IMPORTANT NOTICE

THIS PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) AND ARE OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the prospectus attached to this electronic transmission and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached prospectus (the "**Prospectus**"). In accessing this Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from KT21 T2 Company Limited (the "**Trustee**") or Kuveyt Türk Katılım Bankası A.Ş. ("**Kuveyt Türk**") as a result of such access.

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED 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).

THE ATTACHED PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE MANAGERS (AS DEFINED BELOW) AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED 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 SECURITIES LAWS OF OTHER JURISDICTIONS.

UNDER NO CIRCUMSTANCES SHALL THIS PROSPECTUS CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL.

THIS PROSPECTUS IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THIS PROSPECTUS AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE PERSONS FALLING WITHIN ARTICLE 12, ARTICLE 19(5) OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, OR TO OTHER PERSONS TO WHOM THIS PROSPECTUS MAY OTHERWISE BE DISTRIBUTED WITHOUT CONTRAVENTION OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, OR ANY PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE. THIS COMMUNICATION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.

Confirmation of Your Representation: By accessing this Prospectus you confirm to Arab Banking Corporation (B.S.C.), Citigroup Global Markets Limited, Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, HSBC Bank plc and KFH Capital Investment Company KSCC as joint lead managers (together the "**Joint Lead Managers**"), Kuveyt Türk and the Trustee that: (i) you understand and agree to the terms set out herein; (ii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of any U.S. person, and that you are not in the United States, its territories and possessions; (iii) you consent to delivery by electronic transmission; (iv) you will not transmit the attached Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Joint Lead Managers; and (v) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Certificates.

You are reminded that the attached Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Prospectus, electronically or otherwise, to any other person and in particular to any U.S. person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received this Prospectus by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this Prospectus by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

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

Under no circumstances shall this Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the Certificates are reminded that any subscription or purchase may only be made on the basis of the information contained in this Prospectus.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers, Kuveyt Türk, the Trustee or any person who controls or is a director, officer, employee or agent of the Joint Lead Managers, Kuveyt Türk, the Trustee or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Joint Lead Managers, Kuveyt Türk and the Trustee to inform themselves about, and to observe, any such restrictions.

PROSPECTUS

KT21 T2 COMPANY LIMITED

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

U.S$350,000,000 Fixed Rate Resettable Sustainability Tier 2 Certificates due 2031

The U.S.$350,000,000 fixed rate resettable sustainability tier 2 certificates due 2031 (the "**Certificates**") of KT21 T2 Company Limited (in its capacity as issuer and trustee, the "**Trustee**") will be constituted by a declaration of trust (the "**Declaration of Trust**") dated on or around 16 September 2021 (the "**Closing Date**") entered into between the Trustee, Kuveyt Türk Katılım Bankası A.Ş. ("**Kuveyt Türk**" and the "**Obligor**") and HSBC Corporate Trustee Company (UK) Limited (the "**Delegate**"). The Certificates confer on the holders of the Certificates from time to time (the "**Certificateholders**") the conditional right to receive certain payments (as more particularly described herein) arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "**Trust**") over the Trust Assets (as defined herein) and the Trustee will hold such Trust Assets, including certain subordinated obligations of Kuveyt Türk as described herein, upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates (the "**Conditions**").

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

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

Periodic Distribution Amounts (as defined herein) shall be payable subject to and in accordance with the Conditions on the outstanding face amount of the Certificates from (and including) the Closing Date to (but excluding) 16 December 2026 (the "**Reset Date**") at a rate of 6.125 per cent. per annum. If the Certificates are not redeemed in accordance with the Conditions on or prior to the Reset Date, Periodic Distribution Amounts shall be payable from (and including) the Reset Date subject to and in accordance with the Conditions at a fixed rate, to be reset on the Reset Date, equal to the Relevant 5 Year Reset Rate (as defined in the Conditions) plus a margin of 5.332 per cent. per annum. The first Periodic Distribution Amount will be payable on 16 December 2021. Thereafter, Periodic Distribution Amounts will be payable semi-annually in arrear on 16 June and 16 December in each year (each, a "**Periodic Distribution Date**"), commencing 16 December 2021.

Unless previously redeemed, or purchased and cancelled in accordance with the Conditions, subject to and in accordance with the Conditions, the Certificates will be redeemed on the Periodic Distribution Date falling on 16 December 2031 (the "**Scheduled Dissolution Date**") at the Dissolution Distribution Amount (as defined herein). The Trustee will pay the Dissolution Distribution Amount solely from the proceeds received in respect of the Trust Assets (as defined below). In addition, the Trustee (subject to Kuveyt Türk having obtained the prior approval of the BRSA) may redeem all but not some only of the Certificates on the Reset Date in accordance with Condition 8.2 (*Early Dissolution at the option of the Trustee*). In addition, upon the occurrence of a Tax Redemption Event or a Capital Disqualification Event (each as defined in the Conditions), (i) all (but not some only) of the Certificates may be substituted or the terms of the Certificates may be varied in accordance with Condition 8.8 (*Substitution or Variation instead of Early Dissolution upon the occurrence of a Capital Disqualification Event or a Tax Redemption Event*) so that they remain or, as appropriate, so that they become, Qualifying Tier 2 Certificates (as defined in the Conditions); or (ii) the Certificates may be redeemed in whole (but not in part), on any Periodic Distribution Date (in respect of a Tax Redemption Event) in accordance with Condition 8.4 (*Early Dissolution for Tax Reasons*) and at any time on or after the Closing Date (in respect of a Capital Disqualification Event) in accordance with Condition 8.3 (*Early Dissolution upon a Capital Disqualification Event*).

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

This Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The Central Bank only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval by the Central Bank should not be considered as an endorsement of the Trustee, Kuveyt Türk or of the quality of the Certificates that are subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Certificates. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for the Certificates to be admitted to its official list (the "**Official List**") and trading on the regulated market. The regulated market is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"). References in this Prospectus to the Certificates being "listed" (and all related references) shall mean that the Certificates have been admitted to the Official List and trading on the regulated market. There is no assurance that such listing will be granted or maintained and that a trading market in the Certificates will develop or be maintained. This Prospectus will be valid until the admission of the Certificates to trading on the regulated market. The obligation to supplement the Prospectus in the event of any significant new fact, material mistake or inaccuracies does not apply when the Prospectus is no longer valid.

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

The Certificates are expected to be assigned a rating of "B" by Fitch Ratings Ltd. ("**Fitch**"). As of the date of this Prospectus, Fitch is established in the United Kingdom ("**UK**") and registered under Regulation (EU) No 1060/2009 on credit rating agencies as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**"). The rating assigned by Fitch has been endorsed by Fitch Ratings Ireland Limited. Fitch Ratings Ireland Limited is established in the European Union ("**EU**") and is registered under Regulation (EU) No 1060/2009 (as amended) (the "**EU CRA Regulation**"). As such, Fitch Ratings Ireland Limited is included in the list of credit ratings agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the EU CRA Regulation. A rating is not a recommendation to buy, sell or hold the Certificates (or interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. In general, EU and UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EU or the UK and registered under the EU CRA Regulation or the UK CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

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

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

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the HSBC Global Shariah Supervision Committee, the KFH Capital Sharia Committee, the Executive Committee of the Shari'a Board of Dubai Islamic Bank P.J.S.C. and Emirates NBD Islamic Internal Shariah Supervision Committee. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals referred to above is in compliance with *Shari'a* principles. None of the Trustee, the Obligor, the Joint Lead Managers, the Delegate or any of the Agents makes any representation as to the *Shari'a* compliance of the Certificates and/or any trading thereof.

Sole Global Coordinator
KFH Capital

Joint Lead Managers

Bank ABC
Dubai Islamic Bank
HSBC
Citigroup
Emirates NBD Capital
KFH Capital

The date of this Prospectus is 14 September 2021

IMPORTANT NOTICES

This Prospectus comprises a prospectus for the purposes of Article 6.3 of the Prospectus Regulation and for the purpose of giving information with regard to the Trustee, Kuveyt Türk and the Certificates which, according to the particular nature of the Trustee, Kuveyt Türk and the Certificates, is material to an investor to making an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and Kuveyt Türk, the rights attaching to the Certificates, and the reasons for the issuance and its impact on the Trustee and Kuveyt Türk.

The Trustee and Kuveyt Türk accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Trustee and Kuveyt Türk, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

The Joint Lead Managers and the Delegate have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers and the Delegate as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Joint Lead Managers and the Delegate in connection with the offering of the Certificates No representation or warranty is made or implied by the Dealers or any of their respective affiliates, or as to any acts or omissions of the Trustee, Kuveyt Türk or any other person in connection with this Prospectus or the issue and offering of the Certificates.

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

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

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

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

Each prospective investor is advised to consult its own tax adviser, legal adviser, business adviser and *Shari'a* adviser as to tax, legal, business, *Shari'a* and related matters concerning the purchase of Certificates.

The distribution of this Prospectus and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any other information supplied in connection with the Certificates comes are required by the Trustee, Kuveyt Türk

and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Certificates and on the distribution of this Prospectus and other offering material relating to the Certificates, see "*Subscription and Sale*". In particular, Certificates have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**"). Subject to certain exceptions, Certificates may not be offered, sold or delivered within the United States or to U.S. persons as defined in Regulation S under the Securities Act ("**Regulation S**"). The Trustee, Kuveyt Türk, the Delegate and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that any Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be forward looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "seeks", "estimate", "project", "will", "would", "may", "could", "continue", "should" and similar expressions are intended to identify forward looking statements. All statements other than statements of historical fact included in this Prospectus, including, without limitation, those regarding the financial position of Kuveyt Türk, or the business strategy, management plans and objectives for future operations of Kuveyt Türk, are forward looking statements. These forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause Kuveyt Türk's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward looking statements. These forward looking statements are contained in the sections entitled "*Risk Factors*" and "*Description of Kuveyt Türk Katılım Bankası A.Ş.*" and other sections of this Prospectus. Kuveyt Türk has based these forward looking statements on the current view of its management with respect to future events and financial performance. These forward looking statements are based on numerous assumptions regarding Kuveyt Türk's present, and future, business strategies and the environment in which Kuveyt Türk expects to operate in the future. Important factors that could cause Kuveyt Türk's actual results, performance or achievements to differ materially from those in the forward looking statements are discussed in this Prospectus (see "*Risk Factors*").

Forward looking statements speak only as at the date of this Prospectus and, without prejudice to any requirements under applicable laws and regulations, the Trustee and Kuveyt Türk expressly disclaim any obligation or undertaking to publicly update or revise any forward looking statements in this Prospectus to reflect any change in the expectations of the Trustee or Kuveyt Türk or any change in events, conditions or circumstances on which these forward looking statements are based. Given the uncertainties of forward looking statements, the Trustee and Kuveyt Türk cannot assure potential investors that projected results or events will be achieved and the Trustee and Kuveyt Türk caution potential investors not to place undue reliance on these statements.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

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

The unaudited consolidated financial statements of Kuveyt Türk for the six-month period ended 30 June 2021 and 30 June 2020 have been prepared and presented in accordance with BRSA Principles (the

"**Interim BRSA Accounts**") and are included in this Prospectus. The Interim BRSA Accounts were reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member firm of Ernst & Young Global Limited ("**E&Y**").

The annual statutory audited consolidated financial statements of Kuveyt Türk for the years ended 31 December 2019 (the "**2019 Annual BRSA Accounts**") and 31 December 2020 (the "**2020 Annual BRSA Accounts**") have been prepared and presented in accordance with BRSA Principles (together, the "**BRSA Accounts**") and are also included in this Prospectus. The BRSA Accounts for the year ended 31 December 2019 and 31 December 2020 were audited by E&Y.

As a consequence of the acquisition of Neova Sigorta A.Ş ("**Neova**") by Kuveyt Türk on 5 May 2020, the financial information of Kuveyt Türk as at and for the year ended 31 December 2019 as presented in the 2019 Annual BRSA Accounts was required to be restated in accordance with BRSA Principles (such financial information, the "**2019 Restated Financial Information**"). For a discussion of the restatement of the financial information as at and for the year ended 31 December 2019, see "*Financial Review - Acquisition of Neova Sigorta A.Ş.*". Consequently, the financial information included in this Prospectus in relation to Kuveyt Türk as at and for the year ended 31 December 2019 is extracted from, unless otherwise indicated, the 2019 Restated Financial Information included in the 2020 Annual BRSA Accounts, which differs from the financial information as at and for the year ended 31 December 2019 in the 2019 Annual BRSA Accounts.

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

Although Kuveyt Türk is not legally required to prepare financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Standards Interpretations Committee of the IASB (collectively, "**IFRS**"), it also prepares audited consolidated annual financial statements for the year ended 31 December each year in accordance with IFRS (the "**IFRS Accounts**"). IFRS Accounts are not used by Kuveyt Türk for any regulatory purposes and Kuveyt Türk's management principally uses the BRSA Accounts, the Interim BRSA Accounts and the BRSA Principles for the management of Kuveyt Türk. As Kuveyt Türk's management uses the BRSA Accounts and the Interim BRSA Accounts and considers these appropriate for use by investors, IFRS Accounts are not included in (or incorporated by reference into) this Prospectus and, for the avoidance of doubt, the financial information included in this Prospectus has not been prepared in accordance with IFRS and there may be material differences in such financial information had IFRS been applied in its preparation.

The financial data included in this Prospectus is extracted from the BRSA Accounts or the Interim BRSA Accounts.

BRSA Principles and International Financial Reporting Standards

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

Certain Conventions

All references in this Prospectus to "**U.S. dollars**", "**U.S.$**" and "**$**" are to the lawful currency of the United States of America, all references to "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, and all references to "**Turkish Lira**" (in Turkish: Türk Lirası) "**TRY**" and "**TL**" are to the lawful currency of the Republic of Turkey. Translations of amounts from U.S. dollars or euro to Turkish Lira and *vice versa* in this Prospectus are solely for the convenience of the reader.

Rounding

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

Foreign Language

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

BRSA Tier 2 Approval

Kuveyt Türk has obtained a letter dated 26 August 2021 and numbered E-43890421-101.02.01[93]-23512 from the BRSA (the "**BRSA Tier 2 Approval**") approving the treatment of the Certificates as Tier 2 capital of Kuveyt Türk for so long as the Certificates comply with the requirements of the BRSA. The BRSA Tier 2 Approval is conditional upon the compliance of the Certificates with the requirements of the Equity Regulation (as defined in this Prospectus). For a description of other regulatory requirements in relation to Tier 2 capital requirements, see "*Overview of Turkish Banking Sector Regulations*" in this Prospectus.

Certain Defined Terms

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

- references to "**BRSA**" are to the Banking Regulation and Supervision Agency of Turkey;
- references to "**TFRS**" are to the Turkish Financial Reporting Standards;
- references to "**Turkish Central Bank**", "**Central Bank**" and "**CBT**" are to the Central Bank of the Republic of Turkey;
- references to a "**Member State**" herein are references to a Member State of the European Economic Area;
- "**NPL ratio**" refers to non-performing loans divided by total loans;
- "**cash loans**" refers to, unless otherwise indicated, the sum total of gross loans and gross leasing receivables;
- "**provision ratio**" refers to provisions for non-performing loans divided by non-performing loans; and
- "**Close Monitoring Loans Ratio**" refers to "Stage 2" loans (comprising loans falling into the categories of rating deterioration, restructurings, delinquency loans and early warning signals according to BRSA regulations) divided by total loans.

Alternative Performance Measures ("APMs")

A number of the financial measures presented by Kuveyt Türk in this Prospectus are not defined by the BRSA Principles. However, the Group believes that these measures provide useful supplementary information to both investors and the Group's management, as they facilitate the evaluation of the Group's performance. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. Accordingly, these financial measures should not be seen as a substitute for measures defined in the BRSA Principles. The alternative performance measures used in this Prospectus are defined as such where used, and include, where necessary, information on certain financial measures used in the calculation of such alternative performance measures, to the extent that such financial measures are not defined in the BRSA and not included in the BRSA Accounts or the Interim BRSA Accounts.

Information Sourced from Third Parties

Any information sourced from third parties contained in this Prospectus has been accurately reproduced and, as far as the Trustee and Kuveyt Türk are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

STABILISATION

In connection with the issue of the Certificates, a Joint Lead Manager acting as stabilising manager under the Subscription Agreement (the "**Stabilising Manager**") or persons acting on behalf of the Stabilising Manager, may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, stabilisation action may not necessarily occur. Any stabilisation action may begin on or after the Closing Date and, if begun, may cease at any time, but it must end no later than the earlier of thirty (30) days after the issue date of the Certificates and sixty (60) days after the date of the allotment of the Certificates. Any stabilisation action must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

SUITABILITY OF INVESTMENTS

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

(a) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Prospectus;

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

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor's currency;

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

(e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

NOTICE TO RESIDENTS OF TURKEY

The Certificates (or beneficial interests therein) shall not be sold in Turkey in any circumstances which would constitute a sale or a public offering within the meaning of the Capital Markets Law No. 6362 without the approval of the Capital Markets Board of Turkey ("**CMB**"). No transaction that may be deemed as a sale of the Certificates (or beneficial interests therein) in Turkey by way of private placement or a public offering may be engaged in without the approval of the CMB. Additionally, no prospectus and other offering material related to the offering may be utilised in connection with any general offering to the public within Turkey for the purpose of the offer or sale of the Certificates without the prior approval of the CMB. However, pursuant to Article 15(d) (ii) of the Decree No. 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "**Decree No. 32**"), residents of Turkey may purchase or sell the Certificates denominated in a currency other than Turkish Lira (or beneficial interests therein) in offshore transactions on an unsolicited (reverse enquiry) basis, **provided that** such sale and purchase is made in the financial markets outside Turkey through banks and/or licensed brokerage institutions authorised pursuant to the BRSA and/or CMB regulations and the consideration of the purchase of such Certificates has been or will be transferred through licensed banks authorised under the BRSA regulations.

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

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

NOTICE TO UK RESIDENTS

The Certificates do not constitute "alternative finance investment bonds" within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010. The Certificates represent interests in a collective investment scheme (as defined in the Financial Services and Market Act 2000, as amended (the "**FSMA**")) which has not been authorised, recognised or otherwise approved by the FCA. Accordingly, this Prospectus is not being distributed to, and must not be passed on to, the general public in the UK.

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

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

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

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

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

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

must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

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

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

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

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

NOTICE TO RESIDENTS OF MALAYSIA

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

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2016/97/EU, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Certificates or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the

Certificates or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (as amended or modified from time to time, the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).

VOLCKER RULE

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from: (i) engaging in proprietary trading; (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund"; and (iii) entering into certain relationships with "covered funds". The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a "banking entity" as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. If investment by "banking entities" in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Trustee, Kuveyt Türk, the Joint Lead Managers, the Delegate or the Agents, or any of their respective affiliates, makes any representation regarding: (a) the status of the Trustee under the Volcker Rule (including whether it is a "covered fund" for their purposes) or; (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future.

CONTENTS

Page

OVERVIEW OF THE OFFERING 1
RISK FACTORS 9
DOCUMENTS INCORPORATED BY REFERENCE 53
STRUCTURE DIAGRAM AND CASHFLOWS 54
TERMS AND CONDITIONS OF THE CERTIFICATES 56
GLOBAL CERTIFICATE 81
USE OF PROCEEDS 83
DESCRIPTION OF THE TRUSTEE 84
DESCRIPTION OF KUVEYT TÜRK KATILIM BANKASI A.Ş. 86
RISK MANAGEMENT 109
MANAGEMENT 129
SELECTED FINANCIAL OVERVIEW 138
FINANCIAL REVIEW 142
OVERVIEW OF THE TURKISH BANKING SECTOR AND REGULATIONS 155
SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS 200
TAXATION 210
SUBSCRIPTION AND SALE 213
GENERAL INFORMATION 219
SUMMARY OF DIFFERENCES BETWEEN IFRS AND BRSA PRINCIPLES 221

OVERVIEW OF THE OFFERING

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

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

Trustee	KT21 T2 Company Limited (LEI: 549300A7OP1JIVHGH118) (the "**Trustee**"), an exempted company incorporated with limited liability on 19 July 2021 under the laws of the Cayman Islands and formed and registered in the Cayman Islands with registered number 378816 with its registered office at MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands. The Trustee has been incorporated solely for the purpose of issuing the Certificates and entering into related transaction documents and participating in the transactions contemplated by the Transaction Documents to which it is a party. The Trustee shall on the Closing Date issue the Certificates to the Certificateholders.
Obligor	Kuveyt Türk Katılım Bankası A.Ş (LEI: 549300TB3JMG64GK6X59).
Ownership of the Trustee	The authorised share capital of the Trustee is U.S.$50,000 consisting of 50,000 shares of U.S.$1.00 each, of which 250 shares are fully paid up and issued. The Trustee's entire issued share capital is held on trust for charitable purposes by MaplesFS Limited as share trustee under the terms of a declaration of trust.
Administration of the Trustee	The affairs of the Trustee are managed by MaplesFS Limited (the "**Trustee Administrator**"), who has agreed to perform certain management functions and provide certain clerical, administrative and other services pursuant to a corporate services agreement dated 26 August 2021 between the Trustee Administrator and the Trustee (the "**Corporate Services Agreement**"). The Trustee Administrator's registered office is P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.
Joint Lead Managers	Arab Banking Corporation (B.S.C.) Citigroup Global Markets Limited Dubai Islamic Bank PJSC Emirates NBD Bank PJSC HSBC Bank plc KFH Capital Investment Company KSCC

Delegate	HSBC Corporate Trustee Company (UK) Limited. In accordance with the Declaration of Trust, the Delegate will agree to undertake certain administrative functions in respect of the Certificates and the Transaction Documents and in its capacity as: (i) the donee of powers set out in clause 6 (*Powers Vested in the Delegat*e) of the Declaration of Trust; and (ii) as delegate of the Trustee pursuant to clause 7 (*Delegation of Authority to the Delegate*) of the Declaration of Trust. The appointment of the Delegate does not affect the Trustee's continuing role and obligations.
Principal Paying Agent, Transfer Agent and Registrar	HSBC Bank plc.
Summary of the Structure	An overview of the structure of the transaction and the principal cash flows is set out in the section entitled "*Structure Diagram and Cash Flows*".
Summary of the Principal Transaction Documents	An overview of the principal terms of the principal Transaction Documents is set out in the section entitled "*Summary of the Principal Transaction Documents*".
Certificates	U.S.$350,000,000 fixed rate resettable sustainability tier 2 certificates due 2031.
Trust Assets	The Trust Assets consist of: (a) the Issuance Proceeds, pending application thereof in accordance with the terms of the Transaction Documents; (b) subject to the terms of the Use of Proceeds Undertaking Deed, all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the portfolio of Wakala Assets, the amounts standing to the credit of the Collection Accounts (as defined in the Purchase Agreement) from time to time, and the obligations of the Service Agent to make payments under the Service Agency Agreement; (c) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (including, without limitation, the right to receive the Deferred Sale Price under the Murabaha Agreement and other than: (i) in relation to any representation given to the Trustee by Kuveyt Türk pursuant to any of the Transaction Documents; and (ii) the covenants given to the Trustee pursuant to Clause 17 (*Remuneration and Indemnification of the Trustee and the Delegate*) of the Declaration of Trust); and (d) all moneys standing to the credit of the Transaction Account, in each case and all proceeds of the foregoing which are held by the Trustee upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by

each holder in accordance with the Declaration of Trust and the Conditions.

Closing Date 16 September 2021.

Issue Price 100 per cent. of the aggregate face amount of the Certificates.

Periodic Distribution Dates 16 June and 16 December in each year commencing on 16 December 2021.

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

(a) in respect of the period from (and including) the Closing Date to (but excluding) the Reset Date, the product of: (a) 6.125 per cent. per annum; (b) the face amount of the Certificates; and (c) the number of days in the relevant Return Accumulation Period calculated on the basis of a year of 12 30-day months divided by 360; and

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

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

Reset Date The Reset Date is 16 December 2026.

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

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

A "**Non-Viability Event**" means the determination by the BRSA, and notification thereof to Kuveyt Türk, that, upon the incurrence of a loss by Kuveyt Türk (on a consolidated or

non-consolidated basis), Kuveyt Türk has become, or it is probable that Kuveyt Türk will become, Non-Viable.

Scheduled Dissolution

Unless the Certificates are previously redeemed, purchased and cancelled or written down in full and cancelled, the Trustee will redeem each Certificate at the Dissolution Distribution Amount on the Periodic Distribution Date falling on 16 December 2031 (the "**Scheduled Dissolution Date**"). See Condition 8.1 (*Capital Distributions – Scheduled Dissolution*).

Early Dissolution

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

(a) on: (i) the Reset Date; (ii) the Capital Disqualification Redemption Date; or (iii) the Tax Redemption Date, in each case in accordance with Condition 8 (*Capital Distributions*); or

(b) on the Dissolution Event Redemption Date in accordance with Condition 13 (*Dissolution Events*).

Substitution or Variation instead of Dissolution

If at any time a Capital Disqualification Event or a Tax Redemption Event occurs, the Trustee may at its sole discretion but in consultation with the Shariah Committee of Kuveyt Türk and subject to compliance with applicable Turkish law (including the BRSA Regulation and, to the extent so required, the prior approval of the BRSA) either substitute all (but not some only) of the Certificates for, or vary the terms of the Certificates accordingly, provided that they remain or, as appropriate, so that they become, Qualifying Tier 2 Certificates. See Condition 8.8 (*Substitution or Variation instead of Early Dissolution upon the occurrence of a Capital Disqualification Event or a Tax Redemption Event*).

Dissolution Events

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

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

Dissolution Distribution Amount

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

Status of the Certificates

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

Subordination

The payment obligations of Kuveyt Türk under the Transaction Documents to which it is a party, to fund the Periodic Distribution Amounts, the Dissolution Distribution

Amount and any other amounts payable in respect of the Certificates, will constitute direct, unsecured and subordinated obligations of Kuveyt Türk and shall, in the case of a Subordination Event and for so long as that Subordination Event subsists, rank:

(a) subordinate in right of payment to the payment of all Senior Obligations;

(b) *pari passu* without any preference among themselves and with all Parity Obligations; and

(c) in priority to all payments in respect of Junior Obligations.

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

Transaction Account

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

Priority of Distributions

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

(a) *first*, to the Delegate and any Appointee in respect of all amounts (including by way of indemnity) owing to it, or which it is entitled to receive payment pursuant to the Transaction Documents in its capacity as Delegate or Appointee (as the case may be);

(b) *second*, *pro rata* and *pari passu*: (i) to the Trustee in respect of all amounts properly incurred and documented owing to it under the Transaction Documents in its capacity as Trustee; (ii) to the extent not paid by Kuveyt Türk in accordance with the terms of the Agency Agreement, to each Agent in respect of all amounts owing to such Agent on account of its liabilities and its fees, costs, charges and expenses properly incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent; and (iii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents, the Corporate Services Agreement and

the Registered Office Terms in its capacity as Trustee Administrator;

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

(d) *fourth*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount; and

(e) *fifth*, only if such payment is made on a Dissolution Date, to the Service Agent to retain as an incentive fee in accordance with the Service Agency Agreement.

Limited Recourse

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

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

Withholding Tax

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

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

Use of Proceeds

The proceeds from the issuance of the Certificates will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents to purchase (i) certain *Shari'a*-compliant commodities through the Commodity Agent, which the Trustee will sell to Kuveyt Türk (as purchaser) on a deferred payment basis for a sale price specified in a letter of offer and acceptance pursuant to the Murabaha Contract; and (ii) Kuveyt Türk's interests, rights, benefits and

	entitlements in, to and under the Initial Wakala Portfolio pursuant to the Purchase Agreement. The net proceeds of the offering of the Certificates is expected to be U.S.$350,000,000. The net proceeds from the offering of the Certificates will be applied by Kuveyt Türk towards the financing and/or refinancing of certain sustainable projects in accordance with the Sustainable Finance Framework, as described in more detail in "*Use of Proceeds*".
Form and Delivery of the Certificates	The Certificates will be issued in registered form only. The Certificates will be represented on issue by interests in the Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of Certificates will be issued in exchange for interests in the Global Certificate only in the limited circumstances described under "*Global Certificate*".
Clearance and Settlement	Holders of the Certificates must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg, as the case may be. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearance systems.
Face Amounts of the Certificates	The Certificates will be issued in minimum face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Listing	Application has been made to Euronext Dublin for the Certificates to be admitted to listing on the Official List and to trading on Euronext Dublin's regulated market.
Rating	On or prior to the Closing Date, the Certificates are expected to be assigned a rating of "B" by Fitch. *A rating is not a recommendation to buy, sell or hold the Certificates (or beneficial interests therein), does not address the likelihood or timing of payment and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.*
No link to Derivative Transactions	None of the Transaction Documents, the Certificates or any obligations of the Trustee or Kuveyt Türk in respect of the Certificates or the Transaction Documents, respectively, will be: (i) linked to any derivative transaction or derivative contract in way which would result in a violation of Article 8(2)(b) and (c) of the Regulation on Equity of Banks (*published in the Official Gazette dated 5 September 2013 and numbered 28756*) (the "**Equity Regulation**"); or (ii) in any manner, the subject of any guarantee or security.
Certificateholder Meetings	A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 17 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).

Tax Considerations	See Condition 11 (*Taxation*) for a description of certain tax considerations applicable to the Certificates.
Transaction Documents	The Transaction Documents are the Purchase Agreement, the Service Agency Agreement, the Purchase Undertaking, the Sale and Substitution Undertaking, the Murabaha Agreement, the Use of Proceeds Undertaking Deed, the Declaration of Trust and the Agency Agreement.
Governing Law	The Purchase Agreement and any Sale Agreement or Transfer Agreement entered into pursuant to the Purchase Undertaking or Sale and Substitution Undertaking will be governed by Turkish law. Except for the provisions of Condition 3.2 (*Status, Subordination and Limited Recourse – Subordination*) (including reference thereto in Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*), which will be governed by, and construed in accordance with, Turkish law, the Declaration of Trust, the Certificates, the Agency Agreement, the Service Agency Agreement, the Purchase Undertaking, the Sale and Substitution Undertaking and the Murabaha Agreement will be governed by English law. The Corporate Services Agreement will be governed by the laws of the Cayman Islands and will be subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.
Selling Restrictions	There are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the EEA, the United Kingdom, Republic of Turkey, the Cayman Islands, the Dubai International Financial Centre, Hong Kong, Japan, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Malaysia, the State of Qatar (including the Qatar Financial Centre), Singapore, the United Arab Emirates (excluding the Dubai International Financial Centre) and the State of Kuwait and such other restrictions as may be required in connection with the offering and sale of the Certificates.

