	**Total**
			(*TL thousands*)		
Turkish government bonds and treasury bills ..	7,083,152	10,348,960	12,576,869	-	30,008,981
Others...	104,379	1,790,193	-	-	1,894,572
Total...	**7,187,531**	**12,139,153**	**12,576,869**	**-**	**31,903,553**

	As of 31 December 2013				
	1 year or less	**After 1 year through 5 years**	**After 5 years through 10 years**	**After 10 years**	**Total**
Turkish government bonds and treasury bills...	9.56%	8.66%	9.82%	-	9.36%
Others	7.77%	9.68%	-	-	9.57%
Total	**9.53%**	**8.81%**	**9.82%**	**-**	**9.37%**

The following table sets out the remaining maturities of the Group's consolidated securities portfolio in Turkish Lira as of the dates indicated:

	As of 31 December		
	2011	**2012**	**2013**
		(*TL thousands*)	
Financial assets at fair value through profit or loss..............	**290,982**	**468,958**	**417,666**
3 months or less	91,357	58,019	77,930
Over 3 months through 12 months	52,100	119,139	94,180
Over 1 year through 5 years	139,037	288,273	242,717
Over 5 years...	8,488	3,527	2,839
Investment securities...	**30,455,558**	**35,842,723**	**32,869,989**
3 months or less..	2,388,314	971,715	853,348
Over 3 months through 12 months	775,981	15,342,237	6,688,052
Over 1 year through 5 year	25,212,463	14,701,464	12,438,521
Over 5 years...	2,078,800	4,827,307	12,890,068
Total Turkish Lira-denominated securities	**30,746,540**	**36,311,681**	**33,287,655**

The following table sets out the remaining maturities of the Group's consolidated securities portfolio in foreign currencies as of the dates indicated:

	As of 31 December		
	2011	2012	2013
		(TL thousands)	
Financial assets at fair value through profit or loss	**128,289**	**81,968**	**120,479**
3 months or less	83,278	45,569	64,530
Over 3 months through 12 months	2,447	-	-
Over 1 year through 5 years	26,588	7,590	8,142
Over 5 years	15,976	28,809	47,807
Investment securities	**5,485,832**	**4,018,558**	**5,739,503**
3 months or less	1,708	33,363	40,504
Over 3 months through 12 months	141,246	64,157	136,259
Over 1 year through 5 year	2,480,332	2,655,838	2,710,935
Over 5 years	2,862,546	1,265,200	2,851,805
Total foreign currency and foreign currency indexed securities	**5,614,121**	**4,100,526**	**5,859,982**

The following table sets out the Group's total securities portfolio in Turkish Lira and in foreign currencies as of the dates indicated:

	As of 31 December		
	2011	2012	2013
		(TL thousands)	
Turkish Lira-denominated securities	30,746,540	36,311,681	33,287,655
Foreign currency and foreign currency-indexed securities	5,614,121	4,100,526	5,859,982
Total Securities	**36,360,661**	**40,412,207**	**39,147,637**

C. Securities Concentrations

As of 31 December 2013, the Group did not hold debt securities of any one issuer that (in the aggregate) had a book value in excess of 10% of the Group's shareholders' equity, other than securities issued by the Turkish government. As of 31 December 2013, the Group's TL 32,933,058 thousand of Turkish government securities represented 140.3% of the Group's shareholders' equity.

The following table summarises securities that were deposited as collateral with respect to various banking, insurance and asset management transactions as of the dates indicated:

	As of 31 December					
	2011		2012		2013	
	Face Value	Carrying Value	Face Value	Carrying Value	Face Value	Carrying Value
Deposited at Borsa Istanbul	6,316,085	7,062,295	7,799,715	9,665,505	9,247,906	9,521,210
Collateralised to foreign banks	11,160,702	11,897,388	13,086,713	14,775,087	16,008,354	17,545,074
Deposited at central banks for repurchase transactions	2,899,219	3,377,536	1,637,828	1,908,053	2,399,566	2,542,392
Deposited at Central Bank for interbank transactions	1,763,273	1,929,076	1,237,438	1,321,927	432,476	574,656
Deposited at Central Bank for foreign currency money market transactions.	100,000	100,994	100,000	101,032	75,000	105,782
Deposited at Clearing Bank (Takasbank)	158,241	195,744	180,967	220,588	139,003	137,193
Others		31,027		38,045		44,199
Total		**24,594,060**		**28,030,237**		**30,470,506**

Pursuant to market practice, the Group pledges securities to acquire funding under security repurchase agreements. The securities so pledged amounted to TL 17,856,320 thousand as of 31 December 2013, TL 15,415,648 thousand as of 31 December 2012 and TL 12,580,108 thousand as of 31 December 2011, comprising 45.6%, 38.1% and 34.6% (respectively) of the Group's securities portfolio on such dates. Such securities are included in the above table.

III. Loans and Advances to Customers

The Group's loans and advances to customers (*i.e*., cash loans) amounted to TL 131,315,161 thousand as of 31 December 2013, increasing by 28.4% compared to year-end 2012, itself a 10.4% increase from year-end 2011. As discussed below, there are several important characteristics of the Group's loans and advances to customers portfolio, including diversification based upon sector and currency.

Loans and advances to customers represent the largest component of the Group's assets. As of 31 December 2013, the Group's total loans and advances to customers, less allowance for probable losses, comprised 60.3% of the Group's total assets. By comparison, as of 31 December 2012 this amount was TL 102,260,080 thousand (57.6% of the Group's total assets). The increase resulted from customer-driven growth but slowed down in the last quarter of 2013 in line with the volatile financial conditions and newly introduced regulations (see "*Turkish Regulatory Environment - New Consumer Loan, Provisioning and Credit Card Regulations*."

As of 31 December 2013, on the basis of the total amount of cash loans advanced, 73.2% of the Bank's loans were fixed rate and 26.8% were variable rate. The average interest rate that the Bank charged to borrowers in 2013 was 13.2% for Turkish Lira-denominated loans and advances and 5.3% for foreign currency-denominated loans and advances, calculated on the basis of daily averages of balances and interest rates and according to the Bank's management's estimates. The average interest rates on the Turkish Lira-denominated loan portfolio decreased to 13.2% in 2013 from 15.8% in 2012 and the average interest rates on the foreign currency-denominated loan portfolio decreased slightly to 5.3% in 2013 from 5.7% in 2012.

The Group provides financing for various purposes and although the majority of commercial and corporate loans have an average maturity of up to 18 months, for certain commercial and corporate loans (such as working capital and project finance loans) and for certain retail loans (such as mortgage loans) the maturities are up to 10 years (or occasionally over 10 years). As of 31 December 2013, the Group's loans with remaining maturities over one year and over five years composed 49.9% and 12.2%, respectively, of the Group's total loans and advances to customers.