RISK FACTORS

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

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

Each of the Trustee and Kuveyt Türk believes that the factors described below represent the principal risks inherent in investing in the Certificates and may affect Kuveyt Türk's ability to perform its obligations under the Transaction Documents.

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

Risk factors relating to the Trustee

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

The Trustee is an entity incorporated under the laws of Cayman Islands on 19 July 2021 and has no operating history other than as described in "*Description of the Trustee*". The Trustee will not engage in any business activity other than the issuance of the Certificates, the acquisition of Trust Assets described herein, and other activities incidental or related to the foregoing as required under the Transaction Documents.

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

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

Risk factors relating to Kuveyt Türk's business

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

Kuveyt Türk's cash loans have increased rapidly in recent years, growing to TRY82,965.82 million as at 31 December 2020 from TRY59,966.17 million as at 31 December 2019. The growth in Kuveyt Türk's cash loans is attributable to an overall increase in the growth of Kuveyt Türk's lending activity which Kuveyt Türk intends to continue to target as part of its growth strategy. See "*Description of Kuveyt Türk Katılım Bankası A.S. —Strategy*" for further details.

As at 31 December 2020, Kuveyt Türk's ratio of funds in arrears in respect of loans was 3.58 per cent., compared to 3.52 per cent. as at 31 December 2019. As a participation bank, the monthly principal repayment structure of Kuveyt Türk's cash loans (which always require a portion of principal to be repaid) helps to reduce its credit risks, as compared to conventional banks which provide loans with principal repayable at maturity only. The significant increase in the size of its cash loans has increased Kuveyt Türk's credit exposure and will require continued analysis and monitoring of its credit quality and the adequacy of provisioning levels, as well as continued credit risk management. In common with all other Turkish banks, the growth rates recently experienced have required Kuveyt Türk to seek to attract and retain a significant number of qualified personnel to monitor asset quality.

Kuveyt Türk's credit risk management policies may nevertheless be insufficient to protect it against material cash loan losses and any negative macro-economic developments could have a more significant impact on small-to-medium size enterprise ("**SME**") customers compared to larger corporate and commercial type customers (see "*Risk Management*" for further details). The appropriate level of allowances for cash loan losses in respect of financial statements prepared in accordance with BRSA principles, which relies upon TFRS 9, necessarily requires the exercise of judgment (see "*Overview of Turkish Banking Sector and Regulations—Provisioning and Impairment*"). Kuveyt Türk's increased levels of cash loans may require Kuveyt Türk to make higher levels of provisioning for credit losses. Although Kuveyt Türk constantly seeks to revise and improve its lending procedures and credit quality analysis there can be no assurances that Kuveyt Türk will not experience an increase in levels of provisioning for credit losses as a result of the growth and changing quality of its credit portfolio, which accordingly may have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects. See "*–Risk Management—Credit Risk*" for further details.

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

Kuveyt Türk's core banking businesses have historically been, and are expected to continue to be, loans to corporate and SME clients. As at 31 December 2020, loans to corporate and SME customers constituted 41.72 per cent. of Kuveyt Türk's total assets with corporate loans contributing 23.62 per cent. and SME loans contributing 18.10 per cent. Many factors affect customers' ability to repay their loans or meet their other obligations to Kuveyt Türk. Some of these factors, including adverse changes in consumer confidence levels due to local, national and global factors, consumer spending, banking rates, and increased market volatility, may be difficult to anticipate and outside of Kuveyt Türk's control. Other factors are dependent upon Kuveyt Türk's strategy for loan growth (including sector focus) and the viability of Kuveyt Türk's internal credit application and monitoring systems, see "*–Kuveyt Türk's risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks*". All of the aforementioned risks could have a material adverse impact on Kuveyt Türk's business, financial condition, results of operations and prospects.

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

Kuveyt Türk's business is subject to inherent risk concerning the credit quality of borrowers and counterparties, which affects the value of Kuveyt Türk's assets. Systemic risks and macroeconomic factors in the Turkish and global financial system discussed in these risk factors can all impact the credit quality of Kuveyt Türk's customers and counterparties and negatively affect the value of Kuveyt Türk's assets.

As a result of weaker economic conditions in Turkey, non-performing loan ("**NPL**") ratios have increased in the Turkish banking sector and for Kuveyt Türk. According to BRSA statistics, the ratio of NPLs to total loans in the Turkish banking sector was 3.24 per cent. as of 31 December 2016, 2.96 per cent. as of 31 December 2017, 3.88 per cent. as of 31 December 2018, 5.37 per cent. as of 31 December 2019, and 4.08 per cent. as of 31 December 2020. The Turkish banking sector's NPL amount in TL only increased by 0.66 per cent. as of 31 December 2020, compared to 31 December 2019 from a gross amount of TL 151 billion to TL 152 billion.

As at 31 December 2020, 35.55 per cent. Kuveyt Türk's total loan portfolio consisted of loans to SMEs compared to 34.02 per cent. as at 31 December 2019. Although SMEs typically have less financial strength than larger companies, they are a key component of Kuveyt Türk's current business and growth strategy

(see "*Description of Kuveyt Türk—Strategy—Strategies of each core business segment*" for further details). The availability of accurate and comprehensive financial information and general credit information on which to base credit decisions is more limited for SMEs than is the case of larger corporate clients. Therefore, notwithstanding the credit risk determination procedures that Kuveyt Türk has in place, Kuveyt Türk may be unable to evaluate correctly the current financial condition of each prospective SME customer and to determine their long-term financial viability.

Financing to SMEs generally includes a higher degree of risk than financing to larger corporate customers, and there can be no guarantee that Kuveyt Türk's NPLs for SMEs, or any of its other customers, will not materially increase in the near to medium term, particularly if there is a significant deterioration in macroeconomic conditions in Turkey or if Kuveyt Türk is unable to accurately model and manage the risk associated with the SMEs or other customers to which it extends credit (see"*–Kuveyt Türk's Risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks*"). Kuveyt Türk's provisions for impairments in respect of loans and lease receivables increased by 79.06 per cent. to TRY5,447.61 million in 2020 from TRY3,042.31 million in 2019, principally due to the growth of the SME segment of Kuveyt Türk's business.

Additionally, it is also anticipated that the general level of NPLs within the Turkish banking sector will be approximately 4 per cent., with Kuveyt Türk expecting its own level of NPLs to increase by 10 per cent. by the end of 2021 from TRY 3 billion as of 30 June 2021. There can be no assurances that an increased level of NPLs will not have a material adverse effect on Kuveyt Türk's business, financial condition results of operations. Due to the on-going COVID-19 pandemic, on 17 March 2020 the BRSA announced temporary changes in NPL classification for banks until 31 December 2020, which extended the delinquency period after which loans are required to be classified as non-performing from 90 days to 180 days. 17 June 2021, the BRSA announced that the implementation period of these temporary regulations has been extended until 30 September 2021 due to the continuing possible effects of the pandemic in the current situation. This classification change covers consumer, vehicle, mortgage and commercial loans as well as classification of restructured loans as NPLs. For other coronavirus-related measures, see "*Overview of the Turkish Banking Sector and Regulations—Recent Coronavirus-related Measures*".

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

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

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

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

Kuveyt Türk has a high concentration of loans and deposits in geographic, currency and industry sector terms. Geographically, Kuveyt Türk's total loans are highly concentrated in Turkey with 93.26 per cent. of such loans being cash loans as at 31 December 2020 (compared to 84.68 per cent. as 31 December 2019). Kuveyt Türk's deposits are also concentrated in Turkish lira accounts, which represented 26.42 per cent. of total deposits as at 31 December 2020 (compared to 39.96 per cent. as at 31 December 2019).

As at 31 December 2020, the percentage of Kuveyt Türk's total loans (both cash and non-cash loans) to customers in the construction industry sector and the financial services sector were 17.93 per cent. and 4.26 per cent., respectively (as compared to 16.47 per cent. and 13.14 per cent., respectively as at 31 December 2019).

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

Kuveyt Türk's business entails operational risks

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

Although Kuveyt Türk has implemented risk controls and loss mitigation strategies and substantial resources are devoted to developing efficient procedures, it is not possible to be certain that such procedures and controls will be effective in controlling each of the operational risks of Kuveyt Türk. Given Kuveyt Türk's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult for Kuveyt Türk to detect quickly or at all. Any failure to effectively control such risks could have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects.

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

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

Liquidity risks could arise from Kuveyt Türk's inability to anticipate and provide for unforeseen decreases or changes in funding sources which could have adverse consequences on Kuveyt Türk's ability to meet its obligations when they fall due. As is the normal practice in the Turkish banking industry, Kuveyt Türk accepts deposits from its customers which are short-term in nature. Accordingly, of its TRY126,694.56 million in funds collected at 31 December 2020, 95.42 per cent. had contractual maturities of less than three months (compared to 95.10 per cent. of its TRY 87,996 million in funds collected as at 31 December 2019). However, it is also normal in the banking industry for these short-term deposits to be rolled over on their maturity such that, in practice, a significant portion of them have actual maturities of longer duration. Kuveyt Türk cannot, however, be certain that its customer will continue to roll over or maintain their deposits with Kuveyt Türk. In relation to Kuveyt Türk's cash loans, of its TRY 82,965.82 million of such loans as at 31 December 2020, 25.42 per cent. had contractual maturities of less than three months (compared to 35.65 per cent. of its TRY59,966.17 million of such loans at 31 December 2019). See "*Risk Management*" for a description of Kuveyt Türk's exposure to liquidity risks. Accordingly, there is a risk that if a significant number of Kuveyt Türk's customers do not choose to roll over their deposits at any time Kuveyt Türk could experience difficulties in repaying those deposits. In addition, Kuveyt Türk only has limited *Sharia* compliant products that could be used for short-term liquidity management.

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

To mitigate these risks, Kuveyt Türk monitors its liquidity position on a daily basis and is proactive in confirming with its large depositors their intentions in relation to maturing deposits. It also holds liquid assets at prudent levels to maintain liquidity, even under adverse market conditions. However, assets held for sale may not be able to be sold due to adverse market conditions. There can also be no assurance that Kuveyt Türk will not experience significant liquidity constraints in the future. In the event that Kuveyt Türk experiences liquidity issues, market disruptions and/or credit downgrades such events may cause certain sources of funding to become unavailable. For example, in the case of a liquidity crisis, wholesale funding

becomes increasingly costly and more difficult to obtain which may adversely affect capital raising in the debt capital markets, including issuing sukuk certificates. Kuveyt Türk's inability to refinance or replace deposits and devalued assets with alternative funding available on commercially reasonable terms, or at all, could have an adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects.

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

Kuveyt Türk is exposed to market risks, the most significant of which are currency exchange rate risk, interest rate risk and fluctuations in the prices of financial products. Kuveyt Türk is also exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. Although Kuveyt Türk sets limits and performs certain other measures aimed at reducing these risks, such as hedging against these risks and the use of derivative instruments, no assurance can be given that these measures will be effectively implemented or that they will allow Kuveyt Türk to minimise the impact of currency exchange rate and interest rate volatility. See "*Risk Management*" for further details. If Kuveyt Türk's risk management procedures and limits do not minimise the impact of market risks on Kuveyt Türk, its business, financial condition and results of operations may be adversely affected. Kuveyt Türk maintains an investment policy for any funds it holds. Significant reductions in the value of the assets in which it invests could give rise to a loss and materially adversely affect Kuveyt Türk's business, financial position, results of operations and prospects.

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

As of 31 December 2020, KFH owned 62.24 per cent. of Kuveyt Türk's share capital, see "*Description of Kuveyt Türk—Shareholders*" for further details. There can be no guarantee that the interests of KFH will align with those of the Certificateholders and, if they do not, the Certificateholders may be disadvantaged.

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

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

Although the participation banking industry is well established with a loyal customer base in Turkey, participation banking is a relatively new and growing area in the Turkish banking sector. As at 31 December 2020, participation banks have a total market share of approximately 7.16 per cent. (compared to 6.33 per cent. as at 31 December 2019). As at 31 March 2021, participation banks have a total market share of 7.21 per cent. in terms of asset size. As at 31 December 2020, Kuveyt Türk has a market share of approximately 2.59 per cent. (compared to 2.32 per cent. as at 31 December 2019), in each case of the Turkish banking sector in terms of asset size. There can be no assurances that customer perception in relation to participation banking will not change as a result of events and factors affecting the socio-political environment in Turkey and in countries where Kuveyt Türk operates or considers operating in the future or that the market share of participation banks will remain stable.

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

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

In addition to these regulatory measures, the CBT has tightened monetary policy raising short-term interest rates and simplifying the operational framework in order to contain the negative impacts of recent

developments in domestic and international markets on risk perception and inflation outlook. On 28 May 2018, the CBT decided to complete the simplification process regarding the operational framework of the monetary policy by making the one-week repo rate the policy rate. The CBT also stated that overnight borrowing and lending rates would be determined at 150 basis points below/above the one-week repo rate. This new operational framework took effect on 1 June 2018. On 7 June 2018, the policy rate (one-week repo auction rate) was increased from 16.5 per cent. to 17.75 per cent. and, as of 8 June 2018, the overnight borrowing rate and the overnight lending rate and the late liquidity window lending rate increased to 16.25 per cent., and 19.25 per cent., respectively.

Following the significant decline in the value of the Turkish lira in the second half of 2018, which fell to a record low (exceeding TRY7.2 per U.S. dollar in the week ended on 12 August 2018), the CBT (on 13 September 2018) increased its benchmark lending rate by 6.25 per cent., which increased the one-week repo rate from 17.75 per cent. to 24.00 per cent. On 6 March 2019, the CBT decided to keep the policy rate constant at 24.00 per cent. However, since then, the policy rates have fluctuated; as at the date of this Prospectus, the one-week repo rate is 19.00 per cent., the overnight borrowing rate is 17.50 per cent. and the overnight lending rate is 20.50 per cent.

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

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

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

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

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

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

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

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

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

Although Kuveyt Türk is a participation bank dealing in financial products that differ in many ways from the products of conventional banks, it faces significant competition from not only other participation banks, but also from conventional banks in the Turkish banking sector. As at 30 June 2021, there were a total of 55 banks (excluding the CBT) licensed to operate in Turkey, 28 of which were banks with foreign ownership (including the subsidiaries of foreign banks and joint ventures between Turkish and foreign shareholders) and 6 of which were participation banks. A small number of banks in the Turkish banking sector dominates the market. According to the BRSA, as at 31 December 2020, the top seven banking groups in Turkey, three of which are state-controlled, held in aggregate approximately 74.0 per cent. of the Turkish banking sector's total loan portfolio, approximately 72.6 per cent. of total banking assets in Turkey and approximately 77.4 per cent. of total deposits in Turkey. See "*Overview of the Turkish Banking Sector and Regulations*" for further details.

State-controlled banks in Turkey have historically focused on government and government-related projects but are increasingly focusing on the private sector, leading to increased competition and pressure on margins. The government of Turkey (the "**Government**") has granted approvals to various state-controlled banks to enter the participation banking market through the establishment of subsidiaries which will operate as participation banks. Ziraat Katılım Bankası A.Ş.'s participation banking operations (Ziraat Participation Bank) commenced on 12 May 2005 and Vakıf Katılım Bankası A.Ş.'s participation banking operations ("**Vakıf Participation Bank**") commenced as of 24 February 2016. The BRSA granted a banking licence to Türkiye Emlak Katılım Bankası A.Ş. and its participation banking operations (Emlak Participation Bank) commenced on 5 March 2019. In addition, state-controlled banks in Turkey have historically had access to very inexpensive funding in the form of very significant Government deposits, which has provided a competitive advantage over private banks.

International banks have shown an increased interest in the banking sector in Turkey. For example, Standard Chartered Bank of the United Kingdom acquired Credit Agricole's Turkish banking operations (announced in August 2012), and Bank Audi of Lebanon launched retail operations in Turkey through its Odea Bank subsidiary after receiving its operating licence from the BRSA in October 2012. In December 2012, the BRSA approved the incorporation of a bank (with a deposit taking licence) by the Bank of Tokyo—Mitsubishi UFJ, Ltd and The Bank of Tokyo—Mitsubishi UFJ, Ltd was granted an operational permit in September 2013. The Commercial Bank of Qatar (Q.S.C.) acquired 70.84 per cent. of Alternatif Bank A.S. in July 2013. In August 2013, Rabobank International Holding B.V. was granted an authorisation to establish a deposit bank in Turkey. In April 2014, Industrial and Commercial Bank of China Ltd. announced that it had signed an agreement to acquire 75.5 per cent. of Tekstilbank from GSD Holding A.S. In June 2016, Qatar National Bank announced that it had completed the acquisition of Turkey's Finansbank. The entry of foreign-owned banks to the sector, either directly or in collaboration with existing Turkish banks, may increase the already significant competition in the market, especially given that some of these foreign competitors have significantly greater resources and less expensive funding sources than Turkish banks.

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

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

A portion of Kuveyt Türk's assets and liabilities are denominated in foreign currencies, and in particular the U.S. dollar and the Euro. In preparing its financial statements, Kuveyt Türk translates such assets and liabilities, as well as the mark-up earned or paid on such assets and liabilities and gains or losses realised upon the sale of such assets, to Turkish lira. As a result, and in common with all banks dealing with foreign currencies, Kuveyt Türk's capital adequacy ratios and its reported income and assets and liabilities are affected by changes in the value of the Turkish lira with respect to foreign currencies. Accordingly, the overall effect of exchange rate movements on Kuveyt Türk's results of operations depends on the rate of depreciation or appreciation of the Turkish lira against the foreign currencies in which any of its assets and liabilities are denominated. Due to market volatility, the Turkish lira has fluctuated, appreciating or depreciating to TRY2.1304 per U.S. dollar at 31 December 2013, TRY2.3269 per U.S. dollar at 31 December 2014 and TRY2.9181 per U.S. dollar at 31 December 2015. In the aftermath of the failed coup attempt, on 31 July 2016, the Turkish lira depreciated significantly to TRY3.0727 per U.S. dollar. In addition, after the U.S. presidential election on 8 November 2016, the U.S. dollar strengthened while the Turkish lira continued to depreciate significantly against the U.S. dollar. From time to time, the Turkish lira may be subject to increased volatility. For example, on 13 August 2018, the Turkish lira depreciated from TRY3.7652 per U.S. dollar as at 2 January 2018 to TRY6.8798 per U.S. dollar due to market volatility and tensions with the United States.

In connection with the volatility of the Turkish Lira, on 13 August 2018, the Central Bank introduced Turkish lira and foreign exchange liquidity management measures in order to support financial stability and sustain the effective functioning of markets. After the Central Bank's decision to increase the policy rate on 13 September 2018, the Turkish lira appreciated against the U.S. dollar. However, the Turkish Lira depreciated further over the course of 2019 and 2020 amid concerns over depleted reserves, costly state foreign currency interventions and a trend of Turkish nationals buying foreign currencies. As at 31 August 2021, the Turkish Lira had depreciated further to TRY8.30 to 1 U.S. dollar. Further significant fluctuations in the value of the Turkish lira against foreign currencies, in particular the U.S. dollar and the Euro, could have a material adverse effect on Kuveyt Türk's business, financial condition, prospects and results of operations.

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

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

Kuveyt Türk intends to open a number of additional branches throughout Turkey, and some internationally where growth opportunities exist, in order to attract more retail and SME customers as well as to increase Kuveyt Türk's retail deposit base. There are risks associated with such expansion, including greater-than-anticipated costs of opening new branches, being unable to profitably deploy assets acquired or developed through expansion and being unable to integrate such assets into Kuveyt Türk's risk management systems. Kuveyt Türk may also experience pressure on its margins as it implements its growth strategy because of the delay between the increased operating costs incurred in connection with such expansion and any increase in revenues generated from such expansion. The management of Kuveyt Türk's growth will require, among other things, continued development of Kuveyt Türk's financial and information management control systems, the ability to integrate new products and services, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel, the presence of adequate supervision and the maintenance of consistent levels of customer service. Any failure to manage this growth while at the same time ensuring that Kuveyt Türk continues to focus on its existing operations, including risk management systems and internal control processes, could have a material adverse effect on its asset quality (with a consequent increase in NPLs), profitability and capital ratios, and in turn, on its business, financial condition, results of operations, cash flows and prospects.

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

As a participation bank, Kuveyt Türk is an interest-free financial institution and its customers' participation and accounts are paid a return or suffer losses based on the performance of its credit portfolio rather than

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

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

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

Kuveyt Türk's success will depend, in part, on the continued service of its key executives (see "*Management*" for a description of these individuals) and employees and its ability to continue to attract, retain and motivate qualified personnel.

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

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

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

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

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

Kuveyt Türk has a primary Data Centre in Banking Base at Kocaeli which is located in a first degree earthquake risk zone and a disaster recovery centre (the "**Disaster Recovery Centre**") at Türk Telekom Data Centre in Ankara which is at least 300km away from Kuveyt Türk's head office. Kuveyt Türk has established a separate online back-up system which is used to transfer critical data to the Disaster Recovery Centre. Notwithstanding these precautions, should a natural disaster or other event affecting the Ankara area occur, or should Kuveyt Türk be unable to use its online link to the back-up system at the Disaster Recovery Centre, it may be impossible for Kuveyt Türk to recover data in the event that its main information systems located in Istanbul fail. Therefore, there can be no assurances that such failures or interruptions will not occur or that Kuveyt Türk will be able to address them in a timely manner if they do occur. Accordingly, the occurrence of any failure, interruption or breach of Kuveyt Türk's information systems could have a material adverse effect on its business, financial condition and results of operations and prospects.

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

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

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

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

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

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

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

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

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

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

Credit ratings affect the cost and other terms upon which Kuveyt Türk is able to obtain funding. Rating agencies regularly evaluate Kuveyt Türk and their ratings of its long-term debt are based on a number of factors, including its financial strength as well as conditions affecting the financial services industry generally. As at the date of this Prospectus, Kuveyt Türk's long-term foreign currency issuer default rating was B+/Stable from Fitch. Any ratings of Kuveyt Türk may not reflect the potential impact of all risks related to the Certificates, the global financial market and the Turkish banking sector. In light of the difficulties in the financial markets, there can also be no assurance that the rating agencies will maintain Kuveyt Türk's current ratings or outlooks. Fitch is established in the United Kingdom and registered under the UK CRA Regulation. As such, Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with EU CRA Regulation.

Long-term foreign currency debt of the Republic of Turkey is currently rated sub-investment grade by three nationally recognised statistical rating organisations. On 13 July 2018, Fitch downgraded Turkey's long-term foreign currency issuer default rating and senior unsecured foreign currency bond rating and assigned a negative outlook (albeit that such outlook was subsequently revised to positive on 2 November 2019). Fitch indicated, in the context of the rating downgrade, that downside risks to macroeconomic stability had intensified due to the widening in the current account deficit, a more challenging global external financing environment and the jump in inflation and the impact of the plunge in the exchange rate on the private sector. On 17 August 2018, S&P Global Ratings Europe Limited ("**Standard & Poor's**") lowered Turkey's foreign currency and local currency long term credit ratings and assigned a stable outlook. Standard & Poor's stated that the downgrade reflects its expectations that the extreme volatility of the Turkish lira and the resulting projected sharp balance of payments adjustment will undermine Turkey's economy. On 6 May 2020 and on 24 July 2020, Standard & Poor's affirmed Turkey's credit rating outlook.

On 14 June 2019, Moody's downgraded Turkey's long-term issuer ratings and maintained its negative outlook. According to Moody's, the key reason for the downgrade (amongst others) was that the risk of a balance of payments crisis continues to rise, and with it the risk of a government default.

On 11 September 2020, Moody's downgraded Turkey's long-term issuer and senior unsecured debt ratings and affirmed its "negative" outlook. Moody's stated that the three key drivers for the downgrade were as follows: (i) Turkey's external vulnerabilities are increasingly likely to crystallise in a balance of payments crisis; (ii) as the risks to Turkey's credit profile increase, the country's institutions appear to be unwilling or unable to effectively address these challenges; and (iii) Turkey's fiscal buffers, which have been a source of credit strength for many years, are eroding. On 4 December 2020, Moody's announced the completion of the periodic review of the ratings of Turkey, but the agency explicitly added that this publication does not include a new credit rating action on the country.

On 12 July 2019, Fitch downgraded Turkey's sovereign rating to "BB-" from "BB", mainly based on (i) the dismissal of the Central Bank governor on 6 July 2019, which heightened doubts over the Turkish authorities' tolerance for a period of sustained below-trend growth and deflation according to Fitch, and (ii) the risk of U.S. sanctions triggered by the delivery of S-400 missile components from Russia, which Fitch expects to be of a "relatively mild form with minimal direct economic effect" but which might have a significant impact on sentiment according to Fitch. On 1 November 2019, Fitch revised the outlook on Turkey's sovereign rating to stable from negative, and affirmed at "BB-", citing continued progress in rebalancing and stabilisation of the Turkish economy with an improved current account balance, however noting Turkey's gross external financing requirement as a source of vulnerability. On 12 November 2019, following its revision of Turkey's long-term foreign-currency issuer default rating, Fitch revised the rating outlooks for 20 Turkish banks to stable. On 21 February 2020, Fitch affirmed Turkey's long-term foreign currency issuer default rating at "BB+" with a stable outlook. On 19 February 2021, Fitch revised the outlook on Turkey's long-term foreign currency issuer default rating to stable from negative and affirmed the issuer default rating at "BB-".

Such downgrades or any further downgrades of the Turkish sovereign rating could negatively affect Kuveyt Türk's ratings. A rating is not a recommendation to buy, sell or hold the Certificates (or beneficial interests therein), does not address the likelihood or timing of payment and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

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

All banks established in Turkey require licensing by the BRSA. Each of Kuveyt Türk and, to the extent applicable, each of its subsidiaries has a current Turkish and/or other applicable licence for all of its banking and other operations. Kuveyt Türk believes that it, and each of its subsidiaries, is currently in compliance with its existing material licence and reporting obligations.

In the event of financial instability within a bank in Turkey, the Savings Deposits Insurance Fund ("**SDIF**") may take measures to restructure such a bank to strengthen its fiscal structure (See "*Overview of the Turkish Banking Sector and Regulations — The Role of the SDIF*"). In February 2015, Bank Asya came under the supervision of the SDIF as a result of a determination by the BRSA that Bank Asya had failed to submit information and documents concerning 132 of 185 of its privileged shareholders. On 22 July 2016, Bank Asya's banking permissions were cancelled by the BRSA.

Any failure by Kuveyt Türk to comply with its material licence and reporting obligations could result in it coming under the supervision of the SDIF and ultimately having its banking permissions cancelled. If Kuveyt Türk or, to the extent applicable, any of its subsidiaries were to suffer a future loss of any licence for the foregoing or other reasons, breach the terms of any licence or fail to obtain any further required licences, then this could have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects.

Risk factors relating to Turkey

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

Kuveyt Türk is predominantly engaged in business in Turkey and its results of operations and financial condition are to a large extent dependent upon the overall level of economic activity and political stability in Turkey. Even though Turkey has undergone significant political and economic transformation which has resulted in increased stability and economic growth, in recent years Turkey has experienced volatile political, economic and social conditions (see "*–Risk Factors – Adverse political, economic and related considerations in Turkey could adversely affect Kuveyt Türk's business*"), been affected by the global financial crisis and is still generally considered by international investors to be an emerging market.

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

The outbreak of COVID-19 has negatively affected the global and Turkish economy and financial markets and might continue to disrupt and/or otherwise negatively impact the operations of Kuveyt Türk and/or its clients

In December 2019, a novel coronavirus was detected in China, which subsequently spread globally, including to Turkey. On 30 January 2020, the World Health Organisation declared COVID-19 a health emergency of international concern and, on 11 March 2020, declared the outbreak a pandemic. The COVID-19 pandemic has caused significant disruption in the global and Turkish economy and financial markets. Within Turkey and many of its important trading partners, the spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business shutdowns, reduction in business activity and financial transactions, labour shortages, supply chain interruptions and overall economic and financial market instability. The ongoing COVID-19 pandemic continues to evolve due to its different variants and, to date, has resulted in the implementation of significant measures by the Turkish Government intended to control the outbreak.

Due to the disruptions in economic and commercial activities resulting from the COVID-19 outbreak, the Turkish Government has taken measures to assist customers and restore liquidity. The Central Bank of Turkey has provided additional liquidity to the market by arranging repo transactions with lower interest rates, arranging for additional currency swap lines with longer maturities and expanding the Credit Guarantee Fund programme to provide TRY50 billion in support with a one-year maturity and three-month grace period. The Turkish Government has also introduced several measures to support the real sector and individuals, such as tax payment postponements, employment benefits, and pensioner schemes.

The extent of the ultimate impact the COVID-19 outbreak has on the Turkish economy and on Kuveyt Türk specifically will depend upon future developments, including actions taken globally and within Turkey to contain COVID-19. The impact on the Turkish economy and banking sector may be significant, which in turn may materially and adversely impact Kuveyt Türk's business, financial condition and/or results of operations, including in the following ways:

- reductions in business and consumer activity and financial transactions, which might lead to a reduction in demand for loans and/or Kuveyt Türk's banking services that generate fee and commissions income,

- the quality of Kuveyt Türk's loans and other assets (and the value of collateral securing the same) might deteriorate, particularly in those sectors (such as automobiles, textiles, services, real estate and tourism) or those segments (such as Kuveyt Türk's SME segment) that are most dramatically impacted, which might lead (inter alia) to increases in provisions, NPLs and/or reductions in customer payments (e.g., loans under credit cards),

- to the extent that global trade and travel flows remain subdued for a prolonged period of time, potential overcapacity in tourism, transport and logistics infrastructure (including hotels and airports) might lead to a rapid decline in prices of these and other properties, which might then lead to a further deterioration of the asset quality of Kuveyt Türk's loan book and, in case of any restructuring with any borrowers resulting in more favourable terms to borrowers, might lead to a decrease in income for Kuveyt Türk,

- regulatory measures that seek to ease the impact of COVID-19 might (inter alia) affect customer demand for loans and/or services, affect pricing in Turkey's competitive banking landscape, impose limitations on Kuveyt Türk's ability to enforce its contracts (including with respect to collateral) and/or, for temporary regulatory changes (e.g., the rule announced by the BRSA on 23 March 2020 allowing banks to use 31 December 2019 exchange rates in certain capital and other calculations), result in financial calculations that are not comparable to those of previous and later periods (including resulting in potentially material changes after such temporary measures terminate) and/or alter the decision-making process of Kuveyt Türk and/or make it more difficult for investors to assess financial results on a comparative basis,

- sources of liquidity available to Turkish borrowers (including Kuveyt Türk) might be reduced and/or more expensive, including if sentiments in capital markets further deteriorate or international investors reduce their exposure to Turkey,

- continued depreciation of the Turkish Lira could affect Turkey's current account deficit and/or the ability of Turkish borrowers to repay obligations denominated in (or linked to) foreign currencies, which could impact not only Kuveyt Türk's own loan portfolio but also Turkey's economy generally, including by way of increased unemployment, and/or

- some of Kuveyt Türk's operations might be impacted, such as due to illness among staff or the need to close or limit customer access to branches.

The pandemic has already resulted in significant contractions in many economies, including those of the United States and the EU, and the future impact of the outbreak is highly uncertain and cannot be predicted. There is no assurance that the outbreak will not have a material adverse impact on Kuveyt Türk's business, financial condition and/or results of operations. The extent of the impact, if any, will depend upon future developments, including actions taken globally and within Turkey to contain COVID-19. It should be noted that the impact of COVID-19, including actions taken to contain it, might heighten many of the other risks noted within these Risk Factors, including through increasing both the probability of negative impacts as well as the severity of such impacts.

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

In the past, the Turkish economy has experienced significant inflationary pressures and, between 2000 and 2008, inflation was one of the most serious problems faced by the Turkish economy. Over the five-year period ended 31 December 2002, the Turkish economy experienced annual inflation averaging approximately 54.4 per cent. per year, as measured by the consumer price index. In 2006, Turkey adopted an open inflation targeting framework, which included binding inflation targets. Inflation reduced as a result, but remained higher than the CBT's medium-range target of 5 per cent., and was partially driven by inflationary shocks, including the depreciation of the Turkish Lira, the 2007 and 2008 surge in commodity prices, temporary increases in Government expenditure and increased taxes.

Although previous policies have achieved limited success in reducing inflation from its formerly high levels, inflation has rebounded in recent years and repeating policies may not be successful, especially in light of Turkey's significant current account deficit and global liquidity situation. Producer Price Index and Consumer Price Index for the period from December 2012 to December 2013 were 7.0 and 7.4 per cent., respectively; for the period from December 2013 to December 2014 period were 6.4 per cent. and 8.2 per cent., respectively; for the period from December 2014 to December 2015 were 5.7 per cent. and 8.8 per cent., respectively; for the period from December 2015 to December 2016 period were 9.9 per cent. and 8.5 per cent., respectively; for the period from December 2016 to December 2017 period were 15.5 per cent. and 11.9 per cent., respectively; for the period from December 2017 to December 2018 period were 33.6 per cent. and 20.3 per cent; for the period from December 2018 to December 2019 were 7.3 per cent. and 11.8 per cent., respectively; for the period from December 2019 to December 2020 were 25.2 per cent. and 14.6 per cent; and for the period from July 2020 to July 2021 were 44.92 per cent. and 18.95 per cent., respectively.. In its January 2020 inflation report, the CBT revised its inflation forecast for 2020 to 8.2 per cent. compared to 9.3 per cent. in October 2019. According to the CBT, the bulk of this increase stemmed from the depreciation of the Turkish lira, changes in pass-through from exchange rates to inflation in the third quarter and increases in energy prices excluding fuel oil which remained above the assumptions of the previous report. The CBT introduced Turkish lira and foreign exchange liquidity management measures as part of its policy to stabilise foreign exchange levels and control the effects of the depreciation of the Turkish lira on inflation, which would jeopardise price stability. In its July 2021 inflation report, the CBT projected inflation to be 14.1 per cent. at the end of 2021, and to fall to 7.8 per cent. at the end of 2022 before stabilising around 5.0 per cent. in 2023.

There can be no assurance that inflation will not increase further in the future. In particular, strong domestic demand and/or an increase in global or regional economic activity that influences the prices of oil and other commodities and external demand could cause an increase in inflation. Increases in employment and wage developments, as well as adjustments to administered prices and taxes, could also contribute to increases in inflation. In addition, the exchange rate pass-through effect has had, and in the future may have, a negative impact on the price of imports, contributing to inflation. These inflationary pressures may result in Turkish inflation exceeding the CBT's inflation target, which may cause the CBT to modify its monetary policy. The inflation target for 2021 is 5 per cent., with a 2 percentage point uncertainty band in both directions. Inflation-related measures that may be taken by the Government in response to increases in inflation could have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to fluctuate or increase significantly, whether as a result of recent social and political challenges faced in Turkey (see "*–Risk Factors – Adverse political, economic and related considerations in Turkey could adversely affect Kuveyt Türk's business*") or otherwise, then this could have a material adverse effect on Kuveyt Türk's business, financial condition and results of operations and prospects.

The CBT closely monitors the U.S. Federal Reserve's actions and takes action to maintain price and financial stability. Between December 2015 and December 2018, the U.S. Federal Reserve raised the U.S. federal funds rate by 0.25 per cent. nine times. However, in July 2019, the U.S. Federal Reserve halted its rate-increasing cycle, cut the U.S. federal funds rate by 0.25 per cent. and announced its decision to halt the reduction in its balance sheet on 1 August 2019, two months earlier than planned. The U.S. Federal Reserve further cut the U.S. federal funds rate by 0.25 per cent. in each of July, September and October 2019. In March 2020, the U.S. Federal Reserve reduced rates by a further 0.50 per cent. in response to the on-going outbreak of COVID-19, and later that month, further reduced its interest rates by an additional 1.00 per cent. to a target range of 0 per cent. to 0.25 per cent. Whether the U.S. Federal Reserve will further cut the U.S. federal funds rate, or rather increase the rate, and the impact of such changes is uncertain. The Turkish Lira and certain other emerging market currencies may depreciate against the U.S. dollar if the U.S. Federal Reserve does not ease monetary policy to the degree expected by the financial markets. Primarily due to

changes in macroeconomic conditions and the political uncertainty, the Turkish Lira depreciated against the U.S. dollar by 30 per cent. from the second quarter of 2017 to the second quarter of 2018, and from TRY 4.56 to 1 U.S. dollar at the end of June 2018 to TRY 6.88 to 1 U.S. dollar on 13 August 2018, as a result of heightened tensions in relations between Turkey and the United States. Nevertheless, due to, among other factors, tight monetary stance of the CBT and favourable monetary stance of the developed-country central banks for Turkish Lira and certain other emerging market currencies, the Turkish Lira appreciated from TRY 6.55 to 1 U.S. dollar at the end of August 2018 to as low as TRY 5.47 to 1 U.S. dollar in August 2019 but has continued to exhibit substantial volatility with continuing pressure. In the third quarter of 2019, the Turkish Lira depreciated against the U.S. dollar by 7.6 per cent., from TRY 5.26 to 1 U.S. dollar as at 31 December 2018, to TRY 5.95 to 1 U.S. dollar as at 31 December 2019 and the Turkish Lira had depreciated further to TRY 7.43 to 1 U.S. dollar as at 31 December 2020. As at 31 August 2021, the Turkish Lira depreciated further to TRY 8.30 to 1 U.S. dollar. Nonetheless, there can be no assurance that monetary policy of the CBT, in reaction to actions of the U.S. Federal Reserve, will not have a negative inflationary impact on Turkey which could, in turn, have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects.

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

Turkey's current account deficit has widened considerably in recent years mainly due to the increasing trade deficit. In 2013, the current account deficit was U.S.$63.6 billion, which decreased to U.S.$43.6 billion in 2014. In 2015, the current account deficit decreased to U.S.$32.1 billion but slightly increased to U.S.$33.1 billion in 2016. In 2017, the current account deficit increased to U.S.$47.3 billion. In 2018, the current account deficit was U.S.$27.8 billion. In May 2019, the current account deficit was U.S.$1.1 billion surplus. In May 2020, the current account deficit was U.S.$3.8 billion, bringing the twelve-month rolling deficit to U.S.$8.2 billion. In April 2021, the current account deficit was U.S.$1.7 billion, a decrease of U.S.$3.6 billion compared to April 2020, bringing the twelve-month rolling deficit to U.S$32.7 billion. In June 2021, the current account deficit was U.S.$1.1 billion, a decrease of U.S.$1.9 billion compared to June 2020, bringing the twelve-month rolling deficit to U.S.$29.7 billion Various events including any deterioration in economic conditions in Turkey's primary export customers and geopolitical risks (such as tariffs imposed by the United States on imports from Turkey), as well as an increase in energy prices, might result in an increase in the current account deficit, including due to the possible impact on Turkey's foreign trade and tourism revenues.

Due to the negative impact of the global COVID-19 pandemic, Turkey's tourism revenues and (in particular due to the EU being Turkey's largest export market) export revenues experienced a significant decline in 2020. In order to reduce the negative impact on Turkey's current account deficit by decreasing the demand for imports into Turkey and supporting domestic producers, the Turkish government imposed new (or increased) custom tax rates for numerous products. In addition, starting in August 2020, the CBT began to tighten monetary policy by increasing the cost of funding (including via large increases to the benchmark policy rate, including a 475 basis point increase to 15.00 per cent. in November 2020, a 200 basis point increase to 17.00 per cent. in December 2020 and a further 200 basis point increase to 19.00 per cent. in March 2021), which might reduce demand for imports, adversely affect Turkey's economic growth and/or result in downward pressure on Kuveyt Türk's net interest margin.

Although Turkey's economic growth depends to some extent upon domestic demand, Turkey's economy is also dependent upon trade, in particular with Europe. The EU remains Turkey's largest export market. A significant decline in the economic growth of any of Turkey's major trading partners, such as the EU, may have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Diplomatic and political tensions between Turkey and the EU (or any of its member states) or other countries may impact trade or demand for imports and exports. A decline in demand for imports into the EU or Turkey's other trading partners may have a material adverse effect on Turkish exports and thus on Turkey's economic growth, thereby resulting in an increase in Turkey's current account deficit. As a result of the current financial situation in the EU, a decline in demand for imports could have a material adverse effect on Turkish exports and Turkey's economic growth and result in an increase in Turkey's current account deficit. To a lesser extent, Turkey also exports to markets in Russia and the Middle East, and the continuing political and/or economic turmoil in certain of those markets may lead to a decline for such imports, with a similar negative effect on Turkish economic growth and Turkey's current account deficit.

If the value of the Turkish Lira relative to the U.S. dollar and other relevant trading currencies declines, the cost of importing oil and other goods and services may increase, resulting in potential increases in Turkey's current account deficit. As an increase in the current account deficit may erode financial stability in Turkey,

the CBT may take certain actions to maintain price and financial stability, which actions (including changes to interest rates and reserve requirements) may materially adversely affect Kuveyt Türk's business, financial condition, results of operations and prospects.

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

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

As a result of Turkey's high-level political commitment to work with the Financial Action Task Force ("**FATF**") to seek to address Turkey's deficiencies in combating the financing of terrorism, the Law on Prevention of Financing of Terrorism Law No. 6415 dated 7 February 2013 (the "**Terrorism Law**") was enacted by Turkey and published in the Official Gazette No. 28561 dated 16 February 2013 in order to make sufficient progress in: (a) adequately criminalising terrorist financing; and (b) implementing an adequate legal framework for identifying and freezing terrorist assets before 22 February 2013. Otherwise, the FATF may call upon its members to apply counter measures proportionate to the risks associated with Turkey (for example, the FATF may require banks in member states to apply extra procedures on any transactions with banks in Turkey).

The Terrorism Law introduces an expanded scope to the financing of terrorism offence (as currently defined under Turkish anti-terrorism laws) and strictly prohibits the financing of terrorism and imposes a criminal penalty of imprisonment for any person conducting such crimes under the Terrorism Law. Furthermore, it facilitates the implementation of United Nations Security Council decisions, in particular those relating to entities and/or individuals placed on sanctions lists or the subject of sanctions and the claims of other foreign governments in relation to "freezing assets" of any person conducting financing of terrorism and imposes a penalty of imprisonment on those persons.

The FATF published its 15th follow-up report in October 2014 on the mutual evaluation of Turkey and noted that Turkey had taken sufficient steps in addressing technical compliance with the core and key FATF recommendations to be removed from the follow-up process relating to its deficiencies in combating the financing of terrorism. On 31 December 2020, the Law No. 7262 on the Prevention on Financing of Proliferation of Weapons of Mass Destruction was entered into force. The main objective Law No. 7262 is to ensure full compliance with United Nations Security Council (UNSC) resolutions and related FATF recommendations, strengthening legal and institutional capacity in combating terrorism financing and money laundering.

Nevertheless, the FATF may further request that Turkey adopt additional measures and procedures to ensure full compliance with then applicable FATF requirements. This may have an adverse effect on Kuveyt Türk's business, financial condition and results of operations and prospects.

Risks relating to emerging markets

In recent years, Turkey has undergone significant political and economic transformation which has resulted in increased stability and economic growth coupled with continued times of instability and unrest. However, Turkey is still considered by international investors to be an emerging market. Emerging markets such as Turkey are subject to a higher risk of being viewed negatively by investors due to external events than more-developed markets, and financial turmoil in any emerging market (or global markets generally) could disrupt the business environment in Turkey. Financial turmoil in one or more emerging market(s) tends to adversely affect prices for securities in other emerging market countries as investors move their money to countries that are perceived to be more stable and economically developed. An increase in the perceived risks associated with investing in emerging economies could decrease capital flows to Turkey and adversely affect the Turkish economy. As a result, investors' interest in the Certificates (and thus their price) may be subject to fluctuations that may not necessarily be related to economic conditions in Turkey or the financial performance of Kuveyt Türk. In general, investing in the securities of issuers that have operations primarily in emerging markets, such as Turkey, involves a higher degree of risk than investing in the securities of issuers with substantial operations in more developed markets/economies.

Investors' interest in Turkey may be negatively affected by events in other emerging markets or the global economy in general, which could reduce Kuveyt Türk's ability to access the international capital markets for funding on acceptable terms or at all, which could in turn have a material adverse effect on adversely affect Kuveyt Türk's business, financial condition, results of operations and prospects.

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

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

Turkey became a parliamentary democracy in 1923. Coalition governments and political instability characterise the Turkish democratic system, and Turkey has, as a result, had 66 governments since parliamentary democracy was established. Political tensions in Turkey often result in the early calling of general elections. Whilst the influence of the Turkish military has declined to some extent, it has historically been a major factor in Turkish government and politics. Military intervention in the country's political life took place in 1960, 1971 and 1980, with the most recent intervention being an abortive coup attempt by a section of the Turkish army in July 2016. The Turkish government, security forces and loyal elements in the Turkish army quickly re-established and subsequently maintained control. However, this abortive coup resulted in the government of Turkey imposing a two-year nationwide state of emergency, which ended in July 2018.

On 16 April 2017, a majority of Turkish voters approved a referendum amending certain articles of the Turkish Constitution. The amendments included expanding the powers of the president (the "**President**") to create an executive presidency. Following the entry into force of the constitutional amendments: (a) the current parliamentary system has been transformed into a presidential system, (b) the President is entitled to be the head of a political party and to appoint the ministers, (c) the office of the prime minister has been abolished, (d) the parliament's right to interpellate (i.e., the right to submit questions requesting explanation regarding an act or a policy) the ministers has been annulled, (e) the President is entitled to issue decrees as the head of the government, and (f) the President is entitled to instigate general elections (together with presidential elections).

The general elections (i.e., the parliamentary elections) and the presidential elections were held on 24 June 2018 where President Erdoğan was re-elected in the presidential election with approximately 52.6 per cent. of the votes. In the parliamentary elections, the ruling party, the Justice and Development Party (*Adalet ve Kalkınma Partisi*) (the "**AKP**"), together with its alliance party, the Nationalist Movement Party (*Milliyetçi Hareket Partisi*) (the "**MHP**"), received enough votes to gain the majority in parliament.

On 9 July 2018, President Erdoğan announced the new ministers of his cabinet, which included the appointment of the former minister of Energy and Natural Resources and his son-in-law, Berat Albayrak, as the Minister of Treasury and Finance. On 10 July 2018, President Erdoğan issued a decree: (a) empowering the President to appoint: (i) the governor of the Central Bank, whereas the Council of Ministers had the authority to appoint the governor of the Central Bank in the parliamentary system, and (ii) the deputy governors of the Central Bank, whereas this appointment was previously made by the Council of Ministers among the candidates suggested by the governor of the Central Bank, (b) removing the previous requirement for deputy governors of the Central Bank to have at least ten years of professional experience and (c) shortening the office term of the governor and the deputy governors of the Central Bank to four years from five years (in any case, the governor's term of office is limited to the term of the President who is on duty at the date of the appointment of such governor). On 6 July 2019, the governor of the Central Bank was removed from his post by a Presidential Decree and, on the same day, President Erdoğan appointed Mr. Murat Uysal, one of the Central Bank's then-deputy governors, as the new governor of the Central Bank. This was followed on 9 August 2019 by the board of the Central Bank, as part of its reorganisation, removing from office its chief economist and some other high-ranking officials. Any failure of the Central Bank and/or the Turkish Treasury to implement effective policies might adversely affect the Turkish economy and thus have a material adverse effect on Kuveyt Türk's business, financial condition and/or results of operations.

On 8 November 2020, Mr. Albayrak resigned from his position as Minister of Treasury and Finance and was promptly replaced by Mr. Lutfi Elvan, a former Minister of Development and Minister of Transport,

Maritime and Communication. Following the depreciation of the Turkish Lira to its weakest value to date (exceeding TRY8.5 per U.S. dollar), the governor of the Central Bank was replaced by a Presidential Decree on 7 November 2020 and then (on 20 March 2021) was replaced again after a series of rate increases. The dismissal of Mr. Naci Ağbal, the then-governor of the Central Bank on 20 March 2021, led to a negative market reaction, with investors' sales of certain Turkish assets leading to the value of the Borsa İstanbul 100 stock index declining by 9.6 per cent. in a week and the Turkish Lira depreciating by 9.9 per cent. against the U.S. dollar (from TRY7.27 per U.S. dollar before the dismissal of the governor to TRY7.99 per U.S. dollar) during the same period. Any failure of the Central Bank and/or the Turkish Treasury to implement effective policies might adversely affect the Turkish economy and thus have a material adverse effect on Kuveyt Türk's business, financial condition and/or results of operations.

On 1 August 2018, the Office of Foreign Assets Control of the U.S. Department of Treasury ("**OFAC**") took action targeting Turkey's Minister of Justice and Minister of Interior, indicating that these Ministers played leading roles in the organisations responsible for the arrest and detention of American pastor Andrew Brunson. Following such action, Turkey imposed reciprocal sanctions against two American officials. On 10 August 2018, the President of the United States stated that he had authorised higher tariffs on steel and aluminium imports from Turkey. On 15 August 2018, Turkey retaliated by increased tariffs on certain imports from the United States, such as cars, alcohol and tobacco. These actions contributed to a decline in the value of the Turkish Lira, which fell to a record low (exceeding TRY 7.2 per U.S. dollar in the week ended on 12 August 2018) before strengthening to TRY 5.3 as of 31 December 2018, due to various reasons, including improving relations between Turkey and the United States following the release of Mr. Brunson on 12 October 2018 and the 2 November 2018 removal of the sanctions imposed upon Turkish ministers and reciprocal sanctions imposed by Turkey. The events prior to the release of Mr. Brunson contributed to the deterioration of the relationship between Turkey and the United States and any future similar events might have an adverse effect on the Turkish economy and/or might impact investors' perception of the risks relating to investments in Turkish issuers, including Kuveyt Türk.

On 5 November 2018, in an effort to constrain Iran's nuclear programme, the United States reinstated United States sanctions on Iran that had been removed in 2015 as part of the Joint Comprehensive Plan of Action, a multilateral treaty signed with Iran on 14 July 2015 on the Iranian nuclear programme, including certain sanctions imposed upon the Iranian financial and energy sector and some imports from Iran, including (after a short exemption period that has since expired) Turkey's import of Iranian oil. The impact of this action, including any additional costs that might be borne by Turkish importers of oil (and thus on the country's current account deficit) or any sanctions that might be imposed for violations of these requirements and/or Turkey's relationship with Iran, might have a material negative impact on the Turkish economy and thus have a material adverse effect on Kuveyt Türk's business, financial condition and/or results of operations.

On 2 October 2018, Saudi journalist Jamal Khashoggi disappeared after entering the Saudi consulate in İstanbul and it was later announced by the Kingdom of Saudi Arabia that Mr. Khashoggi had been killed inside the consulate by Saudi operatives. This event and/or other political circumstances might result in a deterioration of the relationship between Turkey and Saudi Arabia, which might have a negative impact on the Turkish economy.

Municipal elections took place on 31 March 2019, as a result of which the AKP lost control of several major cities, including Istanbul, Ankara and Antalya. However, on 6 May 2019, the Supreme Election Board of Turkey (*T.C. Yüksek Seçim Kurulu*) cancelled the results of the elections in Istanbul and ordered a revote. Repeat elections were subsequently held on 23 June 2019, as a result of which control of the Istanbul metropolitan municipality transitioned from the AKP to the main opposition party, the Republic People's Party (*Cumhuriyet Halk Partisi*).

The ongoing conflict in Syria has been the subject of significant international attention and its impact and resolution is difficult to predict. Turkey has been involved in armed conflict in Syria and such conflicts are inherently susceptible to volatility and escalation, particularly given the involvement of a number of international parties. The Presidency made a statement after the Turkish Security Council meeting of 30 July 2019 chaired by the President Recep Tayyip Erdoğan, that Turkey will continue its operations against the Kurdistan Worker's Party (the "**PKK**") in northern Iraq and is determined to make efforts to create a "peace corridor" along the Turkish border with Syria. On 9 October 2019, the Turkish military, following a pullback by the United States of its presence in northern Syria, launched "Operation Peace Spring" and commenced military operations to create a "safe zone" in northern Syria in an effort to enhance Turkey's border security. As this territory was largely held by the People's Protection Units (YPG) in Syria, which had assisted the U.S. in the fight against ISIS but that Turkey designates as a terrorist organisation and

believes is affiliated with the PKK (an organisation that is listed as a terrorist organisation by various states and organisations, including Turkey, the EU and the United States), significant conflict in the region might occur.

On 14 October 2019, the President of the United States issued an executive order and the OFAC added the Turkish Ministry of Energy and Natural Resources and the Turkish Ministry of National Defence, as well as the relevant ministers, to its list of specially designated nationals and blocked persons. Several European countries imposed an arms embargo on Turkey. On 17 October 2019, the U.S. and Turkey agreed on a deal in which Turkey agreed to suspend its operations in Syria for 5 days in return for a complete withdrawal by the SDF from a safe zone south of the Syria-Turkey border. On 22 October 2019, the President of Turkey Recep Tayyip Erdoğan and the President of the Russian Federation Vladimir Putin agreed to maintain the status quo in northern Syria reached as a result of "Operation Peace Spring". On 23 October 2019, the President of the United States announced that there was a "permanent" ceasefire in the region and sanctions on Turkey would therefore be lifted. The United States might impose additional sanctions upon Turkish military personnel, political figures and/or entities and/or take other actions that might negatively impact the Turkish economy and/or Turkey's relationship with the United States (in fact, both the U.S. House of Representatives and the Foreign Relations Committee of the U.S. Senate in late 2019 passed bipartisan approvals for sanctions (including, without limitation, freezing assets of senior Turkish officials, banning arms transfers to the country, imposing sanctions on Halkbank and potentially imposing fees and penalties on Turkish financial institutions who are found to have knowingly facilitated certain transactions relating to Turkey's military operations in Syria)). While Turkey has entered into separate agreements with the United States and Russia that aim to achieve multi-party agreement on this "safe zone", the parties might disagree about the implementation of these agreements and/or the parties' adherence to their terms, which might lead to further tensions and/or other actions that negatively impact Turkey and/or its economy. Further, on 27 February 2020, the Syrian army launched an airstrike against Turkish military forces in Idlib, a city located in northern Syria which resulted in casualties of Turkish soldiers. Following the airstrike, on 1 March 2020, Turkey announced that it had launched "Operation Spring Shield" against the Syrian forces with an aim to stabilise the Idlib region. The fighting in the Idlib region, however, halted after the ceasefire brokered by Turkey and Russian Federation came into effect on 6 March 2020. Conflicts continue to take place in Syria, and, given the number of actors in such hostilities, it is difficult to predict the effects on political stability in the region, including in Turkey. Similarly, any potential resulting adverse effect on the Turkish economy is difficult to determine. Elevated levels of conflict in Iraq and Syria have also caused significant displacement of people. Turkey is among the countries that have taken a significant number of Syrian refugees, which has had serious social and economic impacts on the country.

On 27 November 2019, the Turkish government signed a Memorandum of Understanding with Libya's Government of National Accord to recognise a shared maritime boundary in the Mediterranean running from Southwestern Turkey to Northeastern Libya. This was further supported by a separate agreement signed in order to expand security and military cooperation between the two countries. On 2 January 2020, the military resolution was accepted by the Turkish parliament and a small contingent of Turkish troops has been deployed in (and arms shipped to) Libya. As of the date of this Prospectus, Libya remains a locus of political unrest, and other countries take differing political positions with respect to Libya. Certain countries, including Turkey, support the Tripoli-based United Nations recognised Government of National Accord ("GNA"), whilst others maintain support for Haftar's Libyan National Army, which occupies the east of the country. While the differing positions on Libya may not directly impact Turkey's territory, the dispute could have a negative effect on Turkey's economy as a result of its impact on the global economy and the effect it might have on the Russian energy supplies on which Turkey is reliant. This may, in consequence, have an adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects.

Any further uncertainty or instability stemming from, or related to, the abortive coup, the early elections, any of the above circumstances or any other such political events in Turkey, could have a material adverse effect on Kuveyt Türk's business, financial condition and results of operations and prospects.

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

Turkey is located in a region which has been subject to ongoing political and security concerns especially in recent years. In particular, during 2016 and the first half of 2017, Turkey experienced several terrorist attacks linked to the Islamic State of Iraq and Syria ("**ISIS**") and other terrorist groups, including an attack at Atatürk Airport in Istanbul in June 2016. Political uncertainty within Turkey and in certain neighbouring countries, such as Iran, Iraq, Georgia, Armenia and Syria, has historically been one of the potential risks

associated with investment in securities issued by Turkey and/or financial institutions and corporates based in Turkey.

Since December 2010, political instability has increased markedly in a number of countries in the Middle East and North Africa, such as Tunisia, Egypt, Jordan, Yemen, Syria, Iraq and Libya. Unrest in those countries might affect Turkey's relationships with its neighbours, have political implications in Turkey or otherwise have a negative impact on the Turkish economy, including through both financial markets and the real economy. Political instability in the Middle East and elsewhere remains a concern, most recently exemplified by the internal conflict in Syria and Iraq (and terrorist groups operating in those countries), and tension between Iran and Israel. Unrest in those countries and regions may also have implications for the wider global economy and may negatively affect market sentiment towards other countries in the region, including Turkey and between Iran and member countries of the Gulf Cooperation Council ("**GCC**"). The conflict in Syria has been the subject of significant international attention and is inherently volatile and its impact and resolution is difficult to predict.

In early October 2012, Turkish territory was hit by shells launched from Syria, some of which killed Turkish civilians. On 4 October 2012, the Turkish Parliament authorised the Government for one year to send and assign military forces in foreign countries should such action be considered appropriate by the Government, and on each of 3 October 2013 and 4 October 2014, the authorisation was extended for one year. More recently, elevated levels of conflict have arisen in Iraq and Syria as ISIS militants seized control of areas in Iraq and Syria, which caused a significant displacement of people. In August 2014, a U.S.-led coalition began an anti-ISIS aerial campaign in northern Iraq and Syria and in August 2016, Turkey commenced operations in Syria jointly with the American military, which concluded in March 2017. On 20 January 2018, Turkish officials announced that the Turkish military had started an operation in the Afrin area of Syria targeting terrorist organisations, including the YPG, a terrorist group. On 13 April 2018, the United States, the United Kingdom and France launched a one-off coordinated missile offensive against Syrian targets in response to an alleged use of chemical weapons against Syrian civilians by the Syrian government. Russia, which has supported the Syrian government, has criticized this offensive, but has not taken any action against these countries. In the meantime, the Turkish military's operations against the YPG continue in the Afrin region of Syria. On 19 December 2018, the United States announced their intention to withdraw the 2,000 troops currently stationed in Syria, although no concrete timeline for the withdrawal has been issued. Given the continuing hostilities in Syria and the number of parties involved, it is very difficult to predict the impact of the continuing tensions on geopolitical stability in the broader region, including Turkey, Turkey's relationship with the United States and any potential resulting adverse effect on the Turkish economy, as well as on Kuveyt Türk's business, financial condition, results of operations and prospects.

In November 2015, relations between Turkey and Russia deteriorated as a result of the downing of a Russian war plane on the boarder of Turkey and Syria. As a result, Russia implemented a series of economic sanctions against Turkey in the aftermath of the event, and while relations have improved, there is no guarantee that any such sanctions will be limited or removed and, to the extent that such sanctions are not limited or removed, they may negatively impact Turkey's economy.

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

Turkey has also experienced problems with domestic terrorist and ethnic separatist groups. For example, Turkey has been in conflict for many years with the People's Congress of Kurdistan, formerly known as the PKK (an organisation that is listed as a terrorist organisation by states and organisations including Turkey, the EU and the United States). On 9 January 2013, three PKK activists were killed in Paris jeopardising

Turkish-Kurdish peace talks. Furthermore, tensions between Syria and Turkey have intensified following the shooting down of a Turkish aircraft by Syrian forces in June 2012 and more recently a mortar attack on the Turkish border town of Akcakale which killed five civilians. In response to this, the Turkish Parliament authorised the government on 4 October 2012 to task the military and send troops outside Turkey for a one year period, if deemed necessary, while the United Nations Security Council issued a statement condemning the attack on Akcakale by the Syrian armed forces. A terrorist attack in Suruc in July 2015 which killed 32 civilians prompted a counter-offensive by the Turkish military in Syria and raids against the PKK were also intensified.