A. Types of Loans

The following table sets out the composition of the Group's total performing loan portfolio (but excluding financial lease receivables, factoring receivables and income accruals) by industry sectors as of the dates indicated:

	As of 31 December					
	2011		2012		2013	
	(TL thousands, except percentages)					
Consumer loans	28,804,750	32.8%	34,069,621	35.2%	44,205,827	35.4%
Energy	6,686,124	7.6%	7,794,220	8.0%	12,403,326	9.9%
Service sector	8,840,305	10.0%	8,914,845	9.2%	10,150,903	8.1%
Construction	5,712,675	6.5%	6,460,719	6.7%	8,000,008	6.4%
Transportation and logistics	4,294,677	4.9%	4,773,793	4.9%	5,762,964	4.6%
Food	4,634,551	5.3%	4,044,540	4.2%	5,201,218	4.2%
Textile	3,480,649	4.0%	3,704,404	3.8%	5,096,942	4.1%
Metal and metal products	3,911,535	4.4%	3,471,713	3.6%	4,312,306	3.5%
Tourism	2,466,146	2.8%	3,287,980	3.4%	3,552,135	2.9%
Data processing	2,260,765	2.6%	1,921,479	2.0%	3,509,651	2.8%
Financial institutions	2,150,904	2.4%	2,243,896	2.3%	3,480,388	2.8%
Transportation vehicles and sub-industries	2,917,806	3.3%	2,726,962	2.8%	2,783,878	2.2%
Chemistry and chemical products	1,373,571	1.6%	1,631,415	1.7%	2,407,818	1.9%
Agriculture and stockbreeding	1,829,093	2.1%	2,069,407	2.1%	2,018,005	1.6%
Durable consumption	1,159,667	1.3%	591,183	0.6%	1,378,566	1.1%
Mining	1,195,394	1.3%	1,035,816	1.1%	1,314,187	1.1%
Machinery and equipment	856,329	1.0%	994,576	1.0%	1,220,351	1.0%
Stone/rock and related products	1,106,460	1.2%	1,092,384	1.1%	1,159,166	0.9%
Paper and paper products	413,251	0.5%	356,272	0.4%	827,833	0.7%
Electronic/optical/medical equipment	757,366	0.9%	1,229,589	1.3%	619,731	0.5%
Plastic products	509,628	0.6%	565,871	0.6%	450,024	0.4%
Others	2,568,649	2.9%	3,936,486	4.0%	4,844,562	3.9%
Total	**87,930,295**	**100.0%**	**96,917,171**	**100.0%**	**124,699,789**	**100.0%**

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

The following table sets out certain information relating to the maturity profile of the Bank's performing cash loan portfolio (based upon scheduled repayments but excluding interest accruals) as of the date indicated:

	As of 31 December 2013			
	1 year or less(1)	After 1 year through 5 years	After 5 years	Total
	(TL thousands)			
Total performing cash loans	48,582,554	40,845,648	27,117,412	116,545,614

(1) Includes demand loans, loans having no stated schedule of repayment and no stated maturity and overdrafts.

Composition of Loan Portfolio by Currency

As of 31 December 2013, foreign currency-denominated loans comprised 45.9% of the Group's loan portfolio (of which U.S. Dollar-denominated obligations were the most significant), compared to 44.1% as of 31 December 2012 and 47.9% as of 31 December 2011.

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

	As of 31 December					
	2011		2012		2013	
	(TL thousands, except percentages)					
Turkish Lira	48,248,964	52.1%	57,116,015	55.8%	71,059,504	54.1%
U.S. Dollar	28,484,631	30.7%	28,814,907	28.2%	37,674,246	28.7%
Euro and others	15,920,185	17.2%	16,329,158	16.0%	22,581,411	17.2%
Total	**92,653,780**	**100.0%**	**102,260,080**	**100.0%**	**131,315,161**	**100.0%**

Lower inflation and a gradual decline in interest rates in recent years, have led to greater confidence in the banking system and an increase in Turkish Lira-denominated loans. Retail loans, which are a growing portion of the Group's total loans, are generally denominated in Turkish Lira. Longer term loans are likely to remain denominated in foreign currencies as uncertainty still surrounds the future inflation rates and the stability of the Turkish Lira.

C. Risk Elements

1. Non-performing Loans, Past Due but not Impaired Loans and Loans with Renegotiated Terms

The following table sets out the composition of the Group's total non-performing loans, past due but not impaired loans and loans with renegotiated terms as of the dates indicated:

	As of 31 December		
	2011	2012	2013
		(TL thousands)	
Non-performing	2,209,227	3,011,273	4,000,048
Past due but not impaired	909,183	1,202,361	1,250,909
Loans with renegotiated terms	2,194,532	3,032,988	4,593,714
Total	**5,312,942**	**7,246,622**	**9,844,671**

A loan is categorised as non-performing when the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement due to a lack of assets, a high indebtedness ratio, insufficient working capital and/or insufficient equity on the part of the customer.

2. Potential Problem Loans

As of 31 December 2013, there were no material amount of loans that are not included in the preceding table but for which information known to the Group about possible credit problems of borrowers caused the Bank's management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and that may result in disclosure of such loans in the above table for future years. See "Summary of Loan Loss Experience" below.

3. Loan Concentrations

As of 31 December 2013, the Group's portfolio of cash loans did not contain any concentration of credits that exceeded 10% of its total credits that are not otherwise already disclosed as a category of credits pursuant to "Types of Loans" above. For the purposes of this paragraph, loan concentrations are considered to exist when there are credits to a multiple number of borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions.

From an individual borrower perspective, as of 31 December 2013, the gross cash loans to the Bank's 10 largest customers (on a Bank-only basis) represented approximately 8% of its gross loan portfolio, as compared to approximately 7% as of 31 December 2012 and 9% as of 31 December 2011. In recent years, as a result of improvements in the Turkish economy, the percentage of smaller loans in the loan portfolio has been on an increasing trend. Although limited to some extent by the Group's selective growth strategy, the percentage of small loans like retail and SME loans increased in 2011, 2012 and 2013, as the economy improved and customer demand increased, and the Bank's management expects it to keep increasing in the near future.

D. Other Interest-Earning Assets

As of 31 December 2013, the Group's other interest-earning assets did not include any assets that would be included in III.C.1. ("Non-performing, Past Due but not Impaired and Loans with Renegotiated Terms") or III.C.2. ("Potential Problem Loans") above if such assets were loans.

IV. Summary of Loan Loss Experience

The Bank's head office risk committee: (a) is responsible for monitoring the Bank's loan portfolio and establishing allowances and provisions in relation thereto based upon reports provided by the branch or other applicable risk committees and (b) provides monthly reports directly to the Bank's Board of Directors detailing all aspects of the Bank's loan activity, including the number of new problem loans, the status of existing non-performing loans and the level of collections. The head office risk committee also conducts evaluations of other assets and off-balance sheet contingent liabilities.

The determination of whether a repayment problem has arisen is based upon a number of objective and subjective criteria, including changes to the borrower's revenue in accounts held by the Bank, changes to the borrower's economic and financial activity giving rise to the suspicion that a loan is not being used for its original purpose, applications to change credit terms, failure of the borrower to fulfil the terms and conditions of its loan agreement and refusal of a borrower to co-operate in supplying current information.

The Bank classifies its loan portfolio in accordance with current Turkish banking regulations in its BRSA Financial Statements. See "*Turkish Regulatory Environment*" in the Base Prospectus. In accordance with the applicable regulations, the Bank makes specific allowances for probable loan losses. These specific allowances must be increased gradually so that the reserves reach a ceiling level of 100% of the non-performing loan, depending upon the type of collateral securing such loan. As noted above, a loan is categorised as non-performing when interest, fees or principal remain unpaid 90 days after the due date. The Group maintains a stricter provisioning policy than required by applicable regulations and seeks to maintain credit loss reserves of equal or greater amounts than non-performing loans after consideration of the fair value of collateral received.