In addition, there have been a number of terror attacks in recent months, such as the terror attacks in Istanbul in January and March 2016 targeting tourists in the Sultanahmet and Beyoglu districts which killed a total of 18 people. In April 2016, a suicide bomber wounded 13 people in Bursa. In May 2016, six Turkish soldiers were killed and four others were wounded in a PKK lead attack in the district of Caldiran in the eastern Van province. On 7 June 2016, a bomb attack targeting a police vehicle in a central Istanbul district killed 11 people, including seven members of the police force. The explosion took place near the Vezneciler metro station, which is within walking distance of some of the city's main tourist sites, including the Suleymaniye Mosque. On 28 June 2016, A terrorist attack, consisting of shootings and suicide bombings, occurred at Atatürk Airport in Istanbul. Most recently, on 20 August 2016, a suicide bomber targeted a wedding party in Gaziantep, killing a total of 54 people.

The continuing conflict in Syria has resulted in hundreds of thousands of Syrian refugees crossing into Turkey. According to the United Nations, as of March 2016, more than 2.7 million refugees from Syria are present in Turkey and the country has spent over U.S.$8 billion on aid for refugees. On 18 March 2016, Turkey and the EU entered into an agreement which would see refugees and economic migrants returned to Turkey from Greece in exchange for the settlement of certain asylum seekers in Europe. In return, Turkey would receive U.S.$7 billion in financial support for the refugee population and certain other concessions, including the possibility of visa free travel for Turkish citizens and advanced talks on possible EU membership for Turkey. It is uncertain whether this agreement will last or what effect it will have on the refugee crisis. If the refugee crisis persists it may lead to continued strained relations between Turkey and the EU and may continue to have a negative economic, political and social impact on Turkey.

Such regional conflicts and terrorist attacks and the threat of future terrorism has had and may continue to have an effect on the level of tourism, foreign investment and other elements of the Turkish economy, as well as Turkey's capital markets, which, together or in combination, could have an adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects. While Kuveyt Türk's property and business interruption insurance covers damage to insured property directly caused by terrorism, there can be no assurance that such amounts will be sufficient to cover any losses that may occur.

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

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

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

Though Turkey has had a long relationship with the EU, that relationship has at times been strained. During 2006, the EU issued several warnings in connection with Turkey's undertakings under the additional protocol dated July 2005. Following this, in December 2006, the EU decided that negotiations in eight Chapters should be suspended and that no Chapter be closed until the EU has verified that Turkey has fulfilled its commitments relating to the additional protocol. In November 2013, the negotiations on the

Chapters and Turkey's accession to the EU were recommenced. There can be no assurance that the EU will continue to maintain an open approach to Turkey's EU membership, nor that Turkey will be able to meet all the criteria applicable to becoming a member state, including the new Chapters opened in 2009 relating to taxation and the environment. The Parliamentary Assembly of the Council of Europe voted to restart monitoring Turkey in connection with the rule of law, human rights, and the state of democracy on 25 April 2017. This decision might contribute to a deterioration of the relationship between Turkey and the EU.

On 15 July 2019, the EU adopted certain measures against Turkey over Turkey's drilling for gas in waters off Cyprus, including reducing certain funding (including loans via the European Investment Bank) and the suspension of high level communications and of the negotiations for a comprehensive air transport agreement. On 11 November 2019, the EU adopted a framework for imposing sanctions on individuals or entities responsible for, or involved in, these drilling activities and, in February 2020, instituted sanctions against two executives of the Turkish drilling company.

More recently, tensions have increased between Turkey and France, including due to differing interests in the conflict in Libya and territorial rights in the Mediterranean Sea. Tensions have also risen between Greece and Turkey relating to disputed claims over Mediterranean waters, particularly in areas around Cyprus in which significant hydrocarbon reserves have been discovered. In October 2020, both France and Greece asked the EU to consider suspending the bloc's customs union agreement with Turkey and, on 26 November 2020, the European Parliament passed a non-binding resolution calling for sanctions on Turkey. On 11 December 2020, EU leaders agreed to impose sanctions against unspecified individuals and entities involved in activities related to the disputed waters, with the identity of these individuals and sanctions to be named shortly thereafter, and noted that further sanctions might be imposed in early 2021; however, in March 2021, EU leaders decided to postpone these plans in light of increased diplomatic activity.

In the event of a loss of market confidence as a result of deterioration, suspension or termination in Turkey's EU accession discussions or any other international relations involving Turkey, the Turkish economy might be adversely affected, which might have a material adverse effect on Kuveyt Türk's business, financial condition and/or results of operations. In addition, there can be no assurance that any future accession by Turkey to the EU would have the expected benefits for the Turkish economy.

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

Significant pieces of legislation have been subject to substantial amendments or enaction of new pieces of legislation from time to time. Accordingly, no assurance can be given that the Government will not implement regulations or fiscal or monetary policies, including policies or new regulations or new legal interpretations of existing regulations or exchange controls, or otherwise take actions which could have an adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects or which could adversely affect the market price and liquidity of the Certificates.

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

As banks are highly regulated entities, Kuveyt Türk is subject to a number of banking, consumer protection, competition, antitrust and other laws and regulations designed to maintain the safety and financial soundness of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These regulations, including Turkish laws and regulations (and in particular those of the BRSA), can increase the cost of doing business and limit Kuveyt Türk's activities. Banking laws and regulations in Turkey and the manner in which those laws and regulations are applied to the operations of financial institutions such as Kuveyt Türk are still evolving. New regulations may be implemented rapidly, without substantial consultation with the industry, which may not allow sufficient time for Kuveyt Türk to adjust its strategy to deal with such changes. In particular, Kuveyt Türk may be required to increase the quantity and quality of capital that it holds in order to meet evolving capital adequacy requirements. Kuveyt Türk's cost of compliance may also increase as a result of new laws or regulations that might be adopted or any change in the enforcement or interpretation of existing laws or regulations. For example, regulatory limits imposed on fees and commissions banks may charge for banking services may have an adverse impact on Kuveyt Türk's fee and commission income growth. In addition, any breach of regulatory guidelines could expose Kuveyt Türk to potential liabilities or sanctions. Any of the foregoing could have an adverse effect on Kuveyt Türk's business, financial condition, cash flows and/or results of operation.

Basel II regulations, which have been translated into national law in accordance with (where applicable) the capital requirements Directives of the European Community numbered 2006/48/EC and 2006/49/EC (the "**CRD**"), came into effect in Turkey for standardised approaches on 1 July 2012. Basel III, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements, further affects Turkish banks' capital adequacy requirements. In September 2013, the BRSA announced its intention to adopt the Basel III requirements and has been implementing various measures. Accordingly, Kuveyt Türk is required to comply with capital adequacy and liquidity rules which may affect its capital structure and pricing of its products.

The BRSA published five new regulations for the implementation of Basel III in Turkey; Regulation on Equity of Banks, Amendments to the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks, Regulation on Capital Protection and Cyclic Capital Buffer, the Regulation on Measurement and Evaluation of Leverage Levels of Banks and the Regulation on the Calculation of the Liquidity Ratio Coverage of Banks. Apart from implementation of certain leverage ratios set out under the aforementioned regulations that became effective on 1 January 2015, these regulations are effective as of 1 January 2014.

In order to further align Turkish banking legislation with Basel principles, the BRSA also amended some of its other regulations and communiqués as published in the Official Gazette dated 23 October 2015 No. 29511 and 20 January 2016 No. 29599, which amendments also entered into force on 31 March 2016, except for the amendments relating to internal systems and internal capital adequacy ratios which entered into force on 20 January 2016. The amendments relate to equity requirements, liquidity coverage ratios, internal systems and internal capital adequacy ratios, capital adequacy requirements, risk assessment models and calculation of market risk, credit risk calculations, credit risk mitigation methods, risk management disclosures and financial statement disclosures. Furthermore, in February 2016, the BRSA published a regulation regarding systemically important banks, which introduced additional capital requirements for such banks in line with the requirements of Basel III.

The Regulation on Equity of Banks and amendments to the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks, as published in Official Gazette No. 28756 dated 5 September 2013, entered into effect on 1 January 2014. The Regulation on Equity of Banks introduced core Tier I capital and additional Tier I capital as components of Tier I capital, while the amendments to the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks: (a) introduced a minimum core capital adequacy standard ratio (4.5 per cent.) and a minimum Tier I capital adequacy standard ratio (6.0 per cent.) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0 per cent.) and (b) change the risk weights of certain items that are categorised under "other assets", with the BRSA amending its guidance on 24 February 2017 to allow foreign exchange required reserves held with the Central Bank to be subject to a 0 per cent. risk weight. The Regulation on Equity of Banks also introduced new Tier II rules and determined new criteria for debt instruments to be included in the Tier II capital. The capital instruments that have already been included within the equity of the bank before the effective date of 1 January 2014 in the regulation would be subject to a different equity calculation method. If such instruments no longer qualify as Tier 1 or Tier 2 capital, for each remaining year of the instrument, 10 per cent. of the instrument will cease to be taken into account for the purpose of the equity calculations of the bank. According to amendments to the Regulation on Equity of Banks and Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks, from 1 January 2022, general provisions will: (i) no longer be allowed to be included in the supplementary capital (i.e., Tier 2 capital) of Turkish banks and (ii) be deducted from their risk-weighted assets.

The Regulation on Capital Protection and Cyclic Capital Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, and the Regulation on Measurement and Evaluation of Leverage Levels of Banks, through which the BRSA seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks, were published in the Official Gazette No. 28812 dated 5 November 2013 and entered into effect on 1 January 2014 with the exception of certain provisions of the Regulation on the Measurement and Evaluation of Leverage Levels of Banks that have entered into effect as at 1 January 2015 (except net stable funding ratio and counterparty credit risk requirements).

The Regulation on the Calculation of the Liquidity Ratio Coverage of Banks, through which the BRSA seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period both on a consolidated and unconsolidated basis, was published in the Official Gazette No. 28948 dated 21 March 2014 (and most

recently amended on 15 August 2017) and entered into effect immediately with the provisions thereof becoming applicable as at 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance, which entered into effect on 1 January 2015). According to the Regulation on the Calculation of the Liquidity Ratio Coverage of Bank, the liquidity coverage ratios of banks is not permitted to fall below 100 per cent. on an aggregate basis and 80 per cent. on a foreign currency-only basis; provided that, on 26 March 2020, the BRSA announced that any non-compliance by a bank with the minimum requirements for liquidity coverage ratios will not require such bank to report their remediation measures under the Regulation on the Calculation of the Liquidity Ratio Coverage of Bank to the BRSA until 31 December 2020.

Pursuant to the regulation regarding the internal systems and internal capital assessment process of banks as issued by the BRSA and published in the Official Gazette No. 29057 dated 11 July 2014, banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit, internal control and risk management systems commensurate with the scope and structure of their organisations, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. To achieve this, according to the regulation, the internal control personnel cannot also be appointed to work in a role conflicting with their internal control duties.

See "*Overview of the Turkish Banking Sector and Regulations*" for a description of the Turkish banking regulatory environment, including the implementation of Basel III in Turkey. The BRSA conducts examinations of all banks operating in Turkey and financial information, capital ratios, open positions, liquidity, interest rate risks and credit portfolios (inter alia) are followed up in detail at frequent intervals by the BRSA.

Such measures might also limit or reduce growth of the Turkish economy and, consequently, the demand for Kuveyt Türk's products and services. Furthermore, as a consequence of certain of these changes, Kuveyt Türk might be required to increase its capital reserves and/or might need to access more expensive sources of financing to meet its regulatory liquidity and capital requirements, which in turn might have an adverse impact on its level of profitability and/or net profit margin. New or revised laws might also increase Kuveyt Türk's cost of doing business and/or limit its activities, such as the Central Bank's frequent changes to monetary policy and reserve requirements. For example, the Turkish government (including the BRSA and the Central Bank) has introduced (and might introduce in the future) laws that impose limits with respect to fees and commissions charged to customers, increase the monthly minimum payments required to be paid by holders of credit cards or increase reserves. Kuveyt Türk might not be able to pass on any increased costs associated with such regulatory changes to its customers, particularly given the high level of competition in the Turkish banking sector. Accordingly, Kuveyt Türk might not be able to sustain its level of profitability in light of these regulatory changes and Kuveyt Türk's profitability might be materially adversely impacted until (if ever) such changes can be incorporated into Kuveyt Türk's pricing (and even then such changes might affect Kuveyt Türk's profitability as increased pricing for customers might reduce customer demand for Kuveyt Türk's products and services).

Any failure by Kuveyt Türk to adopt adequate responses to these or future changes in the regulatory framework might have an adverse effect on Kuveyt Türk's business, financial condition and/or results of operations. In addition, non-compliance with laws might expose Kuveyt Türk to potential liabilities and fines and/or damage its reputation.

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

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

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

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

Pursuant to amendments to Decree No. 32 and with effect from 2 May 2018: (a) Turkish individuals cannot utilise foreign currency loans and Turkish individuals and Turkish legal entities cannot utilise foreign currency indexed loans; however, Turkish individuals and Turkish legal entities may utilise Turkish lira loans from abroad provided that they have foreign currency earnings; (b) Turkish legal entities with no foreign currency earnings cannot utilise foreign currency loans from Turkey or from abroad with the exceptions explained in the amendment; (c) legal entities with foreign currency earnings in Turkey are allowed to utilise foreign currency loans from Turkey or from abroad, subject to several restrictions and qualifications; and (d) legal entities with an outstanding cash loan balance of less than U.S.$15 million will not be allowed to refinance their loans if they do not qualify for the exceptions explained in the amendment. The amendments might have a material adverse effect on the Kuveyt Türk's business, financial condition and/or results of operations.

Further to the amendments in relation to Decree No. 32, the Central Bank published the Regulation on Procedures and Principles for Monitoring the Transactions Affecting the Foreign Exchange Positions on 17 February 2018 (the "**Foreign Exchange Positions Regulation**"). Pursuant to the Foreign Exchange Positions Regulation, all companies with foreign currency loans and foreign currency indexed loans amounting to higher than U.S.$15 million (or its equivalent in other foreign currencies) utilised from Turkey or from abroad are required to notify the Central Bank. While calculating the U.S. dollar equivalent of other foreign currencies, foreign exchange rates published in the Official Gazette on the last business day of the relevant accounting period will be considered. Calculation of the total amount of foreign exchange loans and foreign currency indexed loans will be made in accordance with the financial position statements prepared based upon Turkish accounting standards. If the borrower company does not have financial position statements prepared based upon Turkish accounting standards, the calculation will be made based upon the balance sheets to be submitted to the public authorities within the framework of tax legislation. Companies with the notification requirement are required to engage with an auditor, execute an audit agreement and such auditor will conduct the required audit to form its opinion and submit such opinion to the relevant tracking system to be established by the Central Bank.

In August 2018, the BRSA capped Turkish banks' exposure under swap, spot and forward transactions with foreign entities to 25 per cent. of a bank's regulatory capital, then reducing this level to 10 per cent. in February 2020. In the case of a bank exceeding this level, new transactions may not be executed or renewed until the 10 per cent. level (which is calculated on a daily basis) is attained; however, transactions conducted between local banks and their consolidated affiliates located abroad that qualify as a bank or financial institution are exempt from this restriction. Separately, when calculating the transactions falling within the scope of the threshold, local banks are to consider transactions having a maturity of: (a) 90 to 360 days at 75 per cent. of their amount and (b) no less than 360 days at 50 per cent. of their amount.

Pursuant to Presidential Decree No. 85 published in the Official Gazette on 13 September 2018, Decree No. 32 was amended such that, except for certain exemptions determined by the Turkish Treasury, the contract price and all other payment obligations under: (a) sale, purchase, and lease agreements (including financial lease) concerning movable and immovable properties, (b) employment, (c) service and (d) construction agreements entered into between Turkish residents must be based upon Turkish lira. Within 30 days following the introduction of this amendment, all prices denominated in foreign currency under the already-executed contracts (falling within the scope of the restriction above) were required to be redenominated in Turkish lira except for certain exceptions determined by the Turkish Treasury. Capital markets instruments (including the Certificates) and certain contracts, persons and instruments are excluded from, and not with the scope of, these new set of restrictions.

On 18 December 2019, the BRSA announced that the total notional amount of a Turkish bank's currency swaps, forwards, options and other similar products with non-residents with a remaining maturity of seven days or fewer where, at the maturity date, such bank pays Turkish Lira and receives foreign exchange shall

not exceed 10 per cent. of such bank's most recently calculated regulatory capital; provided that this restriction does not apply to transactions with a bank's non-Turkish financial subsidiaries and other affiliates that are subject to consolidation.

The implementation of such exchange controls may adversely affect Kuveyt Türk's business, financial condition or results of operations generally or its ability to make any payments required under the Transaction Documents.

The Turkish economy is undergoing transformation to a free market system

The Turkish economy is undergoing continued transformation to a free market system, is subject to significant macroeconomic risks and has been dependent upon the support of the International Monetary Fund (the "**IMF**") in times of economic crisis. Since the early 1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a free market system. Although the Turkish economy has responded well in general to this transformation, it has continued to experience severe macroeconomic imbalances and has frequently resorted to support from the IMF. While the economy has been significantly stabilised due, in part, to IMF requirements, Turkey may experience another significant economic crisis. If the IMF or similar support is not provided or available in any future crisis, then this lack of assistance could have a material adverse effect on Kuveyt Türk's business, financial condition and/or results of operations and/or prospects.

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

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

The Turkish economy is subject to significant macroeconomic risks

The Turkish economy remains vulnerable to both external and internal shocks, including volatility in oil prices, changing investor opinion, outbreaks of disease (e.g., SARS and the COVID-19 coronavirus) and natural events such as earthquakes. For example, the impact of the COVID-19 coronavirus on the global economy (including precautions taken to minimise transmission, including travel restrictions, the closure of factories and restrictions on public gatherings) has increased risks to global growth and financial markets. Global macroeconomic and geopolitical uncertainties, slowdown in capital flows to emerging markets and an increasingly protectionist approach to global foreign trade also continue to negatively affect the Turkish economy. See "- *The outbreak of COVID-19 has negatively affected the global and Turkish economy and financial markets and might continue to disrupt and/or otherwise negatively impact the operations of Kuveyt Türk and/or its clients*" above.

Domestic macroeconomic factors, including the current account deficit, high levels of unemployment (13.9 per cent as of April 2021), high levels of inflation and interest rate and currency volatility, remain of concern, particularly in light of the recent depreciation of the Turkish Lira. These conditions have had, and likely will continue to have, a material adverse effect on Kuveyt Türk's business, financial condition and/or results of operations, including as a result of their impact on Kuveyt Türk's customers.

In October 2016, the government announced a three-year medium-term economic program from 2017 to 2019. Under this program, the government set growth targets of 4.4 per cent. for 2017 and 5.0 per cent. for each of 2018 and 2019, as well as a gradual decrease in the current account deficit-to-GDP ratio, according to the Ministry of Development. In October 2017, the Ministry of Development announced a new medium-term economic program, covering the years from 2018 to 2020, setting growth targets of 5.5 per cent. for each of 2018, 2019 and 2020, and inflation rates of 7.0 per cent., 6.0 per cent. and 5.0 per cent. for 2018, 2019 and 2020, respectively. This medium-term economic programme was replaced in September 2018 by a new medium-term economic programme (the "**New Economic Programme**") announced by the Turkish Treasury, which includes projections for 2018 to 2021. The New Economic Programme was updated in

September 2019 and further updated in September 2020. The updated New Economic Programme, covering the 2021-2023 period, anticipated the gross domestic product ("**GDP**") growth to be 0.3 per cent. for 2020, 5.8 per cent. for 2021 and 5.0 per cent. for each of 2022 and 2023, with the expected growth in 2021 being supported by the anticipated rebound of economic activity following the normalisation after the initial impact of the COVID-19 pandemic. Further, it has estimated the inflation rate as 12.0 per cent., 8.5 per cent., 6.0 per cent. and 4.9 per cent. for 2019, 2020, 2021 and 2022, respectively. There can be no assurance that these targets will be reached, that the Turkish government will continue to implement its current and proposed economic and fiscal policies successfully or that the economic growth achieved in recent years will continue considering external and internal circumstances, including the CBT's efforts to curtail inflation and simplify monetary policy while maintaining a lower funding rate, the current account deficit and macroeconomic and political factors and the political developments in Turkey.

In April 2019, then Treasury and Finance Minister Mr. Albayrak announced "Structural Transformation Steps" as tools under the New Economic Programme, which tools were intended to support and strengthen the financial sector, the fight against inflation, budget discipline and tax reform and sustainable growth. On the financial sector side, the main efforts have been focused on increased capitalisation and strengthening the asset quality of the banking sector, including additional capital infusions into the public banks and guidance to private banks to increase capital (including a temporary prohibition on the distribution of dividends). In March 2021, the Turkish government announced "The Economic Reform Package" aiming to strengthen fiscal disciplines and financial stability. The reforms in the package include supporting SMEs with tax reductions, decreasing foreign-currency borrowing in order to reduce the sensitivity of the country's debt stock to external shocks and supporting exports and green transformation of industrial companies in order to narrow the current account deficit. The package also aims to support employment, encourage transparent and accountable institutionalised governance, promote private sector investments and increase competitiveness in domestic markets. There can be no assurance that these targets will be reached or that the Turkish government will implement its current and proposed economic and fiscal policies successfully, including the Central Bank's efforts to curtail inflation and simplify monetary policy.

Should Turkey's economy experience macroeconomic imbalances or otherwise be unsuccessful, it might have a material adverse impact on Kuveyt Türk's business, financial condition and/or results of operations.

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

A significant portion of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone and Turkey has experienced a large number of earthquakes in recent years, some quite significant in magnitude. For example, in October 2011, the eastern part of the country was struck by an earthquake measuring 7.2 on the Richter scale, causing significant property damage and loss of life. On 6 February 2017, two earthquakes with preliminary measurements of 5.3 on the Richter scale struck Turkey's northern Aegean coast and damaged dozens of homes in at least five villages and injured at least five people. On 2 March 2017, an earthquake measuring 5.5 on the Richter scale struck the southeastern region of Turkey and injured at least five people. On 26 September 2019, an earthquake measuring 5.8 on the Richter scale struck the Sea of Marmara, damaging a number of buildings in Istanbul, and on 24 January 2020, an earthquake measuring 6.8 on the Richter scale struck the eastern province of Elazığ. On 23 February 2020 an earthquake measuring 5.7 on the Richter scale struck the Iran-Turkey border and on 14 June 2020 an earthquake measuring 5.9 on the Richter scale struck Bingöl province. More recently, on 30 October 2020, an earthquake with a magnitude of 6.6 occurred in Izmir, causing the deaths of 114 people and injuring 1,035 people.

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

Risks factors relating to the Turkish banking industry

Increased competition in the Turkish banking sector could have a material adverse effect on Kuveyt Türk

Kuveyt Türk faces direct competition from the five other participation banks in Turkey: Vakıf Katılım Bankası A.Ş., Türkiye Finans Katılım Bankası A.Ş., Türkiye Emlak Katılım Bankası A. Ş., Albaraka Türk Katılım Bankası A.Ş. and Ziraat Katılım Bankası A.Ş. Notwithstanding the fact that Kuveyt Türk is a participation bank, it also competes in the wider Turkish banking sector and accordingly Kuveyt Türk also faces significant and increasing competition from other participants in the Turkish banking sector, including both public and private banks in Turkey as well as many subsidiaries and branches of foreign banks and joint ventures between Turkish and foreign shareholders. As at 30 June 2021, in addition to the six participation banks, there are currently 49 (excluding the Turkish Central Bank) banks licensed to operate in Turkey. A small number of these banks dominate the banking industry in Turkey.

According to the BRSA, as of 31 December 2020, the five largest banks in Turkey held approximately 59 per cent. of the banking sector's aggregate loan portfolio and approximately 57 per cent. of aggregate banking sector assets in Turkey. Among the 10 largest banks, there are three state owned banks: Ziraat (ranked first), Halkbank (ranked second) and Vakıfbank (ranked fourth), which constituted approximately 38 per cent. of the total banking sector assets as of 31 December 2020. Loan growth in the banking sector in Turkey was 21 per cent. during 2017, 14 per cent. during 2018 and 11 per cent. during 2019 and 34 per cent. during 2020, while deposit growth was 16 per cent., 19 per cent., 26 per cent. and 35 per cent., respectively, according to BRSA weekly data.

In 2013, the Turkish government announced the expansion of the participation banking sector in Turkey by establishing public participation banks. The Turkish government's main intention was to increase the market share of participation banks which then stood at 5.1 per cent. in terms of asset size, 6.0 per cent. in terms of total credits and 6.2 per cent. in terms of deposits. In December 2020, the market share enjoyed by participation banks was 7.16 per cent. in terms of asset size. The new public participation banks may have a positive impact on overall the market share enjoyed by participation banks and human resources in the participation banking sector, but it could also have a negative impact on Kuveyt Türk by increasing the competition which it faces. In Turkey, state controlled banks have historically had access to Turkish government and governmental entities deposits, which have provided such banks with a competitive advantage over private banks. This advantage gives these banks a competitive pricing on both deposit and loan products. Along with the strong capital base, they could engage the market more aggressively, expand their branch network and increase their customer base. It is common for Turkish customers to have more confidence in the state controlled banks than in private banks. The effect of this could be that Kuveyt Türk's market share is negatively impacted.

Foreign financial institutions have shown a strong interest in competing in the banking sector in Turkey. HSBC Bank plc, UniCredito Italiano, BNP Paribas, the National Bank of Greece, Sberbank, Citigroup, ING and Bank Hapoalim, Burgan Bank, Bank Audi, Bank of Tokyo and Mitsubishi UFJ, Commercial Bank of Qatar, Rabobank Pasha Bank, ICBC (Industrial and Commercial Bank of China Ltd.), Bank of China, Intesa Sanpaolo and Standard Chartered Bank are among the many non-Turkish financial institutions that have purchased or made investments in Turkish banks or opened their own Turkish offices. The entry of foreign competitors into the banking sector, either directly or in collaboration with existing Turkish banks, has increased competition in the market, and any further entry of foreign competitors is likely to further increase competition, especially given that some of these foreign competitors have significantly greater resources and less expensive funding sources than Turkish banks.

Competition has been particularly acute in certain sectors where state-controlled banks and foreign owned banks have been active, such as general purpose loans, for which state-controlled banks have lent funds at rates below those considered commercially viable by Kuveyt Türk. Increased competition from such state-controlled banks or private international banks or otherwise could have a material adverse effect on Kuveyt Türk's business, financial condition results of operations and/or prospects.

Kuveyt Türk is subject to numerous banking and other laws and regulations that are subject to change and such changes may have a material adverse effect on Kuveyt Türk

The implementation process of Directives of the European Community numbered 2006/48/EC and 2006/49/EC ("**CRD**") and Basel II became effective in July 2012 and Basel III became effective on 1

January 2014. Prior to the effectiveness of Basel II and Basel III, in order to monitor the implementation process of the banks on CRD/Basel II, the BRSA had requested banks to submit a progress survey on the adaptation of CRD/Basel II every six months. Potential changes relating to Basel III, once implemented by the BRSA in Turkey, may impact the manner in which Kuveyt Türk calculates its capital adequacy ratios and may impose higher capital requirements. If Kuveyt Türk is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, losses or otherwise), then it may be required to seek additional capital and/or sell assets (including subsidiaries) at commercially unreasonable prices, which could have a material adverse effect on Kuveyt Türk's business, financial condition and/or results of operations.

The Banking Law, which was approved by the Turkish Parliament on 19 October 2005 and published in the Official Gazette on 1 November 2005, replaced the previous Banks Act No. 4389 (the "**Banks Act**") and was designed to address the dynamic nature of the banking sector and international financial and economic developments and to operate in parallel with EU banking laws and regulations, as well as in parallel with international banking standards. Compared to its predecessor, the Banking Law is much more comprehensive and detailed. EU banking directives, international rules and standards and relevant country laws and applications were taken into account during the preparation of the Banking Law. The objective of the Banking Law is to maintain the safety and soundness of Turkish financial markets and the Turkish credit system and to protect the rights and interests of investors. Under the Banking Law, customers' rights are regulated with new principles, measures that are to be taken against systemic risk have been introduced, honesty, competence, transparency, confidentiality and ethical principles have been made legal obligations and an extensive list of judicial offences has been defined, the breach of any of which may lead to heavy penalties. The Banking Law also places a strong emphasis on remedial measures for banks in financial difficulty.

New laws and regulations may increase Kuveyt Türk's cost of doing business or limit its activities. For instance, until the slowdown in economic conditions in 2016, the Central Bank had significantly increased reserve requirement ratios in order to slow down domestic demand, discourage loan growth and lower inflation. In addition, a Resource Utilization Support Fund Levy has been applied on consumer loans at a rate of 15.0 per cent., mortgage loan-to-value ratios have been limited to 75.0 per cent., a ceiling on mutual fund fees has been imposed and ceiling rates on credit cards have been decreased. The BRSA also introduced amendments to its regulations on 18 June 2011 and on 8 October 2013, which are specifically designed to curb consumer lending. The amendments require all banks with consumer lending portfolios exceeding 25.0 per cent. of their overall loan book, or with non-performing consumer loan (classified as illiquid claims, excluding mortgage loans) ratios greater than 8.0 per cent. of their total consumer loans, to set aside higher general provisioning of 4.0 per cent. (increased from 1.0 per cent.) for outstanding standard (Stage 1) loans and 8.0 per cent. (increased from 2.0 per cent.) for outstanding closely monitored (Stage 2) loans.

The amendments additionally require banks to increase risk weightings for capitalization purposes on new consumer loans (excluding vehicle and housing loans) with maturities of one to two years and above two years to 150 per cent. and 200 per cent., respectively (increased from 100 per cent. and 100 per cent., respectively), and also impose certain limits with respect to fees and commissions charged to customers and increase the monthly minimum payments required to be paid by holders of credit cards. Kuveyt Türk might not be able to pass on any increased costs associated with such regulatory changes to its customers, particularly given the high level of competition in the Turkish banking sector. Accordingly, Kuveyt Türk might not be able to sustain or improve its level of profitability in light of these regulatory changes and Kuveyt Türk's profitability would likely be materially adversely impacted until (if ever) such changes could be incorporated into Kuveyt Türk's pricing.

The BRSA and Central Bank issued separate decrees in February and March 2020 that impose new limitations on certain fees and commissions that Turkish banks may charge to customers, including imposing a limit on fees for electronic funds transfers, which might negatively impact the fees and commissions earned by Kuveyt Türk.

In addition, according to the BRSA's Communiqué Regarding Reserve Requirements (the "**Communiqué Regarding Reserve Requirements**") published in the Official Gazette on 25 December 2013 and numbered 28862, as amended from time to time, the BRSA has imposed incremental additional reserve requirements to be applicable for banks depending on their leverage ratios, which may result in an increase

in reserve requirements. Such measures could also limit or reduce the growth of the Turkish economy and consequently demand for Kuveyt Türk's products and services.

On 18 April 2020, the BRSA introduced a new test referred to as the "**Asset Ratio**", which ratio banks are required to meet on a weekly basis starting from 1 May 2020. The monthly average of the Asset Ratio, which is a modified form of a financial assets (e.g., loans and securities) to deposits ratio and is (inter alia) intended to measure (and encourage) a bank's use of deposits for active lending (particularly in Turkish Lira) as opposed to investing in securities or other financial assets (particularly in foreign currencies), should not be lower than 95 per cent. for deposit taking banks and 75 per cent. for participation banks. Any failure to satisfy this minimum level subjects the applicable bank to a fine of up to 5 per cent. of the shortfall, which fine shall not be less that TRY 500,000 in any case. However, the Asset Ratio rule was repealed by the BRSB decision dated 24 November 2020 and numbered 9271, with effect from 31 December 2020. For other coronavirus-related measures, see "*Overview of the Turkish Banking Sector and Regulations—Recent Coronavirus-related Measures*". See also "- *The outbreak of COVID-19 has negatively affected the global and Turkish economy and financial markets and might continue to disrupt and/or otherwise negatively impact the operations of Kuveyt Türk and/or its clients*" above.

The Central Bank also reduced the monthly cap on individual credit card interest rates from 2.34 per cent. in 2012 to 2.02 per cent. as of 1 October 2013 (the cap remained at this rate as of 31 December 2016). On 5 August 2013, the Central Bank introduced caps on commercial credit cards interest rates in line with the caps on individual cards. Accordingly, the ceiling for contractual interest rates for commercial cards is set at 2.12 per cent. On 27 May 2013, the Central Bank also amended the Communiqué on Interest Rates of Deposits and Loans and Other Benefits from Lending Transactions, introducing an interest rate cap on overdraft loans. Accordingly, the maximum interest rates charged on overdraft accounts will not exceed that of credit cards. Moreover, on 7 November 2013, the Grand National Assembly enacted a new consumer protection law, Consumer Protection Law No. 6502 ("**New Consumer Protection Law**"), which was published in the Official Gazette dated 28 November 2013 and numbered 28835. The New Consumer Protection Law came into force in May 2014 and replaced the then existing Consumer Protection Law No. 4077. The New Consumer Protection Law's main aims are to set out a framework to govern the imposition of fees by banks on customers and to increase transparency and comparability between banks so that customers can make more informed decisions. Pursuant to this or other regulations, the Turkish Government may impose limits or prohibitions on interest rates, fees and/or commissions charged to customers, including fees associated with credit cards, or otherwise affect payments received by Kuveyt Türk from its customers, which could have an adverse effect on Kuveyt Türk's business, financial condition or results of operations.

The BRSA published a Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks in the Official Gazette dated 23 October 2015 and numbered 29511 (the "**2015 Capital Adequacy Regulation**"), which entered into force on 31 March 2016 and replaced the previous Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, which was published in the Official Gazette dated 28 June 28 2012 and numbered 28337 and entered into force on 1 July 2012. The 2015 Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation, but changes the risk weights of certain items. In order to further align Turkish banking legislation with Basel principles, the BRSA also amended certain regulations and communiqués as published in the Official Gazette dated 23 October 2015 and numbered 29511, which amendments came into force on 31 March 2016. On 22 June 2016, the BRSA introduced a further amendment to the Equity Regulation to change the items included in equity calculation with an enforcement date of 1 January 2017 and also published a draft Communiqué on Principles for Debt Instruments to be Included in Equity Calculations by Banks to introduce certain rules in relation to conversion and write-down of debt instruments to be included in additional Tier 1 or Tier 2 capital.

On 23 February 2016, the BRSA issued a domestic systemically important banks ("**D-SIBs**") regulation in line with the Basel Committee standards, introducing a methodology for assessing the degree to which banks are considered to be systemically important to the Turkish domestic market and setting out the additional capital requirements for those banks classified as D-SIBs. The BRSA defines D-SIBs according to their size, complexity and impact on the financial system and economic activity. The banks are to be classified under four categories based upon a score set by the BRSA and will be required to keep additional core Tier 1 capital buffers up to a further 3 per cent. buffer for Group 4 banks, 2 per cent. for Group 3, 1.5 per cent. for Group 2 and 1 per cent. for Group 1. In 2016, capital buffer requirements for D-SIBs were introduced at one-fourth of the full requirements (i.e., Group 4: 0.75 per cent.; Group 3: 0.5 per cent., Group 2: 0.375 per cent.; and Group 1: 0.25 per cent.).

As some of the new banking laws and regulations issued by regulatory institutions have only been implemented over the past two years, the manner in which those laws and regulations are applied to the operations of financial institutions is still evolving. Moreover, in light of such new laws and regulation, additional regulatory proceedings or actions may be commenced by the BRSA and other regulators against Turkish banks to seek to reduce fees and/or impose additional fines or penalties, which could be material. Further new laws or regulations might be adopted, enforced or interpreted in a manner that could have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects. If Kuveyt Türk does not adequately respond to such changes in the regulatory framework, these developments may have a material adverse effect on Kuveyt Türk's business, financial condition, results of operations and prospects. Finally, non-compliance with regulatory guidelines could expose Kuveyt Türk to potential liabilities and fines.

The BRSA continuously conducts examinations of all banks operating in Turkey, including Kuveyt Türk. Even small credit deteriorations are closely monitored by the BRSA. Financial information, total capital ratios, open positions, liquidity, interest rate risks and credit portfolios are followed up in detail at frequent intervals. Although Kuveyt Türk has implemented procedures to monitor these issues, there can be no guarantee that Kuveyt Türk will not breach the ratios and limits set by the regulator.

As applicable to all other enterprises in Turkey, Kuveyt Türk is also subject to competition and antitrust laws.

In the future, new laws or regulations might be adopted, enforced or interpreted in a manner that could have an adverse effect on Kuveyt Türk's business, financial condition, cash flows and/or results of operations. In addition, a breach of regulatory guidelines could expose it to potential liabilities or sanctions. Changes in these regulations may have a material effect on Kuveyt Türk's business and operations. Any of these developments may have an adverse effect on Kuveyt Türk's business, financial condition or results of operations.

The Turkish banking sector has experienced significant volatility in the past

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

If the general macro-economic conditions in Turkey, and the Turkish banking sector in particular, were to suffer another period of volatility, there can be no assurance that this would not result in further bank failures, reduced liquidity and weaker public confidence in the Turkish banking system and potentially a consequential adverse effect on Kuveyt Türk's financial condition. Kuveyt Türk's NPLs, deposit level and its profitability could be affected by such volatile macro-economic conditions.

Risks factors relating to the "Green" nature of the Certificates

The application of the net proceeds of the Certificates as described in "*Use of Proceeds*" might not meet investor expectations or be (or remain) suitable for an investor's investment criteria. The net proceeds of the issuance of the Certificates are intended to be used towards the financing and/or refinancing of certain eligible green ("**Green Projects**") and/or social projects ("**Social Projects**" and, together with Green Projects, "**Sustainable Projects**") in accordance with Kuveyt Türk's Sustainable Finance Framework (the "**Sustainable Finance Framework**"), as further described in "*Use of Proceeds*". Kuveyt Türk has engaged an external reviewer to provide an external review on the alignment of the allocation of such proceeds with the criteria set out in the Sustainable Finance Framework. A prospective investor in the Certificates should have regard to the information in "*Use of Proceeds*" regarding the use of the net proceeds of the Certificates and must determine for itself the relevance of such information (together with any other investigation that such investor deems necessary, including a review of the then-applicable Sustainable Finance Framework) for the purpose of any investment by such investor in the Certificates. In addition, the Sustainable Finance Framework can be amended by Kuveyt Türk from time to time. In particular, no assurance is given by Kuveyt Türk or the Joint Lead Managers that the use of such proceeds for any such Sustainable Projects will satisfy, whether in whole or part, any present or future expectations of such investor or any of such

investor's requirements with respect to any investment criteria or guidelines with which such investor and/or its investments are required to comply.

There is no clear definition (legal, regulatory or otherwise) of, nor any market consensus as to what constitutes, a "green", "social", "sustainable" or similarly labelled project or as to what attributes are required for a particular project to be so considered, nor can any assurance be given that such a clear definition or consensus will develop over time or that any prevailing market consensus will not significantly change. The EU's proposed regulation on the establishment of a framework to facilitate sustainable investment (the "**EU Taxonomy**"), which is subject to a phased implementation, may provide some definition for such topics within the EU. However, the full scope and applicability of the EU Taxonomy, as well as exactly when it will take effect, remains uncertain. Accordingly, no assurance is or can be given (whether by the Trustee, Kuveyt Türk, the Joint Lead Managers or any other person) to any investor in the Certificates that: (a) any project or uses the subject of, or related to, any Sustainable Projects will meet all or any of such investor's expectations regarding any "green," "social", "sustainability" or similarly labelled performance objectives or investment criteria, (b) any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Sustainable Projects or (c) the Sustainable Finance Framework will be aligned with the EU Taxonomy or any other sustainability framework. No investigation or enquiry will be made and no due diligence has been or will be conducted by any of the Joint Lead Managers or the Delegate in respect of the Sustainable Finance Framework or any Sustainable Projects or that any of the Sustainable Projects meet the requirements of the Sustainable Finance Framework.

No assurance or representation (whether by the Trustee, Kuveyt Türk or any other person) is given as to the suitability or reliability for any purpose whatsoever of any report, assessment, opinion or certification of any third party (whether or not solicited by the Trustee or Kuveyt Türk) that might or might not be made available in connection with the issuance of the Certificates, including (in particular) to the extent addressing whether any Sustainable Project fulfils any environmental, social, sustainability and/or other criteria. The Sustainable Finance Framework and any such report, assessment, opinion, certification do not, nor shall be deemed to, constitute a part of, nor is incorporated into, this Prospectus. Any such report, assessment, opinion or certification is not, nor should be deemed to be, a recommendation by the Trustee, Kuveyt Türk, the Joint Lead Managers or any other person to invest in any Certificates. Any such report, assessment, opinion or certification is only current as of the date it was issued. Prospective investors in the Certificates must determine for themselves the relevance of any such report, assessment, opinion or certification, the information contained therein and/or the provider of such report, assessment, opinion or certification for the purpose of any investment in the Certificates. The providers of such reports, assessments, opinions and certifications might not be subject to any specific oversight or regulatory or other regime.

In the event that the Certificates are listed or admitted to trading on any dedicated "green", "environmental", "social", "sustainability" or other similarly labelled securities exchange or market (or segment thereof), whether or not regulated, no representation or assurance is given by the Trustee, Kuveyt Türk, the Joint Lead Managers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. In addition, the criteria for any such listings or admission to trading might vary from one securities exchange or market to another. No representation or assurance is given or made by the Trustee, Kuveyt Türk, the Joint Lead Managers or any other person that any such listing or admission to trading will be obtained in respect of the Certificates or, if obtained, that any such listing or admission to trading will be maintained during the life of the Certificates.

While it is the intention of Kuveyt Türk to apply the net proceeds of the Certificates and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in, the manner described in "*Use of Proceeds*" there can be no assurance that Kuveyt Türk will be able to do so. In addition, there can be no assurance that any Sustainable Projects will be completed within any specified period or at all or with respect to the results or outcome (whether or not related to the environment, social goals, sustainability goals or similar) as originally expected or anticipated by Kuveyt Türk.

Any such failure will not give rise to any dissolution event under the Certificates or any other claim of an investor in respect of the Certificates against the Trustee or Kuveyt Türk. The withdrawal of any report, assessment, opinion or certification as described above, or any such report, assessment, opinion or certification concluding that Kuveyt Türk is not complying in whole or in part with any matters for which such report, assessment, opinion or certification is obtained, and/or the Certificates no longer being listed

or admitted to trading on any securities exchange or market, as above, might have a material adverse effect on the value of an investment in such the Certificates and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Risk factors relating to the Certificates

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

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

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

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

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

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

Any write-down of the Certificates (and the corresponding Write-Down of Kuveyt Türk's obligations under the Transaction Documents) would be permanent and none of the Trustee, the Delegate or the Certificateholders will have any further claim against Kuveyt Türk in respect of any Written-Down Amount

of the Certificates or the corresponding Write-Down of Kuveyt Türk's obligations under the Transaction Documents. Consequently, there is a real risk that an investor in the Certificates will lose all or some of its investment upon the occurrence of a Non-Viability Event. Therefore, the occurrence of any such event or any suggestion of such occurrence could materially adversely affect the rights of Certificateholders, the market price of investments in the Certificates and/or the ability of Kuveyt Türk to satisfy its obligations under the Transaction Documents which would fund payments otherwise due under the Certificates. See Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*) for further information on any such potential write-downs of the Certificates, including for the definitions of various terms used in this risk factor.

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

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

The occurrence of a Tangibility Event may result in the Certificates becoming immediately due and payable

If a Tangibility Event occurs, Kuveyt Türk (in its capacity as Service Agent) will be required to notify the Certificateholders. In accordance with the provisions of Condition 13 (*Dissolution Events*), the occurrence of a Tangibility Event is a Dissolution Event and subject to the requirements of Condition 13 (*Dissolution Events*) being satisfied, this may result in all amounts in respect of the Certificates becoming immediately due and payable.

No limitation on incurrence of Senior Obligations or Parity Obligations

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

Absence of secondary market or limited liquidity

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

Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates. An investor in the Certificates must be prepared to hold the Certificates for an indefinite period of time or until their maturity. An application has been made for the listing of the Certificates on the regulated market of Euronext Dublin but there can be no assurance that any such listing will occur on or

prior to the date of this Prospectus or at all, if it does occur, that it will enhance the liquidity of the Certificates.

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

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

Substitution and variation of the Certificates without Certificateholder consent

Subject to Condition 8.8 (*Substitution or Variation instead of Early Dissolution upon the occurrence of a Capital Disqualification Event or a Tax Redemption Event*), if a Tax Redemption Event or a Capital Disqualification Event occurs, the Trustee may at its sole discretion but in consultation with the Shariah Committee of Kuveyt Türk and subject to compliance with applicable Turkish law (including the BRSA Regulation and, to the extent so required, the prior approval of the BRSA), at any time either substitute the Certificates or vary their terms accordingly, provided that they remain or, as appropriate, so that they become, Qualifying Tier 2 Certificates. Qualifying Tier 2 Certificates are, among other things, certificates that have terms not materially less favourable to a Certificateholder, as reasonably determined by Kuveyt Türk in consultation with the Shariah Committee of Kuveyt Türk following the advice of an independent financial institution of international standing, than the terms of the Certificates as specified in Condition 8.8 (*Substitution or Variation instead of Early Dissolution upon the occurrence of a Capital Disqualification Event or a Tax Redemption Event*).

There can be no assurance that, due to the particular circumstances of each Certificateholder, any Qualifying Tier 2 Certificates will be as favourable to each Certificateholder in all respects or that, if it were entitled to do so, a particular Certificateholder would make the same determination as Kuveyt Türk as to whether the terms of the relevant Qualifying Tier 2 Certificates are not materially less favourable to Certificateholders than the terms of the Certificates. None of the Trustee or Kuveyt Türk bear any responsibility towards the Certificateholders for any adverse effects of such substitution or variation (including, without limitation, with respect to any adverse tax consequences suffered by any Certificateholder).

The Certificates may be subject to early redemption

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

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

Subject as provided in Condition 8 (*Capital Distributions*), Kuveyt Türk will also have the right under the Transaction Documents to oblige the Trustee at any time upon the occurrence of a Capital Disqualification Event or a Tax Redemption Event to sell to Kuveyt Türk the portfolio of Wakala Assets pursuant to the exercise of the Sale and Substitution Undertaking, following which the Trustee may redeem all, but not some only, of the Certificates at the Dissolution Distribution Amount. Depending on prevailing market conditions on such redemption, an investor may similarly not be able to reinvest the redemption proceeds in a comparable security in respect of which distributions are payable at an equivalent rate to that at which Periodic Distribution Amounts are payable in respect of the Certificates.

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

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

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

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

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

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

The Certificates are limited recourse obligations

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

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

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

of any of the Trust Assets except pursuant to the Transaction Documents and the sole right of the Trustee and the Delegate against Kuveyt Türk shall be to enforce the obligation of Kuveyt Türk to perform its obligations under the Transaction Documents.

Certificates where denominations involve integral multiples: Definitive Certificates

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

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

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

No third-party guarantees

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

Risks factors relating to the Trust Assets and limited rights of enforcement

Ownership over the Wakala Assets

In order to comply with the requirements of Shari'a, an ownership interest in the Wakala Assets comprising the Initial Wakala Portfolio should pass to the Trustee under the Purchase Agreement. The Trustee will declare a trust in respect of such Wakala Assets and the other Trust Assets in favour of the Certificateholders pursuant to the Declaration of Trust. Accordingly, Certificateholders should, through the ownership interest of the Trustee, have an ownership interest in the Wakala Assets unless the transfer of the Wakala Assets is prohibited by, or ineffective under, any applicable law (see "*Transfer, possession, custody or control of the Wakala Assets*" below).

Limited investigation or enquiry will be made and limited due diligence will be conducted in respect of any Wakala Assets comprised within Initial Wakala Portfolio. The Wakala Assets will be selected by Kuveyt Türk, and the Certificateholders, the Trustee and the Delegate will have no ability to influence such selection. Only limited representations will be obtained from Kuveyt Türk in respect of the Wakala Assets. In particular, the precise terms of the Wakala Assets will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by Kuveyt Türk to give effect to the transfer of the Wakala Assets). No steps will be taken to perfect the transfer of the ownership interest (including registration) in the Wakala Assets with any relevant regulatory authority in Turkey or otherwise give notice to any lessee in respect thereof.

Transfer, possession, custody or control of the Wakala Assets

Limited investigation has been or will be made by (i) the Trustee, Kuveyt Türk, the Joint Lead Managers or the Delegate as to whether any interest in any Wakala Assets may be transferred as a matter of the law governing the contracts (if any) underlying such Wakala Assets, the law of the jurisdiction where such assets are located or any other relevant law; or (ii) the Trustee, the Joint Lead Managers or the Delegate as to whether Kuveyt Türk has or will continue to have actual or constructive possession, custody or control of any Wakala Assets. If a legal action is brought seeking to question the validity or enforceability of any interest in the Wakala Assets, there can be no assurance that a court would recognise the validity of the sale and purchase over the Wakala Assets either as between the parties or as against the rights of third parties. Upon any Dissolution Event, the Certificateholders will not have any right of enforcement against the Wakala Assets. Their rights are limited to: (i) in circumstances where the Delegate, having become bound

so to direct the Trustee to proceed against the Obligor, fails to do so within a reasonable period of becoming so bound and such failure is continuing, to itself direct the Trustee to enforce the Obligor's obligation to purchase the Wakala Assets pursuant to the terms of the Purchase Undertaking; and (ii) upon any failure to comply with the Obligor's obligations under the Transaction Documents as described in this Prospectus, a pro rata share of the proceeds of the enforcement thereof.

Limitations relating to the indemnity provisions under the Purchase Undertaking and the Declaration of Trust

Kuveyt Türk has covenanted in the Purchase Undertaking and the Declaration of Trust that: (a) if, at the time of delivery of an exercise notice in accordance with the provisions of the Purchase Undertaking, Kuveyt Türk (acting in any capacity) holds any interest in or remains in actual or constructive possession, custody or control of all or any part of the Wakala Assets; and (b) if following delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, the relevant Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever, Kuveyt Türk shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price.

Subject to the satisfaction of the conditions set out in the above paragraph, if Kuveyt Türk fails to pay the relevant Exercise Price, in accordance with the Purchase Undertaking, the Delegate (on behalf of the Certificateholders) may, subject to the matters set out in Condition 13 (*Dissolution Events*) and the terms of the Declaration of Trust, seek to enforce, *inter alia*, the provisions of the Purchase Undertaking and the Declaration of Trust against Kuveyt Türk by commencing legal proceedings.

However, investors should note that, in the event that Kuveyt Türk (acting in any capacity) does not hold any interest in or remain in actual or constructive possession, custody or control of all or any part of the Wakala Assets at the time of delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, the condition in (a) as described above will not be satisfied and, therefore, no amounts will be payable by Kuveyt Türk under the separate indemnity provisions.

Accordingly, in such event, the Delegate (on behalf of the Certificateholders) may be required to establish that there has been a breach of contract by Kuveyt Türk in order to prove for actual damages. Such breach of contract may be due to: (i) a breach by Kuveyt Türk of the requirement to purchase the Trustee's rights, title, interest, benefits and entitlements in, to and under the Wakala Assets on the relevant Dissolution Date pursuant to the provisions of the Purchase Undertaking; and/or (ii) a breach by Kuveyt Türk of its undertaking to maintain actual or constructive possession, custody or control of, or rights, title, interests, benefits or entitlements in, to or under, the Wakala Assets, in each case in accordance with the terms of the Purchase Agreement, the Service Agency Agreement and the relevant ijara financing contracts and the tangible investment contracts relating to the Wakala Assets.

As a result, the Delegate (on behalf of the Certificateholders) may not be able to recover, or may face significant challenges in recovering, an amount equal to the relevant Exercise Price, and in turn, the amount payable to the Certificateholders upon redemption.

Commodity risk

The Trustee will, pursuant to the terms of the Murabaha Agreement, acquire certain Shari'a-compliant commodities through the Commodity Agent, which the Trustee will sell to Kuveyt Türk for subsequent on-sale to independent third party purchasers. Upon purchasing commodities and prior to selling the commodities, each of the Trustee and Kuveyt Türk will for a limited period assume the operational risks associated with taking ownership of the commodities. These risks include, without limitation:

(a) that the commodities may suffer damage of a nature that reduces their value whilst in storage or during transit;

(b) that the Trustee's or Kuveyt Türk's storage and/or transfer of the commodities may cause environmental damage, such as pollution, leakage or contamination, which may breach environmental laws or regulations making the Trustee or Kuveyt Türk susceptible to legal or financial recourse;

(c) that the commodities may be liable to theft and or vandalism; and

(d) that the commodities may be damaged by terrorist attacks, natural disasters, fire or other catastrophic events that are beyond the control of the Trustee and Kuveyt Türk.

To the extent that these risks are not mitigated, or fully covered, by any insurance taken out in respect of the commodities, the occurrence of any of these events may have a material adverse effect on the value of the commodities and/or the Trustee's or Kuveyt Türk's ability to on-sell the commodities which may, in turn, affect the Trustee's or Kuveyt Türk ability to perform its obligations (including payment obligations) under the Certificates and the Transaction Documents.

Risk factors relating to taxation

Taxation risks on payments

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

If Kuveyt Türk has or will become obliged to pay additional amounts to ensure that the funds available to the Trustee are sufficient to pay the relevant Periodic Distribution Amount or the relevant Dissolution Distribution Amount pursuant to Condition 11 (*Taxation*) and such obligation cannot be avoided by the Trustee taking reasonable measures available to it, then in such circumstances: (i) Condition 8.8 (*Substitution or Variation instead of Early Dissolution upon the occurrence of a Capital Disqualification Event or a Tax Redemption Event*) provides that all Certificates (but not some only) may at any time be substituted, or that the terms of the Certificates may be varied, so that they remain or, as appropriate, become, Qualifying Tier 2 Certificates; and (ii) Condition 8.4 (*Capital Distributions — Early Dissolution for Tax Reasons*) provides that Kuveyt Türk has the option to require the Trustee to redeem the Certificates prior to their scheduled maturity.

Risk factors relating to enforcement

Enforcement risk

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

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

Enforcing foreign judgments in Turkey

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

them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

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

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

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

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

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

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

(a) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed and the defendant brought an objection before the Turkish courts against the request for enforcement on any of these grounds;

(b) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey;

(c) the judgment is incompatible with a judgment of a court in Turkey between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Turkey;

(d) the judgment is not of a civil nature;

(e) the judgment is clearly against public policy rules of Turkey;

(f) the judgment is not final and binding with no further recourse for appeal under the laws of the country where the judgment has been rendered; or

(g) the court rendering the judgment did not

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

Furthermore, to be enforceable under the laws of Turkey, the choice of laws of a foreign jurisdiction or submission to the jurisdiction of the courts of such a foreign jurisdiction should indicate the competent courts with sufficient precision. Therefore, lack of precision while determining the competent court of a foreign jurisdiction may render the choice of foreign court unenforceable.

As a result, it may not be possible to:

(a) effect service of process outside Turkey upon any of the directors and executive officers named in this Prospectus; or

(b) enforce, in Turkey, court judgments obtained in courts of jurisdictions other than Turkey against Kuveyt Türk or any of the directors and executive officers named in this Prospectus in any action.

Furthermore, as a matter of Turkish law, the choice of jurisdiction requires explicit agreement of the parties as to the exclusive jurisdiction of a particular court, defined with sufficient accuracy. Non-exclusive

jurisdiction clauses or general references to courts of a country may not be honoured by Turkish courts. Therefore, any Turkish court may claim jurisdiction if a lawsuit is filed in Turkey by the parties in relation to a document regarding matters arising thereunder and may refrain from honouring relevant jurisdiction clauses in the event it is considered that such explicit agreement is lacking as to the jurisdiction of a particular court(s).

In any suit or action against a company in the Turkish courts, a foreign plaintiff may be required to deposit security for court costs (*cautio judicatum solvi*), provided however that the court may in its discretion waive such requirement for security in the event that the plaintiff is considered to be (i) a national of one of the contracting states of the Convention Relating to Civil Procedures signed at The Hague on March 1, 1954 (ratified by Turkey by Law No. 1574); save for legal entities incorporated under the laws of such contracting states or (ii) a national of a state that has signed a bilateral treaty with Turkey which is duly ratified and contains, inter alia, a waiver of the cautio judicatum solvi requirement on a reciprocal basis.

Accordingly, if any action or proceeding is instituted in Turkey arising out of or relating to a Transaction Document, it may be necessary for a foreign plaintiff or plaintiffs under Law of Charges No. 492 (as amended from time to time) to pay, among other amounts (including amounts in relation to security for court costs), court fees in the amount of 6.83 per cent. of the TRY equivalent of the amount claimed plus a fixed application fee to the relevant courts.

The International Private and Procedure Law of Turkey (Law No. 5718) imposes certain restrictions in relation to the choice of law for certain non-contractual obligations. In particular, the International Private and Procedure Law of Turkey (Law No. 5718) provides that parties are permitted to choose the law applicable to claims relating to tort and/or unjust enrichment only after the commitment or occurrence of the relevant tortious act or the relevant unjust enrichment. As a result, a Turkish court may refuse to apply the parties' choice of foreign law to any non-contractual obligations arising out of or in connection with the Transaction Documents and the Certificates and may decide to apply Turkish law in respect of such obligations.

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

Payment of Judgments

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

Change of law

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

Claims for specific enforcement

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

The amount of actual damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Trustee or the Delegate to mitigate any loss arising as a result of the breach. No assurance is provided on the level of actual damages which a court may award in

the event of a failure by any of Kuveyt Türk or the Trustee to perform its obligations as set out in the Transaction Documents to which it is a party.

Additional risks

Credit ratings may not reflect all risks

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

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

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Certificates changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Certificates may have a different regulatory treatment, which may impact the value of the Certificates and their liquidity in the secondary market.

Emerging markets

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

Modification of the Conditions and the Transaction Documents and other matters

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

The Conditions and the Declaration of Trust also provide that the Delegate may agree, without the consent or sanction of Certificateholders, to any modification of any of the provisions of the Certificates, the Declaration of Trust or any other Transaction Document if, in the opinion of the Delegate, such

modification is: (a) of a formal, minor or technical nature; (b) made to correct a manifest error; or (c) (excluding in respect of a Reserved Matter) not materially prejudicial to the interests of Certificateholders. The Delegate may further agree to any waiver or authorisation of any breach or proposed breach of the Conditions, the Declaration of Trust or any other Transaction Document, in each such case as further described in Condition 17 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).

Exchange rate risks and exchange controls

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

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

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

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

Reliance on Euroclear and Clearstream, Luxembourg procedures

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

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

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

There is no assurance that the Certificates will be compliant with the principles of Islamic finance

Each of HSBC Global Shariah Supervision Committee, the KFH Capital Sharia Committee, the Executive Committee of the Shari'a Board of Dubai Islamic Bank P.J.S.C. and Emirates NBD Islamic Internal Shariah

Supervision Committee have each confirmed that the Transaction Documents are, in their view, compliant with the principles of Shari'a as applicable to, and interpreted by, them. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be *Shari'a* compliant by any other *Shari'a* board or *Shari'a* scholars or in the future. None of the Trustee, the Delegate, the Agents, Kuveyt Türk or the Joint Lead Managers makes any representation as to the *Shari'a* compliance of the Certificates and/or any trading thereof, the Transaction Documents or the above pronouncements and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible, and different *Shari'a* standards may be applied by different *Shari'a* Boards. Potential investors should not rely

on the above pronouncements in deciding whether to make an investment in the Certificates and should obtain their own independent *Shari'a* advice as to the compliance of the Transaction Documents and whether the Certificates will meet their individual standards of compliance and the issue and trading of the Certificates with *Shari'a* principles, including the tradability of the Certificates on any secondary market. Questions as to the *Shari'a* compliance of the Transaction Documents or the *Shari'a* permissibility of the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Transaction Documents or the Certificates shall, if in dispute, be referred to, and finally resolved by the English courts (or in the case of the Purchase Agreement and any Sale Agreement or Transfer Agreement entered into pursuant to the Purchase Undertaking or Sale and Substitution Undertaking, by the Istanbul Central (Çağlayan) Courts). In such circumstances, the relevant courts will apply the relevant law of the relevant Transaction Document and/or the Certificates in determining the obligations of the parties.