As of 31 December 2013, the Turkish banking regulations required Turkish banks to provide a general reserve, excluding loans in arrears, calculated as 1.0% of the performing cash loans portfolio *plus* 0.2% of the performing non-cash loans portfolio *plus* 2.0% of the portfolio of cash loans performing but under close watch *plus* 0.4% of the portfolio of non-cash loans performing but under close watch.

The Group's non-performing loans amounted to TL 4,000,048 thousand, TL 3,011,273 thousand and TL 2,209,227 thousand as of 31 December 2013, 2012 and 2011, respectively. The Group's ratios of non-performing loans to total cash loans and to total cash loans and non-cash loans were 2.9% and 2.4%, 2.8% and 2.3%, and 2.3% and 1.9%, respectively, as of 31 December 2013, 2012 and 2011. The Group's ratio of allowances for probable loan losses as a percentage of non-performing loans (excluding allowances made on a portfolio basis to cover any inherent risk of loss) was 96.0%, 93.7% and 94.7% as of 31 December 2013, 2012 and 2011, respectively.

Analysis of the Allowance for Loan Losses

The following table sets forth an analysis of the movements in the allowance for probable losses on loans and advances to customers for the Group for each year indicated below:

	Year ended 31 December 2013			
	Corporate/ Commercial Loans	**Consumer Loans**	**Credit Cards**	**Total**
	(TL thousands)			
Balances at beginning of period	**1,509,655**	**967,696**	**935,668**	**3,413,019**
Additions and recoveries, (net) (+)	820,771	444,999	311,875	1,577,645
Write-offs (-)	26,756	65,828	228,983	321,567
Balances at end of period	**2,303,670**	**1,346,867**	**1,018,560**	**4,669,097**

	Year ended 31 December 2012			
	Corporate/ Commercial Loans	**Consumer Loans**	**Credit Cards**	**Total**
	(TL thousands)			
Balances at beginning of period	**969,479**	**776,838**	**741,469**	**2,487,786**
Additions and recoveries, (net) (+)	561,807	237,117	334,866	1,133,790
Write-offs (-)	21,631	46,259	140,667	208,557
Balances at end of period	**1,509,655**	**967,696**	**935,668**	**3,413,019**

	Year ended 31 December 2011			
	Corporate/ Commercial Loans	**Consumer Loans**	**Credit Cards**	**Total**
	(TL thousands)			
Balances at beginning of period	**861,313**	**797,566**	**799,074**	**2,457,953**
Additions and recoveries, (net) (+)	137,817	91,517	31,279	260,613
Write-offs (-)	29,651	112,245	88,884	230,780
Balances at end of period	**969,479**	**776,838**	**741,469**	**2,487,786**

The amount of the net additions to the allowance charged to operating expenses were TL 1,454,093 thousand in 2013, TL 1,158,033 thousand in 2012 and TL 200,954 thousand in 2011.

V. Deposits

As of 31 December 2013, the Group’s major source of funds for its lending and investment activities were deposits from non-bank customers, which accounted for 57.9% of the Group’s total liabilities (down from 59.3% as of 31 December 2012 and 62.9% as of 31 December 2011). Loans and advances from banks excluding subordinated liabilities accounted for 17.6% of total liabilities as of 31 December 2013, up from 16.6% as of 31 December 2012 and 17.0% as of 31 December 2011. Other sources of funding include (*inter alia*) deposits from banks, obligations under repurchase agreements, bonds issued and subordinated liabilities.

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

	As of 31 December					
	2011		**2012**		**2013**	
	(TL thousands, except percentages)					
Deposits from banks	3,096,810	2.3%	5,583,786	3.9%	6,733,280	3.7%
Deposits from customers	90,138,994	67.2%	92,191,501	64.0%	112,461,129	62.3%
Obligations under repurchase agreements	11,738,157	8.7%	14,106,944	9.8%	16,007,738	8.9%
Loans and advances from banks	24,325,549	18.1%	25,879,355	18.0%	34,189,584	19.0%
Bonds payable	3,742,056	2.8%	6,125,986	4.2%	10,835,298	6.0%
Subordinated liabilities	1,122,090	0.9%	148,680	0.1%	147,491	0.1%
Total	**134,163,656**	**100.0%**	**144,036,252**	**100.0%**	**180,374,520**	**100.0%**

Deposits from Customers

The Group's deposits consist of demand and time deposits. 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 accounts offered by the Group. The Group's deposits from customers mainly comprise foreign currency-denominated deposits and Turkish Lira-denominated saving and commercial deposits.

The following table sets out a breakdown of the Group's time deposits from customers by composition as of the dates indicated, excluding expense accruals:

	As of 31 December		
	2011	**2012**	**2013**
	(TL thousands)		
Foreign currency	30,507,169	30,750,133	38,275,947
Saving	27,343,405	29,748,738	33,540,364
Commercial	12,005,304	10,423,464	11,530,329
Gold, public and other	348,702	346,889	2,755,348
Total	**70,204,580**	**71,269,224**	**86,101,988**

The following table sets out a breakdown of the Bank's deposits by composition as a daily average during the periods indicated (excluding expense accruals) and the average interest rate paid thereon:

	As of 31 December					
	2011		2012		2013	
	Average Deposits	Average Interest Rate	Average Deposits	Average Interest Rate	Average Deposits	Average Interest Rate
	(TL thousands, except percentages)					
Demand deposits[1]	**13,757,377**	**0.06%**	**15,725,751**	**0.01%**	**18,648,432**	**0.00%**
Foreign currency	7,084,417	0.04%	8,437,387	0.01%	9,260,631	0.00%
From banks	-	-	-	-	-	-
From governments and official institutions	-	-	-	-	-	-
From other customers	7,084,417	-	8,437,387	-	9,260,631	-
Turkish Lira	6,672,960	0.08%	7,288,364	0.00%	9,387,801	0.01%
From banks	66,660	-	67,774	-	96,620	-
From governments and official institutions	864,610	-	970,307	-	901,316	-
From other customers	5,741,690	-	6,250,283	-	8,389,865	-
Savings deposits	**25,256,217**	**7.82%**	**29,463,915**	**9.60%**	**31,842,074**	**6.98%**
Foreign currency	-	-	-	-	-	-
Turkish Lira	25,256,217	7.82%	29,463,915	9.60%	31,842,074	6.98%
From banks	-	-	-	-	-	-
From governments and official institutions	-	-	-	-	-	-
From other customers	25,256,217	-	29,463,915	-	31,842,074	-
Time Deposits	**45,808,295**	**4.33%**	**48,845,603**	**4.78%**	**46,467,444**	**4.83%**
Foreign currency	30,673,786	2.75%	33,403,413	2.79%	33,403,413	2.31%
From banks	996,641	-	1,630,769	-	2,860,153	-
From governments and official institutions	-	-	-	-	-	-
From other customers	29,677,145	-	31,772,643	-	30,543,260	-
Turkish Lira	15,134,509	7.52%	15,442,191	9.11%	13,064,031	11.29%
From banks	502,581	-	859,116	-	809,558	-
From governments and official institutions	40,978	-	32,685	-	324,278	-
From other customers	14,590,950	-	14,550,390	-	11,930,195	-
Total	**84,821,889**	**4.67%**	**94,035,269**	**5.49%**	**96,957,950**	**4.61%**

(1) Demand deposits generally do not bear interest; *however*, there are occasional exceptions negotiated with customers such as corporations with large deposits.

The following table sets out by maturity the amount outstanding of the Bank's time deposits of U.S.$100,000 or more (or its equivalent) as of 31 December 2013:

	As of 31 December 2013			
	3 months or less	Over 3 months through 6 months	Over 6 months through 12 months	Over 12 months
	(TL thousands)			
Deposits over U.S. $100,000				
Foreign currency	17,705,423	4,087,309	5,472,533	288,857
Turkish Lira	25,884,330	2,564,448	2,745,406	241,232

Deposits from Banks

The Group's deposits from banks are comprised of demand and time deposits. The Group's deposits from banks increased by 20.6% to TL 6,733,280 thousand as of 31 December 2013 from TL 5,583,786 thousand as of 31 December 2012, which was TL 3,096,810 thousand as of 31 December 2011.

The following table sets out certain information relating to deposits from banks as of the dates indicated, excluding expense accruals:

	As of 31 December		
	2011	**2012**	**2013**
		(TL thousands)	
Demand deposits	827,375	1,327,590	1,188,346
Time deposits	2,260,100	4,249,017	5,533,347
Total	**3,087,475**	**5,576,607**	**6,721,693**

The following table sets out certain information relating to the deposits from customers and banks in Turkish currency and foreign currency as of the dates indicated:

	As of 31 December					
	2011		**2012**		**2013**	
			(TL thousands, except percentages)			
Turkish Lira deposits	47,647,670	51.1%	49,899,283	51.0%	59,516,765	49.9%
Foreign currency deposits	45,588,134	48.9%	47,876,004	49.0%	59,677,644	50.1%
Total	**93,235,804**	**100.0%**	**97,775,287**	**100.0%**	**119,194,409**	**100.0%**

In recent years, the foreign currency distribution of deposits changed in favour of Turkish Lira as a result of lower inflation and significant decline in interest rates.

The following table sets out the maturity of deposits made with the Group by amount as of the dates indicated:

	As of 31 December		
	2011	**2012**	**2013**
		(TL thousands)	
3 months or less	85,443,906	90,867,570	107,068,876
Over 3 months through 12 months	6,105,025	5,423,850	10,378,609
Over 1 year through 5 years	1,519,460	1,463,507	1,729,483
Over 5 years	167,413	20,360	17,441
Total	**93,235,804**	**97,775,287**	**119,194,409**

VI. Return on Equity and Assets

The following table sets out certain of the Group's selected financial ratios and other data for the periods indicated:

	For the years ended 31 December		
	2011	2012	2013
	(TL thousands, except percentages)		
Average total assets[1]	149,706,398	168,624,332	196,556,185
Average shareholders' equity[1]	17,343,407	19,982,783	22,715,878
Average shareholders' equity as a percentage of average total assets	11.6%	11.9%	11.6%
Return on average total assets[2]	2.3%	2.0%	1.8%
Return on average shareholders' equity[3]	19.6%	17.0%	15.8%

(1) Averages are calculated as the average of the opening, quarter-end and closing balances for the applicable year.
(2) Net income as a percentage of average total assets.
(3) Net income as a percentage of average shareholders' equity.

VII. Borrowings and Certain Other Liabilities

Borrowings

The following table sets out a breakdown of loans and advances to the Group from banks outstanding (excluding expense accruals) as of the dates indicated by source and maturity profile:

	As of 31 December		
	2011	2012	2013
	(TL thousands)		
Short-term borrowings from domestic banks and institutions	1,443,306	1,682,956	1,199,932
Short-term borrowings from foreign banks and institutions	7,817,633	8,461,011	9,776,962
Long-term debts (short-term portion)	2,933,163	4,086,653	5,694,077
Long-term debts (medium and long-term portion)	11,837,417	11,334,110	17,320,286
Total	**24,031,519**	**25,564,730**	**33,991,257**

The Bank's management believes that the increase in the short- and long-term debts described in the table above is consistent with the Group's growth strategy.

The following table sets out certain information as to the currency of the Group's loans and advances from banks outstanding (including expense accruals) as of the dates indicated:

	As of 31 December					
	2011		2012		2013	
	(TL thousands, except percentages)					
Turkish currency	5,615,138	23.1%	5,591,620	21.6%	6,615,525	19.3%
Foreign currency	18,710,411	76.9%	20,287,735	78.4%	27,574,059	80.7%
Total	**24,325,549**	**100.0%**	**25,879,355**	**100.0%**	**34,189,584**	**100.0%**

The following table sets out a breakdown of the Bank's borrowings, including bonds payable and subordinated liabilities (for short-term borrowings, including the short-term portion of long-term borrowings), outstanding as of the dates indicated (excluding expense accruals) and the maximum amount in each category outstanding at any month-end during the indicated year (short-term being of one year or less):

	As of 31 December					
	2011		2012		2013	
	Amount	Maximum Month-end Amount	Amount	Maximum Month-end Amount	Amount	Maximum Month-end Amount
	(TL thousands)					
Short-term borrowings from banks and other institutions	499,713	546,620	578,472	656,316	587,678	684,285
Foreign currency	239,241	239,241	348,256	364,753	353,789	374,028
Turkish Lira	260,472	307,379	230,216	291,563	233,889	310,257
Long-term borrowings	24,375,676	24,641,011	26,622,367	27,339,279	39,032,786	39,032,786
Foreign currency	18,381,865	17,604,837	20,941,025	20,995,532	30,299,229	30,299,229
Turkish Lira	5,993,811	7,036,174	5,681,342	6,343,747	8,733,557	8,733,557
Total	**24,875,389**	**25,187,631**	**27,200,839**	**27,995,595**	**39,620,464**	**39,717,071**

The following table sets out a breakdown of the Bank's approximate average daily borrowings for the indicated years and the approximate weighted average interest rate thereon:

	2011		2012		2013	
	Average Amount	Interest Rate	Average Amount	Interest Rate	Average Amount	Interest Rate
	(TL thousands, except percentages)					
Short-term borrowings from banks and other institutions	406,219	5.98%	417,414	7.41%	489,836	6.60%
Foreign currency	147,923	3.39%	167,496	6.41%	177,840	7.45%
Turkish Lira	258,296	7.46%	249,918	8.07%	311,996	6.12%
Long-term borrowings	18,494,903	5.92%	18,852,667	6.29%	23,732,397	5.58%
Foreign currency	12,070,207	4.88%	12,762,745	5.83%	16,144,425	5.58%
Turkish Lira	6,424,696	7.87%	6,089,922	7.27%	7,587,972	5.58%
Total	**18,901,122**	**5.92%**	**19,270,081**	**6.32%**	**24,222,233**	**5.60%**

The following tables set out a description of the Group's material long-term borrowings (or fund-raisings through "future flow" transactions) as of the dates indicated (with many of the indicated interest rates being based upon a floating rate, principally LIBOR, and thus re-set periodically):