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the audited consolidated financial statements of Kuveyt Türk for the year ended 31 December 2020, prepared and presented in accordance with BRSA Principles (together with the auditor report thereon), available at:

https://www.kuveytturk.com.tr/medium/document-file-4764.vsf

(b) the audited consolidated financial statements of Kuveyt Türk for the year ended 31 December 2019, prepared and presented in accordance with BRSA Principles (together with the auditor report thereon), available at:

https://www.kuveytturk.com.tr/medium/document-file-3497.vsf

(c) the unaudited consolidated financial statements of Kuveyt Türk for the six month period ended 30 June 2021 (including comparative financial information for the six month period ended 30 June 2020), prepared and presented in accordance with BRSA Principles (together with the auditor review report thereon), available at:

https://www.kuveytturk.com.tr/medium/document-file-4816.vsf

(d) the Sustainable Finance Framework of Kuveyt Türk, available at:

https://www.kuveytturk.com.tr/en/investor-relations

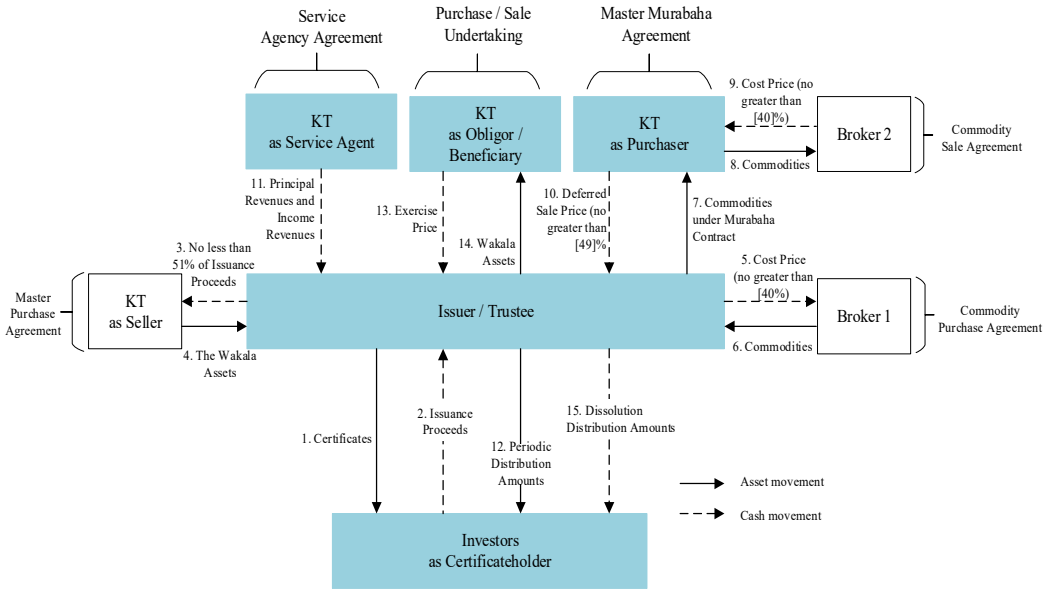
Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

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

STRUCTURE DIAGRAM AND CASHFLOWS

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

Structure Diagram



Cashflows

Payments by the Certificateholders and the Trustee

On the Closing Date, the Certificateholders will pay the issuance proceeds in respect of the Certificates to the Trustee. The Trustee will apply the Issuance Proceeds to purchase (i) certain Shari'a-compliant commodities through the Commodity Agent, which the Trustee will sell to Kuveyt Türk (as purchaser) on a deferred payment basis for a sale price specified in a letter of offer and acceptance pursuant to the Murabaha Contract; and (ii) Kuveyt Türk's interests, rights, benefits and entitlements in, to and under the initial portfolio of Wakala Assets pursuant to the Purchase Agreement.

Periodic Distribution Amounts

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

Dissolution Distribution Amounts

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

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

Pursuant to the Murabaha Agreement, Kuveyt Türk will undertake to pay the outstanding Deferred Sale Price to the Trustee on or before the Dissolution Event Redemption Date or on the Business Day prior to the Scheduled Dissolution Date (whichever is the earliest).

The Dissolution Event Exercise Price or Exercise Price (as applicable), shall be an amount equal to the Dissolution Distribution Amount payable on the relevant Dissolution Date.

TERMS AND CONDITIONS OF THE CERTIFICATES

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

Each of the U.S.$350,000,000 Fixed Rate Resettable Sustainability Tier 2 certificates due 2031 (the "**Certificates**") is issued by KT21 T2 Company Limited (in its capacity as the issuer and trustee, as applicable, the "**Trustee**") and represents an undivided beneficial ownership interest in the Trust Assets (as defined in Condition 4.1 (*Trust Arrangements – Summary of the Trust Arrangements*)) held on trust (the "**Trust**") for the holders of such Certificates (the "**Certificateholders**") pursuant to a declaration of trust (the "**Declaration of Trust**") dated on or about 16 September 2021(the "**Closing Date**") made between the Trustee, Kuveyt Türk Katılım Bankası A.Ş. ("**Kuveyt Türk**") and HSBC Corporate Trustee Company (UK) Limited, in its capacity as: (i) the donee of powers set out in clause 6 (*Powers Vested in the Delegate*) of the Declaration of Trust; and (ii) as delegate of the Trustee pursuant to clause 7 (*Delegation of Authority to the Delegate*) of the Declaration of Trust (the "**Delegate**").

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

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents (as defined below). Copies of the Transaction Documents are available for inspection (i) during normal business hours at the Specified Offices of the Principal Paying Agent; and/or (ii) may be provided by email to a Certificateholder following its prior written request to the Principal Paying Agent and the provision of evidence satisfactory to the Principal Paying Agent as to its holding of the relevant Certificates and identity. For the purposes of these Conditions, "**Specified Office**" shall have the meaning given thereto in the Agency Agreement. The Certificateholders have the benefit of, are bound by, and are deemed to have notice of the provisions of the following documents (the "**Transaction Documents**"):

(i) the Declaration of Trust;

(ii) the Agency Agreement;

(iii) a purchase agreement between the Trustee (in its capacity as purchaser), Kuveyt Türk (in its capacity as seller) to be dated on or about the Closing Date (the "**Purchase Agreement**");

(iv) a Service Agency Agreement between the Trustee and Kuveyt Türk (in its capacity as Service Agent) to be dated on or about the Closing Date (the "**Service Agency Agreement**");

(v) a purchase undertaking granted by Kuveyt Türk in favour of the Trustee and the Delegate to be dated on or about the Closing Date (the "**Purchase Undertaking**");

(vi) a sale and substitution undertaking granted by the Trustee in favour of Kuveyt Türk to be dated on or about the Closing Date (the "**Sale and Substitution Undertaking**");

(vii) a murabaha agreement between the Trustee and Kuveyt Türk (together with all documents, notices of request to purchase, offer notices, acceptances, notices and confirmations delivered or entered into as contemplated by the Murabaha Agreement) (the "**Murabaha Agreement**") and the relevant Murabaha Contract (as defined in the Murabaha Agreement) to be dated on or about the Closing Date; and

(viii) a use of proceeds undertaking deed granted by the Trustee in favour of Kuveyt Türk to be dated on or about the Closing Date (the "**Use of Proceeds Undertaking Deed**"); and

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

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee to: (a) to apply the sums paid by it in respect of the Certificates in the following proportion: (i) not less than 60 per cent. to Kuveyt Türk as the Purchase Price for the purchase of the Wakala Assets comprising the Initial Wakala Portfolio; and (ii) the remaining portion, being not more than 40 per cent., for the purchase and subsequent sale of commodities to Kuveyt Türk pursuant to the Murabaha Agreement; and (b) to enter into each Transaction Document to which it is a party, subject to the provisions of the Declaration of Trust and these Conditions.

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

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

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

The Certificates are issued pursuant to the Turkish Commercial Code (No. 6102), the Capital Markets Law (No. 6362) of Turkey and the Communiqué on Debt Instruments No. VII 128.8 of the Turkish Capital Markets Board (in Turkish: Sermaye Piyasası Kurulu) (the "**CMB**"). The proceeds of the Certificates shall be paid in cash in a single sum to the Trustee.

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

1.2 Title

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

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

2. TRANSFERS OF CERTIFICATES

2.1 Transfers

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

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

2.2 Delivery of New Certificates

Each new Certificate to be issued upon any transfer of Certificates will, within five (5) business days of receipt by the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), be delivered at the Specified Office of the relevant Transfer Agent or mailed by uninsured mail at the risk and expense of the holder entitled to the Certificate to the address specified in the form of transfer.

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

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

2.3 Formalities Free of Charge

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

2.4 Closed Periods

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

2.5 Regulations

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

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

3. STATUS, SUBORDINATION AND LIMITED RECOURSE

3.1 Status

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

3.2 Subordination

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

(a) subordinate in right of payment to the payment of all Senior Obligations;

(b) *pari passu* without any preference among themselves and with all Parity Obligations; and

(c) in priority to all payments in respect of Junior Obligations.

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

In these Conditions:

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

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

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

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

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

"**Senior Taxes**" means any tax, levy, fund, impost, duty or other charge or withholding of a similar nature (including any related additional payment imposed) including, without limitation, the Banking and Insurance Transactions Tax (Banka Sigorta Muameleleri Vergisi) imposed by Article 28 of the Expenditure Taxes Law (Law No. 6802), income withholding tax pursuant to the Decree

of the Council of Ministers of Turkey (Decrees No. 2011/1854 and 2010/1182), Articles 15 and 30 of the Corporate Income Tax Law (Law No. 5520) and Article 94 and Provisional Article 67 of the Income Tax Law (Law No. 193), any reverse value-added tax imposed by the VAT Law (Law No. 3065), any stamp tax imposed by the Stamp Tax Law (Law No. 488) and any withholding tax imposed by, or anti-tax haven regulation under, Article 30.7 of the Corporate Income Tax Law (Law No. 5520);

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

"**Turkey**" means the Republic of Turkey.

3.3 **Limited Recourse**

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

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

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

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

3.4 **Agreement of Certificateholders**

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

(a) no payment of any amount whatsoever shall be made by or on behalf of the Trustee except to the extent funds are available therefor from the Trust Assets and further agrees that no recourse shall be had for the payment of any amount owing hereunder or under any Transaction Document, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon any Transaction Document,

against the Trustee, Kuveyt Türk (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate or the Agents to the extent the Trust Assets have been exhausted following which all obligations of the Trustee, Kuveyt Türk, the Delegate and the Agents shall be extinguished;

(b) prior to the date which is one year and one day after the date on which all due amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, it will not institute against, or join with any other person in instituting against, the Trustee any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law; and

(c) no recourse (whether by institution or enforcement of any legal proceeding or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee arising under these Conditions or otherwise in connection with the Certificates by virtue of any law, statute or otherwise shall be had against any shareholder, officer, director or corporate administrator of the Trustee in its capacity as such and any and all personal liability of every such shareholder, officer, director or corporate administrator in their capacity as such for any breaches by the Trustee of any such duty, obligation or undertaking is hereby expressly waived and excluded to the extent permitted by law.

3.5 No Set-off or Counterclaim

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

3.6 No Link to Derivative Transactions

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

4. TRUST ARRANGEMENTS

4.1 Summary of the Trust Arrangements

On the Closing Date, the Trustee will enter into the Purchase Agreement with Kuveyt Türk (in such capacity, the "**Seller**"). Pursuant to the Purchase Agreement the Seller will sell the Initial Wakala Portfolio comprising of Wakala Assets to the Trustee and the Trustee will purchase the Initial Wakala Portfolio using a portion of the proceeds of the issue of the Certificates (the "**Issuance Proceeds**"). The Trustee will also enter into a Service Agency Agreement on the Closing Date with Kuveyt Türk as Service Agent (in such capacity, the "**Service Agent**") of the Wakala Portfolio.

Kuveyt Türk will grant the Purchase Undertaking on the Closing Date in favour of the Trustee and the Delegate, by which Kuveyt Türk will undertake to purchase all of the Trustee's rights, interests, benefits and entitlements in, to and under the Wakala Assets on the Scheduled Dissolution Date (as defined in Condition 8.1 (*Capital Distributions – Scheduled Dissolution*)) or, if earlier, on the

due date for dissolution in accordance with Condition 8.6 (*Capital Distributions – Dissolution following a Dissolution Event*), at an amount equal to the Dissolution Distribution Amount.

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

The Trustee has opened a non-interest bearing transaction account (the "**Transaction Account**") with the Principal Paying Agent into which Kuveyt Türk will deposit all amounts due to the Trustee under the Transaction Documents.

Pursuant to the Declaration of Trust, the Trustee will declare that it will hold the following assets (the "**Trust Assets**") upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each holder in accordance with the Declaration of Trust and these Conditions:

(a) the Issuance Proceeds, pending application thereof in accordance with the terms of the Transaction Documents;

(b) subject to the terms of the Use of Proceeds Undertaking Deed, all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the portfolio of Wakala Assets, the amounts standing to the credit of the Collection Accounts (as defined in the Purchase Agreement) from time to time, and the obligations of the Service Agent to make payments under the Service Agency Agreement;

(c) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (including, without limitation, the right to receive the Deferred Sale Price under the Murabaha Agreement and other than: (i) in relation to any representation given to the Trustee by Kuveyt Türk pursuant to any of the Transaction Documents; and (ii) the covenants given to the Trustee pursuant to Clause 17 (*Remuneration and Indemnification of the Trustee and the Delegate*) of the Declaration of Trust); and

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

and all proceeds of the foregoing.

4.2 **Application of Proceeds from Trust Assets**

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

(a) *first*, to the Delegate and any Appointee in respect of all amounts (including by way of indemnity) owing to it, or which it is entitled to receive payment pursuant to the Transaction Documents in its capacity as Delegate or Appointee (as the case may be);

(b) *second*, *pro rata* and *pari passu*: (i) to the Trustee in respect of all amounts properly incurred and documented owing to it under the Transaction Documents in its capacity as Trustee; (ii) to the extent not paid by Kuveyt Türk in accordance with the terms of the Agency Agreement, to each Agent in respect of all amounts owing to such Agent on account of its liabilities and all fees, costs, charges and expenses properly incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent; and (iii) the Trustee Administrator in respect of all amounts owing to

it under the Transaction Documents, the Corporate Services Agreement and the Registered Office Terms in its capacity as Trustee Administrator;

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

(d) *fourth*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount; and

(e) *fifth*, only if such payment is made on a Dissolution Date, to the Service Agent to retain as an incentive payment in accordance with the Service Agency Agreement.

In these Conditions:

"**Corporate Services Agreement**" means the corporate services agreement dated 26 August 2021 between the Trustee and the Trustee Administrator;

"**Registered Office Terms**" means the standard terms and conditions for the provision of registered office services by the Trustee Administrator to the Trustee; and

"**Trustee Administrator**" means MaplesFS Limited.

5. **COVENANTS**

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

(a) incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares);

(b) secure any of its present or future indebtedness for borrowed money or any other certificates issued by it by any lien, pledge, charge, mortgage or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law);

(c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets except pursuant to the Transaction Documents;

(d) amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) without the prior approval of the Delegate;

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

(f) have any subsidiaries or employees;

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

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

(i) prior to the date which is one year and one day after the date on which all due amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator

for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or

(j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:

(i) as provided for or permitted in the Transaction Documents;

(ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and

(iii) such other matters which are incidental thereto.

6. PERIODIC DISTRIBUTIONS

6.1 Periodic Distribution Amounts and Periodic Distribution Dates

Subject to Condition 3 (*Status, Subordination And Limited Recourse*), Condition 4.2 (*Trust Arrangements – Application of Proceeds from Trust Assets*), Condition 6.3 (*Periodic Distributions – Cessation of Accrual*), Condition 7 (*Payment*) and Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*), the Principal Paying Agent shall distribute to holders of the Certificates, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account a distribution in relation to the Certificates on each Periodic Distribution Date, equal to the applicable amount (each a "**Periodic Distribution Amount**") determined as follows:

(a) in respect of the period from (and including) the Closing Date to (but excluding) the Reset Date, at the rate of 6.125 per cent. per annum (the "**Initial Periodic Distribution Rate**"); and

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

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

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

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

(B) the Aggregate Face Amount of the outstanding Certificates during that period; and

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

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

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

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

In these Conditions:

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

"**Determination Date**" means the means the second U.S. Government Securities Business Day (which is also a Business Day) before the Reset Date;

"**Comparable Treasury Issue**" means, with respect to the Reset Period, the U.S. Treasury security or securities selected by the quotation agent (being a primary U.S. government securities dealer in New York City appointed by Kuveyt Türk) with a maturity date on or about the last day of the Reset Period and that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in U.S. dollars and having a maturity of five years;

"**Comparable Treasury Yield**" means, with respect to the Reset Date: (a) the arithmetic average of the Reference Treasury Dealer Quotations for the Reset Date (calculated on the Determination Date), after excluding the highest and lowest such Reference Treasury Dealer Quotations; (b) if fewer than five such Reference Treasury Dealer Quotations are received, the arithmetic average of all such quotations; or (c) if fewer than two such Reference Treasury Dealer Quotations are received, then such Reference Treasury Dealer Quotation as quoted in writing to the quotation agent by a Reference Treasury Dealer;

"**Periodic Distribution Date**" means each of 16 June and 16 December in each year, commencing on 16 December 2021 and, subject to Condition 6.3 (*Periodic Distributions – Cessation of Accrual*), ending on the Scheduled Dissolution Date;

"**Reference Treasury Dealer**" means each of up to five banks selected by the Trustee and Kuveyt Türk, or the affiliates of such banks, which are: (a) primary U.S. Treasury securities dealers, and their respective successors; or (b) market makers in pricing corporate bond issues denominated in U.S. dollars;

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any Reset Date, the semi-annual equivalent yield to maturity, as determined by the Reference Treasury Dealer, of the applicable Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, at 11:00 a.m. (New York City time), on the Determination Date;

"**Relevant 5 Year Reset Rate**" means: (i) the rate (in per cent. per annum) equal to the weekly average yield to maturity for United States Treasury Securities at "constant maturity" for a designated maturity of five years on the relevant Determination Date, as displayed on the Bloomberg Screen designated as "H15T5Y" or if the relevant yields are not published on the Bloomberg Screen by the relevant time, in the H.15 under the caption "treasury constant maturities (nominal)"; (ii) in respect of the Reset Period, if the Principal Paying Agent cannot determine the Relevant 5 Year Reset Rate on the relevant Determination Date pursuant to the methods described in (i), then the Relevant 5 Year Reset Rate will be the rate per annum, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Yield for the Reset Date; or (iii) in respect of the Reset Period, if the Principal Paying Agent cannot determine the Relevant 5 Year Reset Rate on the relevant Determination Date pursuant to the methods described in (i) and (ii), then the Relevant 5 Year Reset Rate will be 0.793 per cent;

"**H.15**" means the weekly statistical release designated as such, or any successor or replacement publication, published by the Board of Governors of the United States Federal Reserve System, which may be currently obtained at the following website: https://www.federalreserve.gov/releases/h15/;

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

"**Reset Date**" means 16 December 2026.

"**Reset Margin**" means 5.332 per cent. per annum; and

"**U.S. Government Securities Business Day**" means any day except for a Saturday, Sunday or a day on which the U.S. Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities;

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

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

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

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

6.3 Cessation of Accrual

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

7. PAYMENT

7.1 Payments in respect of the Certificates

Subject to Condition 7.2 (*Payment – Payments subject to Applicable Laws*), payment of the Dissolution Distribution Amount and any Periodic Distribution Amount will be made by the Principal Paying Agent in U.S. dollars by wire transfer in same day funds to the registered account of each Certificateholder. Payments of the Dissolution Distribution Amount will only be made against surrender of the relevant Certificate at the Specified Office of any of the Paying Agents. The Dissolution Distribution Amount and each Periodic Distribution Amount will be paid to the holder shown on the Register at the close of business on the date (the "**record date**") being the seventh day before the date on which the Dissolution Distribution Amount or the relevant Periodic Distribution Amount, as the case may be, is paid.

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

7.2 Payments subject to Applicable Laws

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

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

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

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

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

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

7.4 **Agents**

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

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

8. **CAPITAL DISTRIBUTIONS**

8.1 **Scheduled Dissolution**

Unless the Certificates are previously redeemed, purchased and cancelled or written down in full and cancelled, the Trustee will redeem each Certificate at the Dissolution Distribution Amount on the Periodic Distribution Date falling on 16 December 2031 (the "**Scheduled Dissolution Date**"). Upon payment in full of the Dissolution Distribution Amount to the Certificateholders, the Trust will be dissolved, the Certificates shall cease to represent Trust Assets and no further amounts shall be payable in respect thereof and the Trustee and Kuveyt Türk shall have no further obligations in respect thereof.

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

8.2 **Early Dissolution at the option of the Trustee**

The Trustee, having given not less than 10 nor more than 60 days' notice to the Certificateholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable and shall specify the

date fixed for redemption), may redeem all (but not some only) of the Certificates on any day in the period commencing on (and including) 16 September 2026 and ending on (and including) the Reset Date (each a "**Trustee Call Redemption Date**") at the Dissolution Distribution Amount to (but excluding) the date of redemption, subject to Kuveyt Türk having obtained the prior approval of the BRSA for such redemption (the "**Trustee Call**").

8.3 **Early Dissolution upon a Capital Disqualification Event**

The Trustee, having given not less than 10 nor more than 60 days' notice to the Certificateholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Capital Disqualification Redemption Date**")), may redeem all (but not some only) of the Certificates at any time at the Dissolution Distribution Amount **provided that** no such notice of redemption shall be given unless a corresponding notice has been received by the Trustee from Kuveyt Türk under the Sale and Substitution Undertaking, the delivery of which is, subject to Kuveyt Türk having obtained the prior approval of the BRSA for such redemption and having delivered to the Delegate: (i) a certificate signed by two directors of Kuveyt Türk stating that a Capital Disqualification Event has occurred; and (ii) a confirmation in writing by the BRSA (if applicable) of the occurrence of the relevant Capital Disqualification Event.

In these Conditions:

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

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

8.4 **Early Dissolution for Tax Reasons**

The Certificates may be redeemed by the Trustee in whole, but not in part, on any Periodic Distribution Date (such date, the "**Tax Redemption Date**"), on giving not less than 10 nor more than 60 days' notice to the Certificateholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable), subject to having obtained the prior approval of the BRSA, at the Dissolution Distribution Amount, if:

(a) (1) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 11 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date; and (2) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

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

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

Trustee under the Service Agency Agreement or any other Transaction Document (as the case may be) was then due.

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

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

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

8.6 **Dissolution Following a Dissolution Event**

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

8.7 **No other Dissolution**

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

8.8 **Substitution or Variation instead of Early Dissolution upon the occurrence of a Capital Disqualification Event or a Tax Redemption Event**

If at any time a Capital Disqualification Event or Tax Redemption Event occurs, the Trustee may, at its sole discretion, instead of giving notice to redeem the Certificates pursuant to Condition 8.3 (*Capital Distributions – Early Dissolution upon a Capital Disqualification Event*) or 8.4 (*Capital Distributions – Early Dissolution for Tax Reasons*), as the case may be, but in consultation with the Shariah Committee of Kuveyt Türk and subject to compliance with applicable Turkish law (including the BRSA Regulation and, to the extent so required, the prior approval of the BRSA) and having given not less than 10 nor more than 60 days' notice to the Certificateholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable), at any time (without any requirement for the consent or approval of the Certificateholders) either substitute all (but not some only) of the Certificates for, or vary the terms of the Certificates accordingly, provided that they remain or, as appropriate, so that they become, Qualifying Tier 2 Certificates.

For the purposes of this Condition 8.8, "**Qualifying Tier 2 Certificates**" means any certificates issued directly or indirectly by the Trustee that:

(a) have terms not materially less favourable to a Certificateholder, as determined by Kuveyt Türk in consultation with the Shariah Committee of Kuveyt Türk following the advice of an independent financial institution of international standing, than the terms of the Certificates, provided that they shall (i) include a ranking at least equal to that of the Certificates, (ii) have the same Periodic Distribution Amount and Periodic Distribution Dates as those from time to time applying to the Certificates, (iii) have the same dissolution rights as the Certificates, (iv) be eligible for inclusion as Tier 2 capital of Kuveyt Türk, and (v) preserve any existing rights under the Certificates to the Trust Assets

and to any accrued Periodic Distribution Amounts which have not been paid in respect of the period from (and including) the Periodic Distribution Date last preceding the date of substitution or variation; and

(b) are listed on a recognised stock exchange if the Certificates were so listed immediately prior to such substitution or variation.

8.9 **Cancellation**

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

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

9.1 **Write-Down of the Certificates**

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

(a) the maximum possible reduction in the principal amount and/or corresponding conversion into equity being made in respect of any Junior Loss-Absorbing Instruments as provided in the terms of such Junior Loss-Absorbing Instruments; and

(b) the implementation of Statutory Loss-Absorption Measures, involving the absorption by all other Junior Obligations to the maximum extent allowed by law of the relevant loss(es) giving rise to the Non-Viability of Kuveyt Türk within the framework of the procedures and other measures by which the relevant loss(es) giving rise to the Non-Viability Event may be absorbed by such Junior Obligations pursuant to Article 71 of Banking Law (No. 5411) and/or otherwise under Turkish law and regulations.

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

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

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

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

operating licence and its liquidation. However, the Write-Down of the Certificates under the BRSA Regulation may take place before any such transfer or liquidation.

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

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

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

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

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

9.3 **Limited Recourse**

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

9.4 **Write-Down in whole**

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

(a) the Certificateholders' rights to the Trust Assets shall automatically be deemed to be irrevocably and unconditionally written down by the Write-Down Amount;

(b) the Certificates shall be cancelled; and

(c) subject to payment of the Periodic Distribution Amounts accrued and unpaid to (but excluding) the relevant Non-Viability Event Write-Down Date, all rights of any Certificateholder for payment of any amounts under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Dissolution Event) shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-Down Date;

(d) the Trustee shall dissolve the Trust; and

(e) neither the Trustee nor the Delegate will have any further claim against Kuveyt Türk in respect of any Certificates.

9.5 **Interpretation**

In these Conditions:

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

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

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

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

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

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

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

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

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

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

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

10. **PURCHASE OF CERTIFICATES**

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

11. TAXATION

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

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

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

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

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

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

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

12. PRESCRIPTION

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

13. DISSOLUTION EVENTS

13.1 If:

(a) default is made in the payment of the Dissolution Distribution Amount and the default continues for a period of seven (7) days; or

(b) a Subordination Event occurs; or

(c) an order is made by any competent court or the Government of Turkey, as the case may be, or a resolution is passed for the winding up, dissolution or liquidation of Kuveyt Türk, or

(d) a Tangibility Event occurs,

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

In these Conditions:

"**Deferred Sale Price**" has the meaning given to it in the Murabaha Agreement;

"**Ijara Asset**" means an asset in relation to which Kuveyt Türk or any person on its behalf has entered into an Ijara Financing Contract (and includes that Ijara Financing Contract, the rental payable thereunder and all rights, interests, benefits and entitlements in, to and under such Ijara Financing Contract);

"**Initial Wakala Portfolio**" means the initial portfolio of Wakala Assets described in the Purchase Agreement;

"**Tangibility Event**" means if, at any time, the aggregate Value of the Wakala Assets comprised within the portfolio of Wakala Assets falls below 33 per cent. of the Wakala Portfolio Value;

"**Tangible Investment Sukuk**" means any sukuk certificates which have associated with them underlying tangible assets, including any income distributed in respect of such certificates, any agreements or documents in relation to such certificates and all rights, interests, benefits and entitlements in, to and under such agreements and documents.

"**Value**" means:

(a) in respect of any Wakala Asset, the amount in U.S. dollars (following conversion, if necessary, of any relevant amount(s) at the applicable Exchange Rate) determined by Kuveyt Türk on the Closing Date or the date on which a Wakala Asset is replaced or substituted (as the case may be) being equal to:

(i) in the case of an Ijara Asset, the aggregate of all outstanding fixed rental instalment amounts payable by the lessee (whether then due and unpaid or due and payable on or after such date) or other equivalent fixed instalment amounts payable by the obligor, in each case in the nature of capital or principal payments in respect of the relevant asset and payable to Kuveyt Türk under or in respect of the related Ijara Financing Contract (and including any insurance proceeds or equivalent amounts payable in place of such payments on a Total Loss); and

(ii) in the case of a Tangible Investment Sukuk: (A) for the purposes of calculating the Tangibility Requirement, the aggregate value of the tangible assets underlying

the relevant Tangible Investment Sukuk; and (B) for any other purpose, the aggregate value of all the assets underlying the relevant Tangible Investment Sukuk;

(b) in respect of any Commodity Murabaha Investment, the aggregate of all amounts of the Deferred Sale Price then outstanding;

"**Wakala Asset"** means each Ijara Asset and Tangible Investment Sukuk constituting the Wakala Portfolio; and

"**Wakala Portfolio Value**" means, at any time, the aggregate Value of (i) the Ijara Assets constituting the Wakala Portfolio at that time, (ii) all the assets underlying any Tangible Investment Sukuk, (iii) any Shari'a Compliant Deposits then held by the Service Agent, and (iv) the outstanding Deferred Sale Price under the Murabaha Contract at the relevant time;

13.2 If default is made by Kuveyt Türk in the payment of any amount due pursuant to its obligations attributable to the payment of the Periodic Distribution Amounts under any Transaction Document to which it is a party and/or default is made in the payment of a Periodic Distribution Amount (the amount of such payment default being, the "**Non-Payment Amount**") and the default continues for a period of seven (7) days (a "**Non-Payment Event**"), the Delegate may in its absolute discretion or shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Trustee, Kuveyt Türk and all the holders of the Certificates in accordance with Condition 16 (*Notices*). If so requested in writing by the holders of at least 25 per cent. of the aggregate face amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution of the holders of the Certificates (each a "**Non-Payment Request**"), the Trustee or the Delegate acting in the name and on behalf of the Trustee shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), and subject further to the subordination provisions described in Condition 3.2 (*Status, Subordination and Limited Recourse – Subordination*) and the non-viability provisions described in Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*), exercise its rights under the Purchase Undertaking and the Sale Agreement against Kuveyt Türk and/or institute proceedings for Kuveyt Türk to be declared bankrupt or insolvent or for there otherwise to be a Subordination Event, or for Kuveyt Türk's winding-up, dissolution or liquidation, and prove in the winding-up, dissolution or liquidation of Kuveyt Türk.