	As of 31 December 2013				
	Interest rate	**Latest maturity**	**Amount in original currency**	**Short-term portion**	**Medium and long-term portion**
			(millions)	*(TL thousands)*	
DPR Transaction- XVI	2%	2034	U.S.$1,000	-	2,120,000
Deutsche Bank AG-II	3%	2019	U.S.$500	-	1,060,000
DPR Transaction-XIV	3%	2026	U.S.$400	-	848,000
Deutsche Bank AG-III	9%	2015	TL 750	-	750,000
Deutsche Bank AG-I	11-13%	2017	TL 701	-	701,210
DPR Transaction-IX	1%	2018	€164	100,191	377,625
DPR Transaction- VIII	1%	2017	U.S.$210	118,659	326,541
DPR Transaction- XIII	2%	2016	U.S.$206	158,597	278,653
DPR Transaction- XV	2%	2018	€135	-	393,324
EIB I	1-4%	2022	U.S.$181	40,538	344,066
DPR Transaction- XV	2%	2018	U.S.$175	-	371,000
DPR Transaction-XII	2%	2016	€75	96,945	121,570
EIB II	9%	2019	TL 206	-	206,250
DPR Transaction- XII	1%	2022	€69	21,861	180,298
DPR Transaction- XII	2%	2022	€69	21,861	180,298
DPR Transaction- VI	1%	2016	U.S.$87	73,811	111,028
OPIC	3%	2019	U.S.$86	29,680	152,640
DPR Transaction- XIII	2%	2016	€46	48,568	84,968
DPR Transaction-VIII	1%	2017	U.S.$60	33,907	93,293
DPR Transaction- VIII	1%	2017	U.S.$60	33,907	93,293
EBRD-V	3%	2017	U.S.$60	18,171	109,029
EBRD-IV	2%	2017	€40	33,337	83,361
EFSE	3%	2017	€25	-	72,678
EBRD-II	1-2%	2025	U.S.$32	28,861	39,393
KfW	2%	2017	€20	9,733	48,687
DPR Transaction-VII	1%	2014	U.S.$17	35,334	-
EBRD-III	2%	2015	€11	16,588	16,612
DPR Transaction-VIII	1%	2015	U.S.$13	17,649	8,851
EBRD-I	3%	2014	€7	19,311	-
Others				4,736,568	8,147,618
Total				**5,694,077**	**17,320,286**

	As of 31 December 2012				
	Interest rate	**Latest maturity**	**Amount in original currency**	**Short-term portion**	**Medium and long-term portion**
			(millions)	*(TL thousands)*	
Deutsche Bank AG	11-13%	2017	TL701	-	701,210
DPR Transaction XIV......................	3%	2026	U.S.$396	-	697,103
DPR Transaction VIII......................	1%	2017	U.S.$266	98,514	369,439
DPR Transaction XIII......................	2%	2016	U.S.$224	32,644	362,098
DPR Transaction IX.........................	1%	2018	€168	9,284	380,644
EIB I	1-4%	2022	U.S.$204	33,653	324,844
DPR Transaction XII	2%	2016	€99	57,603	173,218
DPR Transaction VI.........................	1%	2016	U.S.$122	61,256	153,167
OPIC..	3%	2019	U.S.$100	24,640	151,360
DPR Transaction XII	1%	2022	€75	13,028	161,047
DPR Transaction XII	2%	2022	€75	13,028	161,047
DPR Transaction VIII......................	1%	2017	U.S.$76	28,147	105,554
DPR Transaction VIII......................	1%	2017	U.S.$76	28,147	105,554
DPR Transaction XIII......................	2%	2016	€50	9,509	105,969
EBRD-V	3%	2017	U.S.$60	-	105,600
EBRD-IV...	2%	2017	€40	-	92,651
EBRD-II	1-2%	2025	U.S.$46	23,940	56,539
EFSE..	3%	2017	€25	-	58,793
DPR Transaction VII	1%	2014	U.S.$33	29,315	29,319
EBRD-III	2%	2015	€17	13,159	26,343
DPR Transaction VIII......................	1%	2015	U.S.$21	14,667	22,000
EBRD-I..	4%	2014	€13	15,260	15,297
DPR Transaction V	1%	2013	U.S.$71	124,420	-
DPR Transaction IV.........................	1%	2013	U.S.$63	110,880	-
DPR Transaction VI.........................	1%	2013	U.S.$59	103,022	-
DPR Transaction III.........................	1%	2013	U.S.$27	48,313	-
Others				3,194,224	6,975,314
Total				**4,086,653**	**11,334,110**

	As of 31 December 2011				
	Interest rate	Latest maturity	Amount in original currency	Short-term portion	Medium and long-term portion
			(millions)	*(TL thousands)*	
Deutsche Bank AG	11-13%	2017	TL 701	-	701,210
DPR Transaction VIII	1%	2017	U.S.$322	104,394	495,883
DPR Transaction IX	2%	2018	€172	9,686	406,829
DPR Transaction XIII	2%	2016	U.S.$225	-	419,349
DPR Transaction IV	1%	2013	U.S.$191	238,406	117,358
EIB I	1-4%	2022	U.S.$208	7,444	379,973
DPR Transaction V	1%	2013	U.S.$179	201,829	131,982
DPR Transaction VI	1%	2016	U.S.$172	92,598	227,421
DPR Transaction VI	1%	2013	U.S.$165	195,694	111,864
DPR Transaction XII	3%	2016	€100	-	242,160
EIB II	2%	2012	€100	244,380	-
DPR Transaction XII	2%	2022	€75	-	181,620
DPR Transaction XII	2%	2022	€75	-	181,620
OPIC	3%	2019	U.S.$100	-	186,500
DPR Transaction III	1%	2013	U.S.$82	102,405	51,241
DPR Transaction VIII	1%	2017	U.S.$92	29,827	141,681
DPR Transaction VIII	1%	2017	U.S.$92	29,827	141,681
DPR Transaction XIII	3%	2016	€50	-	121,080
EBRD-II	2-3%	2025	U.S.$60	25,437	85,982
DPR Transaction VII	1%	2014	U.S.$50	31,065	62,134
EBRD-I	4%	2014	€30	39,586	32,354
DPR Transaction VIII	1%	2015	U.S.$29	15,531	38,829
EBRD-III	3%	2015	€20	6,719	41,513
Others				1,558,335	7,337,153
Total				**2,933,163**	**11,837,417**

The Group's short-term borrowings included the following syndicated loan facilities as of 31 December 2013, 2012 and 2011:

- as of 31 December 2013, two one-year-syndicated-loan facilities utilised for general trade finance purposes including export and import contracts in two tranches of: (a) U.S.$431,287,500 and €768,250,000 with rates of LIBOR + 1.00% and EURIBOR + 1.00% *per annum*, respectively, and (b) U.S.$291,500,000 and €675,500,000 with rates of LIBOR + 0.75% and EURIBOR + 0.75% *per annum*, respectively.

- as of 31 December 2012: two one-year-syndicated-loan facilities utilised for general trade finance purposes including export and import contracts in two tranches of: (a) U.S.$307,250,000 and €768,113,250 with rates of LIBOR + 1.45% and EURIBOR + 1.45% *per annum*, respectively, and (b) U.S.$308,500,000 and €615,500,000 with rates of LIBOR + 1.25% and EURIBOR + 1.25% *per annum*, respectively. These were paid upon their maturity.

- as of 31 December 2011: two one-year syndicated loan facilities utilised for general trade finance purposes including export and import contracts in two tranches of: (a) U.S.$304,500,000 and €782,500,000, with the rates of LIBOR + 1.1% and EURIBOR + 1.1% *per annum*, respectively, and (b) U.S.$233,587,500 and €576,250,000 with the rates of LIBOR + 1% and EURIBOR + 1% *per annum*, respectively. These were paid upon their maturity.

Obligations under Repurchase Agreements

The Group's obligations arising from agreements for the repurchase/resale of securities amounted to TL 16,007,738 thousand as of 31 December 2013, as compared to TL 14,106,944 thousand as of 31 December 2012 (TL 11,738,157 thousand as of 31 December 2011). These obligations represented 7.4% of the total assets of the Group as of 31 December 2013, 7.9% as of 31 December 2012 and 7.3% as of 31 December 2011. The securities sold by the Group under such repurchase agreements are recognised in the IFRS Financial Statements as being owned by the Group, but subject to a pledge (see II.C. (Securities Portfolio-Securities Portfolio Concentrations) above).

Bonds Payable

In 2013, the Group issued bonds in Turkish Lira and foreign currencies. The outstanding amount of such bonds amounted to TL 10,835,298 thousand as of 31 December 2013. The following tables set out a description of the Group's bonds payable excluding expense accruals as of the date indicated.

	As of 31 December 2013		
	Latest Maturity	**Interest Rates**	**Carrying Value**
			(*TL thousands*)
Bonds of U.S.$2,662 million........	2022	0.3%-6.4%	5,341,583
Bonds of TL 4,901 million...........	2018	5.6%-10.1%	4,357,098
Bonds of AUD 175 million	2018	5.6%	330,543
Bonds of CHF 108 million	2015	1.1%-1.8%	257,462
Bonds of EUR 65 million............	2023	2%-5.2%	188,714
Bonds of RON 150 million	2018	6%-6.3%	97,184
Bonds of CZK 340 million...........	2016	2.5%	36,261
Sub-total....................................			10,608,845
Expense accrual on bonds payable			226,453
Total...			**10,835,298**

	As of 31 December 2012		
	Latest Maturity	**Interest Rates**	**Carrying Value**
			(TL thousands)
Bonds of U.S.$2,150 million........	2022	3-M LIBOR+2.5-6.25%	3,733,908
Bonds of TL 2,421 million...........	2014	6.3%-9.06%	2,210,847
Sub-total....................................			5,944,755
Expense accrual on bonds payable			181,231
Total...			**6,125,986**

	As of 31 December 2011		
	Latest Maturity	**Interest Rates**	**Carrying Value**
			(TL thousands)
Bonds of TL 2,600 million..........	2012	7.68%-10.09%	2,137,879
Bonds of U.S.$800 million..........	2021	3-M LIBOR-6.25%	1,466,105
Sub-total..................................			3,603,984
Expense accrual on bonds payable			138,072
Total...			**3,742,056**

The total face value of the bonds and bills issued by the Bank in the domestic market reached TL 3,615 million as of 31 December 2013. Such issuances are authorised by the CMB.

Recent Indebtedness

In the first three months of 2014, the Group incurred the following material debt(s):

In March 2014, the Bank entered into a new U.S.$550 million DPR transaction maturing in 2034, which facility is scheduled to close in April 2014.

The Bank may issue, from time to time, additional Series of Notes under the Programme, which (as permitted by the Programme) may be in any currency, with any tenor and with any interest rate, which issuances may be listed or unlisted.

Subordinated Liabilities

The following tables set out a description of the Group's subordinated liabilities excluding expense accruals as of the dates indicated.

	As of 31 December 2013		
	Latest Maturity	**Interest Rates**	**Carrying Value**
	(TL thousands, except percentages)		
Subordinated debt of €50 million	2021	EURIBOR+3.5	146,050
Total			**146,050**

	As of 31 December 2012		
	Latest Maturity	**Interest Rates**	**Carrying Value**
	(TL thousands, except percentages)		
Subordinated debt of €50 million	2021	EURIBOR+3.50%	116,050
Subordinated deposits of €13 million	2021	4.42-7%	30,840
Total			**146,890**

	As of 31 December 2011		
	Latest Maturity	**Interest Rates**	**Carrying Value**
	(TL thousands, except percentages)		
Subordinated debt of U.S.$500 million	2017	6.95%	932,452
Subordinated debt of €50 million	2021	EURIBOR+3.50%	121,080
Subordinated deposit of €16 million	2021	4.75% - 6.00%	39,734
Total			**1,093,266**

On February 23, 2009, the Bank obtained a 12-year subordinated loan of €50 million due March 2021 from Proparco (*Société de Promotion et de Participation pour la Cooperation Economique SA*) a company of the French Development Agency Group, with an interest rate of EURIBOR + 3.5% *per annum* and a repayment option for the Bank at the end of the seventh year. This financing was obtained in order to finance clean energy projects.

Non-Cash Loans and Other Contingent Liabilities

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 non-cash loans (letters of guarantee, acceptance credits, letters of credit and other guarantees and sureties) and other commitments and contingencies, involve varying degrees of credit risk and are not reflected in the Group's balance sheet. The Group's maximum exposure to credit losses for letters of guarantee and acceptance credits and letters of credit is represented by the contractual amount of these transactions. Since many of the commitments are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements.

The following table sets out certain details of the Group's non-cash loans as of the dates indicated:

	As of 31 December		
	2011	**2012**	**2013**
		(TL thousands)	
Letters of guarantee	15,420,399	16,852,681	23,877,730
Letters of credit and acceptance credits	6,746,774	6,862,325	10,222,422
Other guarantees and sureties	70,236	66,300	79,924
Total	**22,237,409**	**23,781,306**	**34,180,076**

As of 31 December 2013, non-cash loans of the Group increased by 43.7% to TL 34,180,076 thousand from TL 23,781,306 thousand as of 31 December 2012 (itself, an increase of 6.9% from TL 22,237,409 thousand as of 31 December 2011). The Group issues letters of guarantee, letters of credit, acceptance credits and other payment commitments arising in a wide variety of transactions.

As of 31 December 2013, the Group's commitments for unused credit limits for credit cards, overdrafts, checks and loans to customers, and commitments for "credit linked notes" amounted to TL 40,614,981 thousand, an increase of 45.3% compared to TL 27,955,379 thousand as of 31 December 2012 (TL 27,495,547 thousand as of 31 December 2011).

Derivative Transactions

Forward foreign exchange contracts are agreements to purchase or sell a specific quantity of a foreign currency or precious metals at an agreed-upon price with delivery and settlement on a specified future date. Such contracts include only deliverable contracts. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from movements in currency exchange rates.

The Group's outstanding derivative transactions (*e.g.* spots, forwards, swaps, future rate agreements, options and forward agreements for gold trading) amounted to TL 85,480,706 thousand as of 31 December 2013, TL 53,725,410 thousand as of 31 December 2012 and TL 43,880,483 as of 31 December 2011.