14. ENFORCEMENT

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

(a) enforce the provisions of any Transaction Document to which Kuveyt Türk is a party and the Sale Agreement against Kuveyt Türk; and/or

(b) take such other steps as the Trustee or the Delegate may consider necessary in their absolute discretion to protect the interests of the Certificateholders, which may include instituting proceedings for Kuveyt Türk to be declared bankrupt or insolvent or for there otherwise to be a Subordination Event, or for Kuveyt Türk's winding-up, dissolution or liquidation, and prove in the winding-up, dissolution or liquidation of Kuveyt Türk.

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

14.2 Upon payment in full of the Dissolution Distribution Amount or a Write-Down in whole of the face amount of the Certificates in accordance with Condition 9 (*Loss Absorption upon the*

occurrence of a Non-Viability Event), the Trust will dissolve, the Certificates shall cease to represent the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

14.3 Subject to Condition 14.5 (*Enforcement*), the Delegate is also entitled (subject to being indemnified and/or secured and/or prefunded to its satisfaction) to institute proceedings (other than those referred to in Condition 14.1 (*Enforcement*)) acting in the name and on behalf of the Trustee against Kuveyt Türk to enforce any obligation, condition, undertaking or provision binding on Kuveyt Türk under the Transaction Documents, **provided that** Kuveyt Türk shall not by virtue of the institution of any such proceedings be obliged to pay any amount or amounts in relation to any amount payable in respect of the Certificates sooner than the same would otherwise have been payable by it, except with the prior approval of the BRSA.

14.4 Neither the Trustee nor the Delegate shall be bound in any circumstances to take any action, proceeding or step to enforce the provisions of the Transaction Documents or take any action against Kuveyt Türk unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Certificates then outstanding, and, in either case, then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing, **provided that** neither the Trustee nor the Delegate shall be liable for the consequences of exercising or not exercising its discretion or taking or refraining from taking any such action and so do without having regards to the effect of the such action on individual Certificateholders.

14.5 No Certificateholder shall be entitled to proceed directly against Kuveyt Türk (in any circumstance) or the Trustee unless: (i) Trustee or the Delegate having become bound so to proceed against Kuveyt Türk in the name and on behalf of the Trustee, fails to do so within a reasonable period of becoming so bound and such failure is continuing; and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against the Trustee) holds at least 25 per cent. of the aggregate face amount of the Certificates then outstanding. Under no circumstances shall the Delegate have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Purchase Undertaking and the Declaration of Trust and the sole right of the Delegate against Kuveyt Türk shall be to enforce its respective obligations under the Transaction Documents.

14.6 The foregoing paragraphs in this Condition 14 are subject to this Condition 14.6. After enforcing or realising the Trust Assets and distributing in full the proceeds of the Trust Assets in accordance with Condition 4.2 (*Trust Arrangements – Application of Proceeds from Trust Assets*) and the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and the Trustee shall not be liable for any further sums and, accordingly, no holder of the Certificates may take any further steps against the Trustee, the Delegate or any other person (except that in relation to Kuveyt Türk, to the extent that Kuveyt Türk has fulfilled all of its obligations under the Transaction Documents to which it is a party) to recover any further sums in respect of the Certificates and the right to receive any sums unpaid shall be extinguished. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

14.7 All claims by the Trustee (or the Delegate acting in the name and on behalf of the Trustee) against Kuveyt Türk under the Transaction Documents (including, without limitation, any claim in relation to any unsatisfied payment obligation of Kuveyt Türk under the Transaction Documents) shall be subject to, and shall be superseded by the provisions of Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*), irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim, **provided that** nothing in these Conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.

15. REPLACEMENT OF CERTIFICATES

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Registrar upon payment by the claimant of the expenses incurred in

connection with the replacement and on such terms as to evidence and indemnity as the Registrar, the Trustee or Kuveyt Türk may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

16. NOTICES

All notices to Certificateholders will be valid if:

(a) published in a daily newspaper having general circulation in London (which is expected to be the *Financial Times*) approved by the Delegate; or

(b) mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective registered addresses.

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

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

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

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

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

17.4 In connection with the exercise by it of any of its powers, authorities, obligations and discretions (including, without limitation, any modification, waiver, authorisation or determination), the

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

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

18. INDEMNIFICATION AND LIABILITY OF THE TRUSTEE AND THE DELEGATE

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

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

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

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

19. RIGHTS OF THIRD PARTIES

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

20. JUDGMENT INTEREST

The parties recognise that the receipt and payment of interest is not permitted under Shari'a and accordingly agree that no interest (nor any cost of funds or any amounts in respect of any loss of opportunity) will be payable or receivable under or in connection with the Agency Agreement, the Declaration of Trust (including these Conditions) and the Certificates, and, if any proceedings are

brought by or on behalf of any party under Agency Agreement, the Declaration of Trust (including these Conditions) and the Certificates, each party agrees it will: (i) not claim interest under, or in connection with, such arbitration and/or proceedings; and (ii) to the fullest extent permitted by law, waive all and any entitlement it may have to interest awarded in its favour by an arbitrator as a result of such arbitration and/or by a court as a result of such proceedings.

21. GOVERNING LAW AND DISPUTE RESOLUTION

21.1 The Declaration of Trust and the Certificates (including the remaining provisions of this Condition 20 and any non-contractual obligations arising out of or in connection with the Declaration of Trust and the Certificates) are governed by, and shall be construed in accordance with, English law, except for the provisions of Condition 3.2 (*Status, Subordination and Limited Recourse – Subordination*) (including reference thereto in Condition 9 (*Loss Absorption upon the occurrence of a Non-Viability Event*), which will be governed by, and construed in accordance with, Turkish law.

21.2 Both the Trustee and Kuveyt Türk have in the Declaration of Trust irrevocably agreed for the benefit of the Delegate and the Certificateholders that the courts of England located in London shall have exclusive jurisdiction to settle any dispute, controversy or claim arising from or connected with these Conditions, the Declaration of Trust and the Certificates or the consequences of their nullity or any non- contractual or other dispute (a "**Dispute**") and have accordingly submitted to the exclusive jurisdiction of the courts of England located in London. Accordingly, and notwithstanding the above, it does not prevent the Delegate from taking proceedings related to a Dispute in any other court with jurisdiction.

21.3 Each of the Trustee and Kuveyt Türk has also agreed that the courts of England located in London are the most appropriate and convenient courts to settle any Dispute and, accordingly, it will not argue to the contrary.

21.4 The documents which start any proceedings and any other documents required to be served in relation to those proceedings may (without limiting any other means available) be served on Kuveyt Türk by being delivered to Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street London, EC1A 4HD or, if different, its registered office for the time being, and on the Trustee by being delivered to Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street London, EC1A 4HD (marked for the attention of "Process Agency") or, if different, its registered office for the time being, or at any address of the relevant party in England at which process may be served on it in accordance with Part 34 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the relevant party, such party shall appoint a further person in England to accept service of process on its behalf and failing such appointment within 15 days, the Delegate shall be entitled to appoint such a person by notice addressed to the Trustee or (as appropriate) Kuveyt Türk and delivered to the Trustee or Kuveyt Türk pursuant to the Declaration of Trust. Nothing in this Condition 20.4 shall affect the right of any party to serve process in any other manner permitted by law. This Condition 20.4 applies to proceedings in England.

21.5 The Trustee and Kuveyt Türk agree, without limitation to the generality of any of the foregoing and without prejudice to the enforcement of a judgment obtained in the courts of England located in London pursuant to the provisions of Article 54 of the International Private Law and Procedure Law of Turkey (Law No. 5718), that if a judgment is obtained against Kuveyt Türk and/or the Trustee in the courts of England located in London, such judgment shall constitute conclusive evidence of the existence and amount of the claim against Kuveyt Türk and/or the Trustee, pursuant to Articles 193 and 199 of the Civil Procedure Code of Turkey (Law No.6100) (published in the Official Gazette dated 4 February 2011, No. 27836) and Articles 58 and 59 of the International Private Law and Procedure Law of Turkey (Law No. 5718).

21.6 Each of the Trustee, the Delegate and Kuveyt Türk has irrevocably agreed in the Declaration of Trust that if any proceedings are commenced in relation to a Dispute and/or any proceedings are brought by or on behalf of a party under the Declaration of Trust, it will: (i) not claim interest under, or in connection with, such proceedings.

21.7 For the avoidance of doubt, nothing in Condition 21.6 shall be construed as a waiver of rights in respect of Periodic Distribution Amounts, Dissolution Distribution Amount, the Deferred Sale Price or profit of any kind howsoever described payable by Kuveyt Türk or the Trustee pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by any court.

GLOBAL CERTIFICATE

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

Global Certificates

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

Holders

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

Payments to registered Holder

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

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

Exchange for definitives

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

Definitive Certificate in respect of such holding and would need to purchase a principal amount of Certificates such that it holds an amount equal to one or more Authorised Denominations.

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

USE OF PROCEEDS

The net proceeds from the issuance of the Certificates will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents to purchase (i) certain Shari'a-compliant commodities through the Commodity Agent, which the Trustee will sell to Kuveyt Türk (as purchaser) on a deferred payment basis for a sale price specified in a letter of offer and acceptance pursuant to the Murabaha Contract; and (ii) Kuveyt Türk's interests, rights, benefits and entitlements in, to and under the Initial Wakala Portfolio pursuant to the Purchase Agreement.

The net proceeds from the issuance of the Certificates is expected to be U.S.$350,000,000.

The net proceeds from the issuance of the Certificates will be applied by Kuveyt Türk towards the financing and/or refinancing of certain sustainable projects in accordance with Kuveyt Türk's Sustainable Finance Framework (the "**Sustainable Finance Framework**"). Under the Sustainable Finance Framework, Kuveyt Türk may issue Green Certificates(s)/Financing(s) or Social Certificates(s)/Financing(s) or Sustainability Certificate(s)/Financing(s), each as further defined in the Sustainable Finance Framework. The Sustainable Finance Framework is in accordance with the ICMA Green Bond Principles (GBP) 2021, ICMA Social Bond Principles (SBP) 2021, ICMA Sustainability Bond Guidelines (SBG) 2021, the LMA Social Loan Principles (SLP) 2021 and the LMA Green Loan Principles (GLP) 2021.

An amount equal to the net proceeds from the issuance of the Certificates will be allocated by Kuveyt Türk's to finance or refinance, individually or on a portfolio basis and in part or in full, certain eligible sustainable projects, comprising Eligible Green Projects and/or Eligible Social Projects (each as further described and defined in the Sustainable Finance Framework published on Kuveyt Türk's website, which can be found at https://www.kuveytturk.com.tr/en/investor-relations). Under the Sustainable Finance Framework, eligible sustainable projects include projects falling within the categories of renewable energy, pollution prevention and control, energy efficiency, green buildings, clean transportation, environmentally sustainable management of living natural resources and land use, SME financing/employment generation, affordable housing, and access to essential services.

In addition, the proceeds of the Certificates will not be used to finance businesses and projects that do not comply with Kuveyt Türk's non-financing activities, general policies (including Kuveyt Türk's credit policy), sustainable financing policies and minimum environmental and social requirements stipulated by national laws and regulations. Furthermore, coal related activities, such as coal mining, coal based transportation, coal fired plants and any other activity that is fed by coal, are also excluded, as further described in the Sustainable Finance Framework.

Pending the allocation or reallocation, as the case may be, of any net proceeds of the Certificates in financing the relevant sustainable projects, such proceeds are intended to be held by Kuveyt Türk's general liquidity guidelines. Kuveyt Türk intends to allocate the proceeds of a given Green, Social or Sustainable Bond/Loan issuance to Eligible Green and/or Eligible Social Projects originated no more than three years prior to the issuance and such proceeds will be allocated within three years from the date of issuance.

Kuveyt Türk's engaged Sustainalytics to provide a second party opinion (the "**Second Party Opinion**") on the Sustainable Finance Framework. This Second Party Opinion is available at: https://www.kuveytturk.com.tr/en/investor-relations.

As further outlined in the Sustainable Finance Framework, an allocation report and an impact report will be published by Kuveyt Türk's with respect to the Certificates within 12 months following the Closing Date, including details on the allocation of the net proceeds of the Certificates, the share of such proceeds used for new financing and refinancing, and the amount of unallocated proceeds remaining. This reporting will be updated annually until full allocation of the net proceeds of any Green, Social or Sustainability Certificates/Financing issued, or until no further Green, Social, or Sustainability Certificates/Financing is outstanding. Kuveyt Türk's may engage a third-party assurance provider or external reviewer to provide an annual assessment of the compliance of the Certificates against the Sustainable Finance Framework.

Neither the Sustainable Finance Framework nor any of the reports, verification assessments, opinions or contents of any of the websites referenced in this "*Use of Proceeds*" section are, or shall be deemed to, constitute a part of or, nor are incorporated into, this Prospectus.

DESCRIPTION OF THE TRUSTEE

Registered Office

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

Date of Incorporation and Legal Form

The Trustee is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Act (As Revised) on 19 July 2021 (with registration number 378816).

The authorised share capital of the Trustee is U.S.$50,000 consisting of 50,000 shares of U.S.$1.00 each, of which 250 shares are fully paid up and issued. All of the issued shares of the Trustee (the "**Shares**") are or will be held by MaplesFS Limited as share trustee (the "**Share Trustee**") under the terms of a declaration of trust (the "**Share Declaration of Trust**") dated 26 August 2021 under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust). Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has the power to benefit the Qualified Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

Purpose and Business Activity

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

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

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

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

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

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

Management

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

Name and Occupation

Name	Principal Occupation
Kathleen Ramos	Assistant Vice President, Maples Fund Services (Middle East) Limited
Linval Stewart	Senior Vice President, MaplesFS Limited

The business address of Kathleen Ramos is c/o Maples Fund Services (Middle East) Limited, Level 14, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

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

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

Corporate Administration

MaplesFS Limited also acts as the corporate administrator of the Trustee (in such capacity, the "**Corporate Administrator**"). The office of the Corporate Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of a corporate services agreement dated 26 August 2021 entered into between the Trustee and the Corporate Administrator (the "**Corporate Services Agreement**"), the Corporate Administrator has agreed to perform in the Cayman Islands, the United Arab Emirates and/or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Corporate Administrator will also provide registered office services to the Trustee in accordance with its standard terms and conditions for the provision of registered office services (the "**Registered Office Terms**"). In consideration of the foregoing, the Corporate Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

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

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

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

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

Cayman Islands Data Protection

The Cayman Islands Government enacted the Data Protection Act (As Revised) of the Cayman Islands (the "**DPA**") on 18 May 2017, which was brought into force on 30 September 2019. The DPA introduces legal requirements for the Trustee based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Certificates and the associated interactions with the Trustee and its affiliates and/or delegates, or by virtue of providing the Trustee with personal information on individuals connected with the investor (for example, directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals will be providing the Trustee and its affiliates and/or delegates (including, without limitation, the Corporate Administrator) with certain personal information which constitutes personal data within the meaning of the DPA. The Trustee shall act as a data controller in respect of this personal data and its affiliates and/or delegates, such as the Corporate Administrator, may act as data processors (or data controllers in their own right in some circumstances). For further information on the application of the DPA to the Trustee, please refer to the privacy notice (a copy of which may be requested from the Corporate Administrator by email at dubai@maples.com), which provides an outline of investors' data protection rights and obligations as they relate to the investment in the Certificates.

Oversight of the DPA is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPA by the Trustee could lead to enforcement action by the Cayman Islands Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

DESCRIPTION OF KUVEYT TÜRK KATILIM BANKASI A.Ş.

Overview

Kuveyt Türk Katılım Bankası Anonim Şirketi (which translates to Kuveyt Türk Participation Bank Inc.) ("**Kuveyt Türk**") is a full service bank operating primarily in the Republic of Turkey ("**Turkey**") and is a subsidiary of Kuwait Finance House K.S.C. ("**KFH**"), a financial institution incorporated in the State of Kuwait ("**Kuwait**") (see "*—Shareholders and Capital Structure—Shareholders—KFH*" for further details). Kuveyt Türk's business is undertaken in compliance with the principles of interest-free banking, known as participation banking in Turkey. Kuveyt Türk's commercial registration number is 250489. Its registered address is Büyükdere Cad. No. 129, 34394 Esentepe-Sisli, Istanbul and its telephone number is +90 21254 11 11. As at the date of this Prospectus, Kuveyt Türk is regulated by the BRSA and in accordance with Banking Law No. 5411, dated 1 November 2005 ("**Banking Law**").

Kuveyt Türk was incorporated pursuant to the Turkish Commercial Code (Law No. 6102) on 22 November 1988 as a joint stock company and commenced operations on 31 March 1989 under the name Kuveyt Türk Evkaf Finans Kurumu A.Ş., after being granted a licence by the CBT to operate as a "Special Finance Institution" (an institution undertaking banking activities in an interest-free manner). Following the introduction of a new banking framework in 2005 (whereby the regulation and supervision of all interest-free financial institutions in Turkey was transferred to the BRSA, Kuveyt Türk was reclassified as a "Participation Bank" (*katılım bankası*), see "*Overview of the Turkish Banking Sector and Regulations*" for further details). On 26 April 2006, in accordance with changes to the BRSA's regulations, Kuveyt Türk changed its name to Kuveyt Türk Katılım Bankası A.Ş.

For management purposes, Kuveyt Türk is organised into three main business segments with six sub-segments:

- ***Retail Banking***: which principally focuses on handling individual customers' current, saving and investment accounts and providing loans, consumer loans, credit cards facilities and funds transfer facilities. The Retail Banking segment comprises the following two sub-segments:
    - *Retail Segment portfolio* which encompasses all individual Turkish customers with deposits or sukuk and investment funds of under TRY2 million, real estate loans that are less than TRY750,000 the Istanbul region or TRY500,000 in the Anatolian region, vehicle loans that are less than TRY150,000 in all regions and all individual foreign national customers with real estate loans of less than TRY500,000; and
    - *Private segment portfolio* which consists of all individual Turkish and foreign national customers with deposits or sukuk and investment funds of over TRY2 million, real estate loans that are more than 1 million in the Istanbul region or TRY500,000 in the Anatolian region and vehicle loans that are more than TRY350,000 in all regions;
- ***Small and Medium Business Banking***: which focuses on deposit taking (current and participation accounts), the granting of loans, credit facilities and current, saving and investment accounts for institutional customers ("**SMEs**"). The SME Banking Group comprises the following two sub-segments:
    - *Small business segment portfolio* which encompasses all businesses that have an annual sales turnover of between TRY5 million and TRY 50 million and their individual owners; and
    - *Micro segment portfolio* which consists of all businesses that have annual sales turnover below TRY5 million and their individual owners (see "*—Business Activities—Small Business Banking*" for further details);
- ***Commercial Banking***: which focuses on the granting of loans, other credit facilities and banking services to institutional customers. The Commercial Banking segment is made of the following two sub-segments:

- *Commercial segment portfolio* which encompasses all businesses that have an annual sales turnover in excess of TRY50 million and their individual owners excluding customers of corporate branches; and

- *Corporate segment portfolio* which consists of all businesses which are customers of corporate branches.

As at 31 December 2020, Kuveyt Türk had approximately 5.2 million individual customers, 592,516 private customers, 4,095 corporate customers, 824,695 small business banking clients (comprising both Small Business and Micro Business) and 47,999 commercial clients, over 98 per cent. of which originated from Turkey, to which it provided retail, small business, commercial, corporate and international banking services. Kuveyt Türk expanded its branch network in Turkey by opening 41 branches in 2012, 47 branches in 2013, 40 branches in 2014, 52 branches in 2015, 27 branches in 2016, 40 branches in 2017, 17 branches in 2018 and 16 new branches in 2019. In 2020, Kuveyt Türk opened 4 new branches, bringing the total number of branches to 435. Approximately 44 per cent. of Kuveyt Türk's branches are in Istanbul, with the rest spread across the country**.**

In addition to its head office in İstanbul and its branches spread across Turkey, Kuveyt Türk provides banking services to international customers through its wholesale banking branch in Bahrain and its financial services branches in Frankfurt, Berlin, Mannheim and Cologne in Germany (see "*Group Structure, Subsidiaries, International Branches and Strategic Relationships*" for further details).

History

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

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

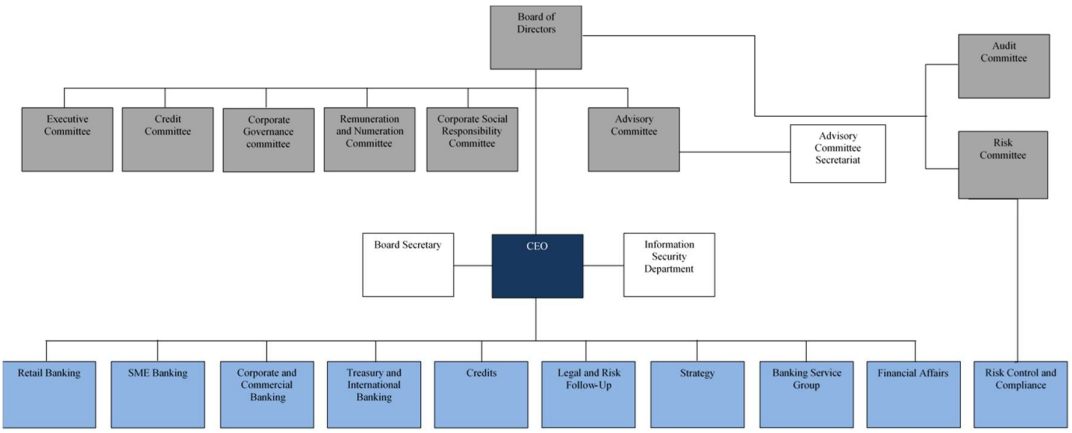
In 2000, Kuveyt Türk began implementing its growth strategy (see "*—Strategy*" for further details) and opened a total of eight new branches, thereby doubling its network of branches at the time. In the same year, Kuveyt Türk began offering online banking services to its customers, followed by the introduction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

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

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

Organisational Structure

The following chart shows Kuveyt Türk's organisational structure as at the date of this Prospectus. Kuveyt Türk's organisational structure consists of 10 departments, each of which is headed by an executive vice-president.



Shareholders and Capital Structure

Shareholders

As at the date of this Prospectus, Kuveyt Türk's principal shareholders and their shareholdings were as follows:

Shareholders	**Per cent.**
KFH	62.24
General Directorate for Foundations—Turkey ("**GDF**")	18.72
Wafra International Investment Company—Kuwait ("**Wafra**")	9.00
The Islamic Development Bank ("**IDB**")	9.00
Others	1.04
Total	**100.0**

KFH

As at the date of this Prospectus, KFH, one of the world's largest Islamic banks by assets, holds 62.24 per cent. of the share capital of Kuveyt Türk. KFH was established in Kuwait in 1977 as the first bank operating in accordance with *Sharia* principles and is listed on the Kuwait Stock Exchange.

GDF

As at the date of this Prospectus, the GDF (Vakıflar Genel Müdürlüğü Mazbut Vakıfları) holds 18.72 per cent. of the share capital of Kuveyt Türk. The GDF was established in 1924 as a state entity to administer, manage and regulate existing and future Turkish charitable foundations and reports directly to the Turkish Prime Minister. The GDF consists of a large number of recorded foundations, the assets and prospects of which are administered and managed by the GDF. Pursuant to Foundations Law No. 2762 and the Law on the Organisation and Duties of the General Directorate for Foundations, the assets and properties of the recorded foundations are administered and managed by the GDF.

Wafra

As at the date of this Prospectus, Wafra holds 9.00 per cent. of the share capital of Kuveyt Türk. Wafra was established in 1994 as a Kuwaiti shareholding closed company. Wafra manages different types of portfolios and investment funds, with assets under management of approximately KD 1.66 billion as of 31 December 2019.

IDB

As at the date of this Prospectus, the IDB holds 9.00 per cent. of the share capital of Kuveyt Türk. The IDB is a multinational development bank established in 1973 as a result of the Declaration of Intent issued by the Conference of Finance Ministers of Muslim Countries to promote the economic development and social progress of its member countries in accordance with the principles of Islamic law. The IDB currently has 57 member states, all of which are shareholders and members of the Organisation of the Islamic Conference. Turkey is a founding member and owns 6.45 per cent. of the shares of the IDB. Other major shareholders include Saudi Arabia, Kuwait, Libya, Iran, Nigeria, Qatar, Egypt and the UAE. The head office of the IDB is located in Jeddah in Saudi Arabia.

Capital Structure

At the time of incorporation, Kuveyt Türk's initial share capital was TRY15,000. As at the date of this Prospectus, Kuveyt Türk's authorised and issued share capital was TRY4,600,000,000 and each share has a nominal value of TRY1. The shares of Kuveyt Türk are not listed. There are no different classes of shares or different privileges attached to any shares.

The following table sets out the total share capital reflecting capital increases which have been undertaken since 2005. All shareholders have contributed to capital increases *pro rata* in accordance with their respective shareholding.

Date of registration	Capital (TRY)
5 May 2005	200,188,000
2 May 2007	213,500,000
30 June 2007	260,000,000
30 May 2008	500,000,000
14 April 2010	550,000,000
8 August 2010	850,000,000
1 May 2011	950,000,000
19 April 2012	1,100,000,000
29 May 2013	1,460,000,000
24 June 2013	1,700,000,000
4 April 2014	1,930,000,000
28 May 2014	2,290,000,000
6 April 2015	2,530,000,000
5 April 2016	2,790,000,000
28 March 2017	3,100,000,000
3 April 2018	3,500,000,000
3 April 2019	4,000,000,000
30 March 2020	4,600,000,000

In terms of recent capital increases, on 5 April 2016, Kuveyt Türk increased its share capital by TRY260,000,000 from retained earnings to TRY2,790,000,000. On 28 March 2017, Kuveyt Türk increased its share capital further by TRY310,000,000 from retained earning bringing its total share capital to 3,097,322,000. On 3 April 2018, Kuveyt Türk increased its share capital by TRY400,000,000 from retained earnings to TRY3,500,000,000. This capital increase allowed Kuveyt Türk to extend additional cash loans, resulting in increased income from current accounts and equity. On 3 April 2019, Kuveyt Türk increased its share capital by TRY500,000,000 from retained earnings to TRY4,000,000,000. Most recently on 30 March 2020, Kuveyt Türk increased its share capital by TRY600,000,000 from retained earnings to TRY4,600,000,000.

While there is no guarantee that all Kuveyt Türk's shareholders will approve each capital increase, the shareholders have been supportive thus far of Kuveyt Türk's medium term growth plans and objectives and it is anticipated that they will continue to support capital increases or otherwise support alternative methods of funding Kuveyt Türk's growth objectives.

Strategy

Kuveyt Türk's primary objectives are to be amongst the top 10 banks (in return on average equity) and top 5 banks (in service quality) in Turkey by 2023 and to have an asset size of over TRY170,000 million. Kuveyt Türk's strategy to achieve its objectives is set out below.

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

Kuveyt Türk intends to grow its local customer base by expanding its branch network throughout Turkey into under-banked areas which it considers represent high growth opportunities. Kuveyt Türk has expanded its branch network to 435 branches within Turkey as at 31 December 2020 and, in this regard, Kuveyt Türk's senior management ("**Senior Management**") have identified Anatolia as a key area which they believe is under-banked and provides opportunities for expansion of its branch network over the next few years.

Kuveyt Türk also aims to increase its customer base and decrease operational costs through the expansion of its alternative distribution channels including Extended Teller Machines ("**XTMs**"), ATMs, internet banking, Automated Teller Safes, call centres and mobile banking. XTMs are satellite branches with mostly automated banking services which link to customer service assistants located in the head office. The XTM project is unique to Kuveyt Türk and represents a cost efficient approach to providing banking services. Kuveyt Türk's XTM points are available at 77 locations, including 43 retail and 30 SME branches, as well as 4 locations independent of the branches. Initial indications show that these XTM branches have had a high uptake rate by customers. Based on this success, Kuveyt Türk plans to open additional XTMs over the next couple of years. As of the end of 2020, retail branches have raised TRY2.7 billion and extended TRY820 million in funds. In addition, Kuveyt Türk aims to grow its international customer base by expanding its international geographical presence (see "*—Strategy—Strategic investments and international expansion*" for further details).

Selective growth focused on value generating and unique products

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

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

Kuveyt Türk aims to develop revenue opportunities by continuing to provide bespoke solutions and a variety of products to meet the evolving needs of customers. The approach involves continuously reviewing and developing products and service offerings to complement its core banking products as well as increasing operations geared towards small businesses. Kuveyt Türk opened its first corporate only branch in Istanbul in 2010, and, in 2011, opened its second corporate only branch in Ankara. As of 31 December 2020, Kuveyt Türk had 3 corporate only branches to target high-value Turkish corporates and provide bespoke Commercial Banking and Corporate and International Banking services. The branches are also designed to support and increase Kuveyt Türk's corporate loan portfolio and increase its market share in trade finance and various other related financial products and services.

Kuveyt Türk commenced gold banking services in 2007 and started organising "Gold Days" in 2011. As at 31 December 2020, Kuveyt Türk has delivered 2.5 tons of customer gold kept "under the mattress" to the Turkish economy. In addition to holding 12.9 per cent. of all precious metal accounts sector-wide and 50.37 per cent. of all such accounts held with participation banks. Kuveyt Türk has maintained its lead among banking institutions in the Borsa Istanbul (BIST) Precious Metals and Stones Market with its high gold trading volume since 2011. Kuveyt Türk is also the first and only Turkish bank to join the London Bullion Market Association (LBMA) as an associate and the SGEI (Shanghai Gold Exchange International) as a member in 2020.

The murabaha-based Supply Chain Finance Facility which Kuveyt Türk introduced in 2018 enables vendor and purchaser companies to conduct their transactions via internet banking or file transfer protocol ("**FTP"**) systems without having to resort to factoring. The Supply Chain Finance Facility will provide vendors with regular cash flow through guaranteed payments and collections which has the benefit of enabling them to meet their cash requirements arising from receivables on pre-defined terms. Under the Supply Chain Finance Facility purchasers will have the advantage of extending their repayment terms and the opportunity to improve their relations with strategic suppliers as a result of the non-stop payment processes.

Kuveyt Türk achieved a breakthrough in the Turkish banking sector and developed a solution that enables smart phones to be converted into virtual POS devices that receive payments through the mPOS application. Customers who wish to collect payments can log into the Kuveyt Türk Mobile Branch via their mobile phones and process their collections through the sales menu options.