The following table sets out the breakdown of notional amounts of outstanding derivative contracts by type of transaction as of the dates indicated:

	As of 31 December		
	2011	2012	2013
		(TL thousands)	
Currency/cross currency swaps	**20,439,332**	**22,364,739**	**35,016,906**
Purchases	6,638,095	12,220,856	17,965,970
Sales	13,801,237	10,143,883	17,050,936
Foreign currency options	**15,049,770**	**18,175,028**	**27,576,921**
Purchases	8,035,951	9,249,433	16,028,047
Sales	7,013,819	8,925,595	11,548,874
Securities, shares, interest rate and index options	**1,069,990**	**2,104,809**	**1,913,156**
Purchases	1,023,631	1,048,011	969,935
Sales	46,359	1,056,798	943,221
Forward exchange contracts	**4,959,185**	**4,791,266**	**9,691,698**
Purchases	2,881,328	2,836,131	6,404,601
Sales	2,077,857	1,955,135	3,287,097
Spot exchange contracts	**1,518,641**	**2,930,700**	**4,266,573**
Purchases	612,097	2,299,236	3,643,250
Sales	906,544	631,464	623,323
Interest rate swaps[(1)]	**481,508**	**717,676**	**477,208**
Purchases	208,311	323,438	321,817
Sales	273,197	394,238	155,391
Interest rate and other futures	**500**	**172,306**	**106,262**
Purchases	62	527	-
Sales	438	171,779	106,262
Foreign currency futures	**64,508**	**27,720**	**111,464**
Purchases	5,344	-	111,464
Sales	59,164	27,720	-
Other forward contracts	**297,049**	**77,659**	**43,913**
Purchases	46,297	71,100	27,732
Sales	250,752	6,559	16,181
Other swap contracts	**-**	**2,363,507**	**6,276,605**
Purchases	-	436,701	139,285
Sales	-	1,926,806	6,137,320
Total	**43,880,483**	**53,725,410**	**85,480,706**

(1) In case of interest rate swaps, the amounts presented in the table above are the marked-to-market values of such transactions.

TERMS AND CONDITIONS OF THE NOTES

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

15 April 2014

TÜRKİYE GARANTI BANKASI A.Ş.

**Issue of U.S.$750,000,000 4.750% Notes due 2019 (the Notes)
under the U.S.$6,000,000,000
Global Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 27 March 2014 and the Prospectus dated 15 April 2014, which together in the manner described in such Prospectus constitute a prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC), as amended (including the amendments made by Directive 2010/73/EU) (the **Prospectus**). This document constitutes the issue-specific terms of the Notes and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these issue-specific terms and the Prospectus. The Prospectus has been published on the Issuer's website (www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations.page).

1.	Issuer:		Türkiye Garanti Bankası A.Ş.
2.	(a)	Series Number:	2014-90
	(b)	Tranche Number:	1
	(c)	Date on which the Notes will be consolidated and form a single Series:	Not Applicable
3.	Specified Currency:		U.S. Dollars or U.S.$
4.	Aggregate Nominal Amount:		
	(a)	Series:	U.S.$750,000,000
	(b)	Tranche:	U.S.$750,000,000
5.	Issue Price:		99.876 *per cent.* of the Aggregate Nominal Amount of the Tranche
6.	(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
7.	(a)	Issue Date:	17 April 2014
	(b)	Interest Commencement Date:	Issue Date

8.	Maturity Date:		17 October 2019
9.	Interest Basis:		4.750 *per cent.* Fixed Rate (*see paragraph 14 below*)
10.	Redemption Basis:		Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11.	Change of Interest Basis:		Not Applicable
12.	Put/Call Options:		Not Applicable
13.	(a)	Status of the Notes:	Senior
	(b)	Date Board approval for issuance of Notes obtained:	Not Applicable

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions		Applicable
	(a)	Rate(s) of Interest:	4.750 *per cent. per annum* payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	17 April and 17 October in each year up to and including the Maturity Date
	(c)	Fixed Coupon Amount(s):	Not Applicable
	(d)	Broken Amount(s):	Not Applicable
	(e)	Day Count Fraction:	30/360
	(f)	Determination Date(s):	Not Applicable
	(g)	Structured Fixed Rates Notes:	Not Applicable
15.	Floating Rate Note Provisions		Not Applicable
16.	Zero Coupon Note Provisions		Not Applicable

PROVISIONS RELATING TO REDEMPTION

17.	Notice periods for Condition 8.2:	Minimum period: 30 days Maximum period: 60 days
18.	Issuer Call:	Not Applicable
19.	Investor Put:	Not Applicable
20.	Final Redemption Amount:	U.S.$1,000 per Calculation Amount

21.	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

22.	Form of Notes:		
	(a)	Form:	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
	(b)	New Global Note:	No
23.	Specified Financial Centre(s):		Not Applicable
24.	Talons for future Coupons to be attached to Definitive Notes:		No

Signed on behalf of **TÜRKİYE GARANTI 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 by the Issuer (or on its behalf) to the Irish Stock Exchange for the Notes to be listed on the Official List and admitted to trading on the Main Securities Market of the Irish Stock Exchange with effect from 17 April 2014.
(b)	Estimate of total expenses related to admission to trading:	€2,690

2. RATINGS

Ratings:	The Notes to be issued are expected to be rated: "BBB" by Fitch Ratings Ltd. (**Fitch**) and "Baa2" (negative outlook) by Moody's Investors Service Limited (**Moody's**). Each of Fitch and Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).

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

Save for any fees payable to the Initial Purchasers, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The Initial Purchasers 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. Banco Bilbao Vizcaya Argentaria, S.A, one of the Initial Purchasers, jointly controls the Issuer as described in the Base Prospectus.

4. YIELD

Indication of yield:	4.776 *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:	US90014QAA58 for Rule 144A Global Notes XS1057541838 for Regulation S Global Note
(b)	Common Code:	105773129 for Rule 144A Global Notes 105754183 for Regulation S Global Note
(c)	CUSIP:	90014QAA5 for Rule 144A Global Notes
(d)	Any clearing system(s) other than	Not Applicable

	DTC, Euroclear Bank SA/NV and Clearstream, Luxembourg and the relevant identification number(s):	
(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 business day after the day on which it was given to the relevant clearing system.
(h)	Intended to be held in a manner which would allow Eurosystem eligibility:	No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that his does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

6. DISTRIBUTION

(a)	Method of distribution:	Syndicated
(b)	If syndicated, names of Managers:	Banco Bilbao Vizcaya Argentaria, S.A. Citigroup Global Markets Limited HSBC Bank plc Merrill Lynch, Pierce, Fenner & Smith Incorporated
(c)	Date of Subscription Agreement:	15 April 2014
(d)	Stabilisation 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

U.S. TAXATION

This is a general summary of certain U.S. federal tax considerations in connection with an investment in the Notes. This summary does not address all aspects of U.S. federal tax law or the laws of other jurisdictions (including any state or local tax law). While this summary is considered to be a correct interpretation of existing laws in force on the date of this Prospectus, there can be no assurance that those laws or the interpretation of those laws will not change. This summary does not discuss all of the tax consequences that 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 advisers with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition by an owner of beneficial interests therein) as well as any tax consequences that 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 adviser.**

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

As used herein, the term **U.S. Holder** means 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 U.S., (b) a corporation created or organised in or under the laws of the U.S., any state thereof or the District of Columbia, (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (d) a trust that is subject to U.S. tax on its worldwide income regardless of its source.

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

The discussion below is based upon the Code, U.S. Treasury regulations 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 advisers 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

Payments of interest on the Notes, including additional amounts, if any, generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. Holder's usual method of accounting for U.S. federal income tax purposes. Interest paid on a Note generally will constitute foreign source income for U.S. federal income tax purposes and generally will be considered "passive" income, which is treated separately from other types of income in computing the foreign tax credit that may be allowable to U.S. Holders under U.S. federal income tax laws. Subject to applicable restrictions and limitations, a U.S. Holder may be entitled to claim a U.S. foreign tax credit in respect of any Turkish withholding taxes imposed on interest received on the Notes. A U.S. Holder who does not elect to claim a credit for foreign tax may instead claim a deduction in respect of the tax provided the U.S. Holder elects to deduct rather than claim a credit for all foreign taxes for such taxable year. U.S. Holders that are eligible for benefits under the double tax treaty between the United States and Turkey (the **Double Tax Treaty**) or are otherwise entitled to a refund for the taxes withheld under Turkish tax law generally will not be entitled to a foreign tax credit or deduction for the amount of any Turkish taxes withheld in excess of the maximum rate under the Double Tax Treaty or for those taxes that have been otherwise refunded to them under Turkish tax law. The rules relating to foreign tax credits or deducting foreign taxes are extremely complex, and U.S. Holders are urged to consult their own tax advisers regarding the availability and advisability of claiming a foreign tax credit or a deduction with respect to any Turkish taxes withheld from payment.

Sale, Exchange and Redemption of Notes

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

Information Reporting and Backup Withholding

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

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

Medicare Tax

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

PLAN OF DISTRIBUTION

The Bank intends to offer the Notes through the Initial Purchasers named below and their broker-dealer affiliates, as applicable. Subject to the terms and conditions stated in a subscription agreement in respect of the Notes entered into on 15 April 2014 among the Initial Purchasers and the Bank (the **Subscription Agreement**), each of the Initial Purchasers has severally (and not jointly nor jointly and severally) agreed to purchase, and the Bank has agreed to sell to each of the Initial Purchasers, the principal amount of the Notes set forth opposite each Initial Purchaser's name below at the issue price of 99.876% of the principal amount of the Notes.

Initial Purchasers	*Principal Amount of Notes*
Banco Bilbao Vizcaya Argentaria, S.A.	U.S.$187,500,000
Citigroup Global Markets Limited	U.S.$187,500,000
HSBC Bank plc	U.S.$187,500,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	U.S.$187,500,000
Total	**U.S.$750,000,000**

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

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

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

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

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

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

While application has been made by the Bank to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market, the Notes constitute a new class of securities of the Bank with a limited trading market. The Bank cannot provide any assurances to investors that the prices at which the

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

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

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

The Initial Purchasers 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 Initial Purchasers or their respective affiliates may have performed investment banking and advisory services for the Bank and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Initial Purchasers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Bank and its affiliates in the ordinary course of their business. Certain of the Initial Purchasers and/or their respective affiliates have acted and expect in the future to act as a lender to the Bank and/or other members of the Group and/or otherwise participate in transactions with the Group.

In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates 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 Bank and/or other members of the Group. In addition, certain of the Initial Purchasers and/or their respective affiliates hedge their credit exposure to the Bank and/or other members of the Group pursuant to their customary risk management policies. These hedging activities could have an adverse affect on the future trading prices of the Notes offered hereby.

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

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

LEGAL MATTERS

Certain matters relating to the issuance of the Notes will be passed upon for the Bank by Mayer Brown LLP (or affiliates thereof) as to matters of United States law and by Verdi Avukatlık Ortaklığı as to matters of Turkish law (other than with respect to tax-related matters). Certain matters as to English and United States law will be passed upon for the Initial Purchasers by Allen & Overy LLP, and certain matters as to Turkish law will be passed upon for the Initial Purchasers by Gedik & Eraksoy Avukatlık Ortaklığı (which will also pass upon matters of Turkish tax law).

OTHER GENERAL INFORMATION

Authorisation

The 2014 update of the Programme and the issue of notes thereunder have been duly authorised by a resolution of the Board of Directors of the Issuer dated 16 January 2014 and number 2312.

Listing of Notes

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

Listing Agent

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

Documents Available

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

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

(b) the independent auditors' audit reports and audited consolidated IFRS Financial Statements of the Group for each of the years ended 31 December 2011, 2012 and 2013;

(c) the independent auditors' audit reports and audited unconsolidated BRSA Financial Statements of the Bank for each of the years ended 31 December 2011, 2012 and 2013;

(d) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements of the Issuer, in each case in English and together with any audit or review reports prepared in connection therewith; the Issuer currently prepares audited consolidated financial statements in accordance with IFRS on an annual basis, audited consolidated and unconsolidated BRSA Financial Statements on an annual basis, unaudited consolidated and unconsolidated interim financial statements in accordance with IFRS on a quarterly basis and unaudited consolidated and unconsolidated interim BRSA Financial Statements on a quarterly basis;

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

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

In addition, copies of each document incorporated by reference into this Prospectus and the financial statements listed above will be available on the Issuer's website at:

(a) http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/Garanti_Base_Prospectus_March_2014.page? (with respect to the Base Prospectus);

(b) http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_and_interim_reports/annual_and_interim_reports_ifrs.page? (with respect to the IFRS Financial Statements of the Group); and

(c) http://www.garanti.com.tr/en/our_company/investor_relations/financials_and_presentations/annual_and_interim_reports/annual_and_interim_reports_brsa.page? (with respect to the BRSA Financial Statements of the Bank).

Such website does not, and should not be deemed to, constitute a part of, or be incorporated into, this Prospectus.

Clearing Systems

The Rule 144A Global Note(s) has/have been accepted into DTC's book-entry settlement system and the Regulation S Global Note has been accepted for clearance through Euroclear and Clearstream, Luxembourg (CUSIP: 90014QAA5, ISIN: US90014QAA58 and Common Code: 105773129, with respect to the Rule 144A Global Note(s) and ISIN: XS1057541838 and Common Code: 105754183, with respect to the Regulation S Global Note).

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

Significant or Material Change

There has been: (a) no significant change in the financial or trading position of either the Bank or the Group since 31 December 2013 and (b) no material adverse change in the financial position or prospects of either the Bank or the Group since 31 December 2013.

Litigation

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

Auditors

The: (a) IFRS Financial Statements of the Group prepared as of and for the years ended 31 December 2011, 2012 and 2013 have been audited in accordance with International Standards on Auditing by Deloitte located at Sun Plaza, Maslak Mah. Bilim Sk. No: 5, Şişli, Istanbul 34398 and (b) BRSA Financial Statements of the Bank prepared as of and for the years ended 31 December 2011, 2012 and 2013 have been audited by Deloitte in accordance with the Regulation on Authorisation and Activities of Institutions to Perform External Audit in Banks and International Standards on Auditing. Deloitte, independent certified public accountants in Turkey, is an audit firm authorised by the BRSA to conduct independent audits of banks in Turkey. Deloitte's audit reports on such IFRS Financial Statements and BRSA Financial Statements contain a qualification (see "*Risk Factors – Risks Relating to the Group and its Business – Audit Qualification*" in the Base Prospectus for further information).

THE ISSUER

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To the Issuer as to Turkish law

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To the Initial Purchasers as to English and United States law

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To the Initial Purchasers as to Turkish law

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AUDITORS TO THE ISSUER

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