To further enhance Kuveyt Türk's product diversity and service quality, Kuveyt Türk is the only bank in Turkey to have two research and development centres ("**R&D Centre**") (see "*—Research and Development*" for further details).

Enhancing profitability through operational excellence and digital transformation

Kuveyt Türk continued to be a pioneer in the participation banking sector through its investment in, and implementation of, major innovations for customers, including Senin Bankan, the interest-free digital banking platform, and the XTM branches, which combine the functionality of call centres, branches and ATMs. As the only bank in Turkey to boast two research and development centres, Kuveyt Türk's investments in advanced technology kept pace with the most comprehensive application programming interface ("**API**") platform in the sector. Kuveyt Türk remains committed to transferring as many of its banking transactions as possible to digital platforms to provide the best customer experience at a time of declining traffic in physical branches. In 2018, Kuveyt Türk also continued to develop its infrastructure to meet future needs in an increasingly competitive environment. Kuveyt Türk is deeply engaged in the digital transformation of its business processes and procedures.

In December 2017, Kuveyt Türk launched the most comprehensive API market platform in the Turkish banking sector to ramp up ecosystem collaborations while digitising its business processes. The platform enables entrepreneurs seeking to build a new system and companies operating in financial technology ("**FinTech**") to readily receive a range of services and information and start providing their services in less time with less investment. Through the introduction of new services over the next few years, Kuveyt Türk expects to further expand the size and scope of API market, which currently offers more than 50 APIs. A FinTech integration process was started in order to facilitate cooperation with FinTech enterprises, which were contacted via the API market platform, Lonca Entrepreneurship Centre and various other channels. Kuveyt Türk intends to continue with its ongoing work with FinTechs, with the aim of providing them with new services in the near future.

Kuveyt Türk became an exporter of FinTech, via Architecht (its technology subsidiary,) by undertaking comprehensive IT projects in Turkey and abroad. Under an agreement that Architecht signed with Kuwait-based Information Turnkey Systems Group (ITS) (a company providing banking software that has development centres in Egypt), technologies developed by Kuveyt Türk will be rolled out in more than 60 banks in 20 countries after local market specific requirements are finalised– including Nigeria, Malaysia, Indonesia and Egypt – in 2019. Full installation of the system is expected to be completed in all the countries involved within three years.

Strategic investments and international expansion

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

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

Strategies of each core business segment

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

Retail Banking

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

Small Business Banking

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

Commercial Banking

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

Corporate Banking

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

Treasury and International Banking

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

Business Activities

BRSA regulations prescribe a common segment reporting requirement with respect to the financial statements of all banks in Turkey. These BRSA reporting segments are: (i) Retail and Enterprise Banking; (ii) Commercial Banking; and (iii) Corporate and International Banking. Accordingly, Kuveyt Türk reports its BRSA Accounts on the basis of these segments. However, Kuveyt Türk believes its business activities are more accurately reflected as: (i) Retail Banking; (ii) Small Business Banking; (iii) Commercial Banking; (iv) Corporate; and (v) Treasury and International Banking and therefore the description of Kuveyt Türk's business activities are described as such below. The Group's segments were reorganised from an internal management perspective into the business segments described below during 2014 to better reflect how Kuveyt Türk's business is managed, to provide greater efficiency across Kuveyt Türk's operations and to enhance customer service.

The following table sets out certain income, profit, asset and liability information for each of the business segments as reported in the BRSA Accounts for the year ended 31 December 2020 (see "*—Business Activities*" for more details).

Year ended 31 December 2020	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and International Banking**	**Unallocated**	**Bank's total Operation**
Operating income	3,100,377	8,515,534	1,234,829	-	12,850,740
Operating expenses (-)	4,462,239	2,098,580	711,817	3,334,548	10,607,184
Transfers between segments	2,372,885	(479,349)	(1,893,536)	-	-
Net operating income(loss)	**1,011,023**	**5,937,605**	**(1,370,524)**	**(3,334,548)**	**2,243,556**
Income from associates	-	-	-	20,930	20,930
Income (loss) before tax	**1,011,023**	**5,937,605**	**(1,370,524)**	**(3,313,618)**	**2,264,486**
Provision for taxation (-)	-	-	-	551,618	551,618
Net income for the period	**1,011,023**	**5,937,605**	**(1,370,524)**	**(3,865,236)**	**1,712,868**
Current Period 31 December 2020					
Segment assets	29,924,797	43,516,111	72,523,747	-	145,964,655
Associates, subsidiaries and joint ventures	-	-	-	84,991	84,991
Undistributed assets	-	-	-	12,147,467	12,147,467
Total assets	**29,924,797**	**43,516,111**	**72,523,747**	**12,232,458**	**158,197,113**
Segment liabilities	105,235,906	21,636,217	16,987,622	-	143,859,745
Undistributed liabilities	-			6,306,554	6,306,554
Shareholders' equity	-	-	-	8,030,814	8,030,814
Total liabilities	**105,235,906**	**21,636,217**	**16,987,622**	**14,337,368**	**158,197,113**

The following table sets out certain income, profit, asset and liability information for each of the business segments as reported in the BRSA Accounts for the year ended 31 December 2019 (see "*—Business Activities*" for more details).

Year ended 31 December 2019 (restated)	**Retail Banking**	**Corporate and Commercial Banking**	**Treasury and International banking**	**Unallocated**	**Bank's total operation**
Operating income	5,289,973	3,985,612	1,391,376	1,159,473	11,826,199
Operating expenses (-)	3,675,469	3,257,173	10,400	3,272,570	10,215,377
Transfers between segments	2,319,478	(462,292)	(1,857,186)	-	-
Net operating income(loss)	**3,933,982**	**266,147**	**(476,210)**	**(2,113,097)**	**1,610,822**
Income from associates	-	-	-	**13,727**	**13,727**
Income (loss) before tax	**3,933,982**	**266,147**	**(476,210)**	**(2,099,370)**	**1,624,549**
Provision for taxation (-)	-	-	-	**348,156**	**348,156**
Net income for the period	**3,933,982**	**266,147**	**(476,210)**	**(2,447,526)**	**1,276,393**
Prior Period 31 December 2019 (restated)					
Segment assets	19,680,015	35,203,430	50,268,046	-	105,151,491
Associates, subsidiaries and joint ventures	-	-	-	64,061	64,061
Undistributed assets	-	-	-	3,786,026	3,786,026
Total assets	**19,680,015**	**35,203,430**	**50,268,046**	**3,850,087**	**109,001,578**
Prior Period 31 December 2019 (restated)					
Segment liabilities	73,909,898	14,083,077	9,251,721	-	97,244,696

Undistributed liabilities	-	-	-	4,564,009	4,564,009
Shareholders' equity	-	-	-	7,192,873	7,192,873
Total liabilities	**73,909,898**	**14,083,077**	**9,251,721**	**11,756,882**	**109,001,578**

Retail Banking

Overview

The Retail Banking Department was established in 2000. Kuveyt Türk was the first participation bank in Turkey to offer retail banking services to customers. Kuveyt Türk provides a wide range of retail banking services and products to individuals with a primary focus on middle-to-high-income individuals. Kuveyt Türk conducts its retail banking operations through its 435 branches as at 31 December 2020 located throughout Turkey, as well as through its alternative distribution channels including XTMs, ATMs, internet banking, 24-hour telephone banking, and POS terminal payment locations. For the year ended 31 December 2020, Retail Banking accounted for 18.92 per cent. of Kuveyt Türk's total assets, and 66.52 per cent. of Kuveyt Türk's total liabilities. As at 31 December 2019, Retail Banking accounted for 18.05 per cent. of Kuveyt Türk's total assets, and 67.81 per cent. of Kuveyt Türk's total liabilities.

Retail Banking in Participation Banks

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

As at 31 December 2020, Kuveyt Türk had approximately 2,178,000 active retail customers (including individuals and Small Business) with outstanding cash or non-cash loan balances (as compared to 1,914,000 active retail customers for the same period in 2019). The customers of Kuveyt Türk's Retail Banking Department had total cash loans outstanding as at 31 December 2020 of TRY13,973 million, as compared to TRY8,962 million as at 31 December 2019. Kuveyt Türk's deposits from customers are primarily denominated in Turkish lira, euro and U.S. dollars.

Retail Products

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

- *Deposit taking:* Kuveyt Türk provides customers with deposit taking services categorised under two types of accounts (set out below). The majority of Kuveyt Türk's deposits are short-term deposits averaging between one and two months. The majority of these deposits are typically rolled over on maturity.
    - *Current Accounts:* These are accounts which may be opened in Turkish lira or foreign currency in return for a Special Current Account Deposit Book in the name of the customer. The funds deposited may be withdrawn at any time, either partially or completely (as preferred by the customer). The accounts allow customers to pay invoices via automatic payment instructions, carry out electronic fund transfers ("**EFTs**"), collect cheques/bonds and make credit payments. As at 31 December 2020, Kuveyt Türk had 2,834,302 current accounts opened for customers compared to 1,903,309 current accounts opened for

customers as at 31 December 2019. Customers do not receive any mark-ups (i.e. profit share) on their deposits.

- *Participation Accounts:* These are high-revenue accounts that may be opened in one of three currencies (Turkish lira, U.S. dollars or Euro). These accounts offer customers the option of participating in the profit and loss of Kuveyt Türk which arises through the investment of the deposited funds by Kuveyt Türk. The funds are accumulated in participation accounts which are used in the financing of the real sector (in order to be compliant with the principles of interest-free banking). Kuveyt Türk has five types of participation accounts: the Classical Account, the Silver Account, the Gold Account, the Platinum Account and the Platinum+ Account, each of which differs according to minimum deposit requirements. In participation accounts, customers forfeit any accrued profits if amounts on deposit are withdrawn prior to maturity. As at 31 December 2020, Kuveyt Türk had 472,644 participation accounts opened for customers compared to 425,348 participation accounts as at 31 December 2019.

- *Gold savings and trading products:* Kuveyt Türk has introduced a number of products based on, and related to, gold, including the following:

  - *Gold Storage Account:* These accounts enable customers to invest in gold (buy or sell). Through the Gold Storage Account, accountholders have the added benefit of minimising risk as the government (through a separate scheme) guarantees the amount of gold up to the value of U.S.$48,000. In addition, these accounts can have varying maturity dates, providing greater flexibility to customers and enabling them to convert their gold savings into TRY or U.S. dollars at market value on demand.

  - *Participation Accounts (denominated in gold):* This type of participation account can be opened with 10 grams of gold and provides customers with the ability to save in gold and generate returns on their savings. Each gram of gold deposited in this account is used in the physical gold trading sector and profits from that are returned to the customer in the form of more gold. The participation account has different maturity options ranging between three months and one year and can be opened at Kuveyt Türk branches or via the internet.

  - *Kuveyt Türk Gram Altin—Physical Gold*: Kuveyt Türk has commenced purchasing and selling physical gold denominated in 1, 1.5, 2.5, 5, 10, 20, 50 and 100 grams certified and coined by the İstanbul Gold Refinery. This is an alternative product offered to customers who prefer to have physical gold rather than cash accounts. Kuveyt Türk gold purchased from Kuveyt Türk branches and other gold products carrying the certificate of the İstanbul Gold Refinery can be resold to all branches after the necessary security checks have been undertaken.

  - *Gold Transfer and Delivery*: Kuveyt Türk also provides its customers with the ability to transfer their gold to other accounts as well as the delivery of gold. This is undertaken for a set fee.

  - *Physical Gold Deposit*: Kuveyt Türk introduced a new product whereby its customers are able to deposit their physical gold savings into their current and/or participation accounts electronically without the need to convert the gold into physical cash.

- *Silver and platinum trading:* In addition to providing its customers the opportunity to trade in gold, Kuveyt Türk has established additional products which allow customers to invest in silver and platinum at market prices (a first of its kind product to be provided by a participation bank). These products allow customers to buy silver or platinum for investment purposes, which Kuveyt Türk then holds at the İstanbul Gold Exchange on their behalf.

- *Car financing:* Kuveyt Türk provides finance for vehicle purchases by individuals and businesses pursuant to a Murabaha structure by purchasing approved vehicles and selling them to the relevant customer at a pre-determined mark-up price, paid back to Kuveyt Türk by the individuals/businesses in instalments. Leasing is also widely used for car financing.

- *Property finance:* Kuveyt Türk provides financing to customers to purchase land, properties which have been, or are being, built by an approved developer, and properties on the secondary market. Kuveyt Türk also provides financing for self-construction. In each instance, evaluation and approval is determined on a case-by-case basis. Property financing is provided on a fixed rate basis.

- *Consumer loans:* Kuveyt Türk provides general purpose financing to customers including study, travel, home appliance purchases and boat financing. Collateral taken when providing such financings is dependent upon credit capability of each customer and is evaluated on a case by case basis.

- *Credit and debit cards:* Kuveyt Türk was the first participation bank to introduce interest-free debit cards and credit cards to its customers in 2001 and 2002, respectively. As at 31 December 2020, Kuveyt Türk has issued a total of approximately 2,987,565 debit cards and 855,735 credit cards. Debit cards permit customers to access their current accounts and conduct transactions, including ATM withdrawals, fund transfers, account activity and balance enquiries, retail purchases and credit card, utility and other payments. Kuveyt Türk intends to continue developing unique card products to capture niche markets. In accordance with the principles underlying its participation banking status, Kuveyt Türk's credit cards contain some features that are not typical of conventional credit cards. For example, the credit cards may only be used for purchases and not for cash advances.

In addition to earning fees from the customers' use of credit cards, Kuveyt Türk has Point of Sale ("**POS**") terminals in stores throughout Turkey from which Kuveyt Türk earns a small fee from each transaction in which the cards are used (regardless of whether they are used by a customer of Kuveyt Türk or not). The number of Kuveyt Türk POS terminals through which transactions using Kuveyt Türk's own debit or credit cards and the credit cards of other banks are effected has increased to 97.5 thousand as at 31 December 2020 compared to 88.4 thousand as at 31 December 2019. The volume of transactions has increased with TRY11,537 million for the year ended 31 December 2020 compared to TRY9,795 million for the same period in 2019.

As at 31 December 2020, Kuveyt Türk had TRY13,678 million in outstanding retail loans as compared to TRY8,962 million as at 31 December 2019. Home financings accounted for 80.31 per cent., or TRY10,985 million, of Kuveyt Türk's total retail loans, as at 31 December 2020 as compared to 74.88 per cent., or TRY6,710 million, as at 31 December 2019. Auto financings accounted for 12.16 per cent., or TRY1,664 million, of Kuveyt Türk's total retail loans as at 31 December 2020, as compared to 11.24 per cent., or TRY1,007 million, as at 31 December 2019. All of Kuveyt Türk's home and vehicle financings are collateralised by the property or vehicles purchased with the proceeds of such credits. Credit card financings accounted for 4.12 per cent., or TRY563 million, of Kuveyt Türk's total retail loans as at 31 December 2020, as compared to 5 per cent., or TRY470 million, as at 31 December 2019.

Customers

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

The individuals primarily targeted by Kuveyt Türk's Retail Banking Department comprise professionals and owners of businesses that use Kuveyt Türk's services primarily for their non-business related banking needs. For the year ended 31 December 2020, Kuveyt Türk provided retail banking services to approximately 5,170,301 individuals.

Small Business Banking

Overview

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

Small Business Banking in Participation Banks

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

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

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

Customers

Kuveyt Türk's Small Business Banking Department provides a wide range of products and services to Small Business and Medium Business. As at 31 December 2020, the total amount of Kuveyt Türk's outstanding cash loans to Small and Medium Business customers represented 29.95 per cent. of the cash loans of its Small and Medium Business Banking Department, amounting to TRY22,560 million. As at 31 December 2019, the total amount represented 27.44 per cent. of the cash loans, amounting to TRY15,312 million.

Commercial Banking

Overview

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

Commercial Banking in Participation Banks

For a description of the principles underlying Kuveyt Türk's provision of commercial banking services as a participation bank, see "*—Business Activities—Small Business —Small Business Banking in Participation Banks*" for further details).

As at 31 December 2020, Commercial Banking accounted for 20.56 per cent. of Kuveyt Türk's total assets (as compared to 22.13 per cent. as at 31 December 2019) and 7.08 per cent. of Kuveyt Türk's total liabilities (as compared to 7.6 per cent. as at 31 December 2019).

Commercial Products and Services

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

Cash Loans

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

Kuveyt Türk focuses on high volume, short-term financing provided for the purposes of production support and working capital requirements (described below) in order to mitigate any adverse effects caused by interest rate fluctuations. Kuveyt Türk also provides a broad range of financial leasing products. Through its leasing products, commercial customers are able to obtain machinery, equipment and other goods from both domestic and international vendors. Under Turkish law, conventional banks are not allowed to engage directly in leasing activities – they are only permitted to do so through leasing subsidiaries. Consequently, Kuveyt Türk (as a participation bank) can enter into leasing transactions more efficiently with its customers compared to conventional banks. Kuveyt Türk also has a basket loans product which allows customers who seek to reduce foreign exchange risk with foreign exchange indexed loans, to borrow in two or three different currencies for the same project. As at 31 December 2020, Kuveyt Türk had TRY5,010.99 million in net minimum finance lease payments receivable, as compared to TRY2,707.52 million as at 31 December 2019. Kuveyt Türk also provides commercial customers with a variety of credit card services.

Non-Cash Loans

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

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

Customers

As at 31 December 2020, Kuveyt Türk had over 46,332 commercial clients to whom designated commercial relationship managers provide a dedicated point of contact throughout, assessing their cash management, treasury, trade finance, working capital finance, asset and project finance requirements (as compared to over 44,639 commercial clients as at 31 December 2019). As at 31 December 2020, Kuveyt Türk's commercial customers had cash loans outstanding with Kuveyt Türk of TRY28,453 million and total non-cash loans (comprising of letters of credit and letters of guarantee) outstanding with Kuveyt Türk of TRY5,913 million (as compared to TRY20.221 million cash loans and TRY5.286 million non-cash loans as at 31 December 2019 outstanding with Kuveyt Türk).

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

Corporate Banking

Overview

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

Corporate Banking in Participation Banks

For a description of the principles underlying Kuveyt Türk's provision of corporate banking services as a participation bank, see "*—Business Activities—Small Business —Small Business Banking in Participation Banks*" for further details).

Corporate Products and Services

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

Cash Loans

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

Kuveyt Türk provides foreign cash loans to its corporate customers through its Bahrain branch, which not only provides maturity and cost opportunities but also provides tax benefits for the clients.

Non-Cash Loans

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

Customers

As at 31 December 2020, Kuveyt Türk had over 4,330 corporate clients to whom designated corporate relationship managers provide a dedicated point of contact for assessing their cash management, treasury, trade finance, working capital finance, asset and project finance requirements. As at 31 December 2020, Kuveyt Türk's corporate customers had cash loans outstanding with Kuveyt Türk of TRY11.56 million and total non-cash loans (comprising of letters of credit and letters of guarantee) outstanding with Kuveyt Türk of TRY2,012 million (as compared to TRY5,067 million cash loans and TRY2,925 million non-cash loans as at 31 December 2019 outstanding with Kuveyt Türk).

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

Treasury and International Banking

Overview

The Treasury and International Banking segment is divided into separate departments: the Asset and Liability Management Department, FX and Precious Metals Department, Treasury Marketing Department, and also the International Banking Department. Through this business segment, Kuveyt Türk aims to expand and improve its global correspondent banking network to meet intermediate foreign and international payments as well as to source low-cost funding.

As at 31 December 2020, the Treasury and International Banking Department accounted for 46.69 per cent. of total assets (excluding unallocated assets) (compared to 47.81 per cent. as at 31 December 2019).

Treasury, International and Investment Banking in Participation Banks

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

Treasury Department

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

The Treasury Department is active in money market, currency trading and precious metals trading activities (see "*Risk Management*" for further details). The core strategy for Kuveyt Türk's Treasury Department is to focus on liquidity and market risk management. The Treasury Department does not carry out proprietary trading. As at 31 December 2020, Kuveyt Türk's foreign exchange trade volume was U.S.$59.4 billion, compared to U.S.$29.7 billion as at 31 December 2019.

The Treasury department is also responsible for the marketing of treasury products that Kuveyt Türk offers to customers. These products include currency spot trading, precious metals trading and currency forwards and swaps. Kuveyt Türk carries out a variety of operations related to gold, including import and export, refining services, and contracts with international gold refiners and, in February 2013, Kuveyt Türk received authorisation for clearing transactions on the Istanbul Gold Exchange. Kuveyt Türk has also entered into a number of ISDA (International Swaps and Derivatives Association) agreements with international counterparties and has been ranked first in terms of gold trading volume in BIST Precious Metals Market. As at 31 December 2020, Kuveyt Türk's total Murabaha transactions volume was U.S.$ 12.9 billion and swap volume transactions amounted to U.S.$ 66.3 billion, as compared to U.S.$5.7 billion and U.S.$33 billion respectively in 2019.

Project and Structured Finance

In accordance with its strategic growth objectives, Kuveyt Türk established its Project and Structured Finance Department in 2017. The Project and Structured Finance Department has undertaken a number of intermediary and advisory roles in relation to project financing and has been offering variety of solutions for project financing transactions.

Although active in different sections of corporate finance, Kuveyt Türk intends to continue to focus on niche financing areas such as the Islamic tranches of internationally syndicated public private partnership infrastructure projects ("**PPP Projects**"). Kuveyt Türk was the first Islamic bank and Islamic facility provider to provide funding in relation to Turkish PPP Projects. In addition to providing funding to PPP Projects, as a result of its years of Islamic finance experience Kuveyt Türk has also taken to role of mandated lead arranger and Islamic facility agent in these transactions. In line with Kuveyt Türk's reputation of providing innovative financing solutions, the Project and Structured Finance Department introduced first "Parallel Istisna Structure" to the Turkish market in 2018 which was followed by EUR 520 million Istisna limit line on four mega PPP Projects. The Project and Structured Finance Department has also been involved in the issuance of a number of tailored corporate sukuks. As a market leader, Kuveyt Türk has acted as intermediary for the issuance of the first corporate sukuk in Turkey as well as the first sukuk in the telecoms industry which was awarded "Turkey Deal of the Year" by Islamic Finance News. In addition to its involvement with the financing of PPP Projects and sukuks, the Project and Structured Finance Department also participates in Renewable Energy financing. As at 31 December 2020, over U.S$864.4 million funding was allocated by the Project and Structured Finance Department to more than 178 long term renewable energy projects energy projects including hydroelectric power plants, solar power plants, biomass/biogas power plants and wind power plants.

The Project Unit for Buildings Under Construction initiative has been reformed and has sat within the Project and Structured Finance Department since its inception in 2017. The Projects Unit for Buildings Under Construction initiative is responsible for the evaluation of the constructors of real estate to be purchased. As at 31 December 2020, TRY14.94 billion funding has been provided by Kuveyt Türk for real estate purchase projects. Among them, 6.22 per cent. have been evaluated and utilised under the Projects Unit for Buildings Under Construction initiative.

In terms of the volume of transactions, Kuveyt Türk's main area of focus is financing arrangements for its corporate customers. The majority of these transactions are generated through Kuveyt Türk's branch network and relationship managers. The main products Kuveyt Türk offers are trade finance services, with transaction sizes typically ranging from U.S.$500,000 to U.S.$5 million and so called "club deals", with transaction sizes ranging typically from U.S.$10 million to U.S.$20 million. In addition, Kuveyt Türk arranges internationally syndicated facilities with transaction values of over U.S.$20 million. Kuveyt Türk has arranged approximately U.S.$1,052 million of syndications and club deals since 2004. Working through its Bahrain branch, Kuveyt Türk intends to continue to use its relationship with KFH to tap additional funding sources in the GCC (see "*—Group Structure, Subsidiaries, International Branches and Strategic Relationships*" for further details).

International Banking Department

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

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

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

Competition

As at 31 December 2020, according to the Banks Association of Turkey, there were 54 banks operating in Turkey, including 6 participation banks (see "*Overview of Turkish Banking Sector and Regulations—Participation Banks*"). The private commercial banks in Turkey can be divided into three groups: (i) large private banks (with a bank-only asset size between TRY1 billion and TRY20 billion); (ii) small private banks (with a bank- only asset size less than TRY1 billion); and (iii) banks under foreign control.

In addition to the 5 other participation banks in Turkey, Kuveyt Türk considers its main competitors to be the medium-sized commercial banks (in terms of asset size). Kuveyt Türk considers these banks to be its main competitors due to the level of their activities in certain areas of the Turkish banking sector and, in particular, retail and small business banking and import/export trade finance. However, the commercial banks do not have Islamic banking capabilities and do not operate in accordance with interest-free principles. This provides Kuveyt Türk with an advantage which, along with its reputation for the various innovative products which it has introduced, contributes to customer awareness of Kuveyt Türk's brand and services.

Although the main competition faced by Kuveyt Türk is from the other participation banks in Turkey and the medium-sized commercial banks (in terms of asset size) in Turkey, Kuveyt Türk also faces competition

from large and small-sized private Turkish banks and from foreign banks operating in Turkey. The principal area of competition is in relation to small businesses, corporate banking and retail banking activities given the increased appetite amongst banks in Turkey to compete for mortgage loans across these sectors and the high profit margins available in the small business sector in particular.

In addition to the establishment of Ziraat Participation Bank and Vakif Participation bank, Emlak Participation Bank commenced its operations in March 2019. These new entrants in the participation banking sector are likely to increase competition further.

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

Competitive Strengths

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

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

Growing and attractive interest-free banking market: The Turkish banking sector has been one of the fastest growing in the Middle East and North Africa region. Between 2003 and 2008, the Turkish banking sector grew by approximately 40 per cent. annually in terms of loan volume. With the global economic crisis, the growth slowed down to 7 per cent. in 2009, but returned to a similar level (34 per cent.) in 2010 and thereafter. Senior Management expect that the banking sector will continue to grow, driven by the expected strong economic growth in Turkey, which is supported by, among other factors, lower inflation, a relatively stable currency, positive demographics (for example, the third largest population in Europe (approximately 82 million) with a relatively low median age of 32 years), low interest rates and a relatively sophisticated regulatory environment which was tested in the final financial crises. Market data also indicates that the participation bank segment of the Turkish banking sector is growing at a faster rate than conventional banks in terms of assets, and Kuveyt Türk believes that the participation banking sector has significant growth potential given its current low share of total banking assets in Turkey (approximately 7 per cent. as at 31 December 2020).

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

Strong balance sheet and extensive customer deposit base with well-functioning and diversified funding base: Through the expansion of its branch network, Senior Management believe that Kuveyt Türk has a strong and diversified deposit base. Kuveyt Türk has a track record of increasing customer deposits and reducing the costs of deposits and actively endeavours to diversify its funding base through the establishment of international branches. Kuveyt Türk's access to foreign investors has allowed it to develop new ways to raise financing. For example, Kuveyt Türk was the first participation bank in Turkey to execute

a Murabaha syndication in 2004 for a customer, was the first participation bank in Turkey to obtain financing through an internationally syndicated U.S.$200 million commodity Murabaha facility in 2006 (which was renewed in the amount of U.S.$115 million in 2009 and repaid in full in April 2010) and issued the first Sukuk originating from Turkey in 2010. Since then, Kuveyt Türk has been seen as a key player in the deepening and development of the Sukuk market in Turkey; Kuveyt Türk issued 19 Sukuk in 2020, with an aggregate value of TRY6.3 billion. Kuveyt Türk has issued Sukuk denominated in various currencies, such as Turkish Lira, U.S. dollar and Malaysian Ringgit ("**MYR**"), both in Turkey and overseas. These issues amounted to TRY23 billion, U.S.$2.05 billion, and MYR 800 million, respectively. Out of these issuances, amounts currently circulating in various markets are TRY2.8 billion and U.S.$1,100 billion. Kuveyt Türk issued lease certificates worth TRY6.311 billion in 2020, which corresponds to a 9 per cent. year-on-year increase, while successfully finalising the issuance of a U.S. dollar denominated Tier 1 Sukuk in the amount of U.S.$50 million in September 2020. In addition, Kuveyt Türk mainly focuses on project financing and foreign trade financing to increase the amount of its FX financings in order to manage its FX funding more efficiently.

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

Kuveyt Türk was the first participation bank to offer retail banking services in Turkey when it established its dedicated Retail Banking department in 2000. Senior Management believe that this "first mover" position has been an important factor behind Kuveyt Türk's growth. Kuveyt Türk had 40.7 per cent. share in consumer credits of total consumer credits issued by participation banks as at 31 December 2020.

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

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

Since early 2015, Senin Bankan has operated as Turkey's first and only digital participation banking platform, enabling customers to access banking services without having to visit a branch while still enjoying the best customer experience. Senin Bankan conveys the flexibility, agility and low cost nature of operating on a digital platform to its service offerings. To boost customer loyalty, efficient customers are rewarded through special promotional campaigns. Offering fee free cash withdrawals from all bank ATMs, fee waivers on EFTs and wire transfers from overseas, and products from Turkuaz Participation Accounts with high-yield profit shares, Senin Bankan provides a fee-free banking experience. The number of Senin Bankan customers has increased to 193,000 as at 31 December 2019.

As the first participation bank to position high net worth individuals in the Private Banking segment, Kuveyt Türk serves customers from 82 countries on six continents through its Private Banking and Wealth Management Group. Having achieved 37 per cent. growth year-on-year in 2020, as at 31 December 2020, the Private Banking Group manages customer assets totalling more than TRY19,000 million and serves some 7,046 clients, 37 per cent. of whom are foreign.

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

Well established strategy for improving service quality and customer oriented business: Kuveyt Türk continues to emphasise the importance of high quality service and customer satisfaction in all its operations and at all levels in its organisation. Senior Management consider Kuveyt Türk's customer oriented marketing approach to be one of the primary strengths of Kuveyt Türk and improving service quality is defined as one of the key factors of strength. This established service culture, together with its energetic,

well-educated and incentivised employee base, has been important in maintaining Kuveyt Türk's high customer satisfaction levels. Senior Management believe that Kuveyt Türk's ability to offer high quality service and maintain strong relationships with its retail and corporate and commercial customers lies at the core of its success and benefits all aspects of its operations, including deposit collection and credit quality which, in turn, will assist Kuveyt Türk to achieve further growth, profitability and efficiency.

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

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

Group Structure, Subsidiaries, International Branches and Strategic Relationships

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

Subsidiaries

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

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

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

Körfez REIT developed a commercial and residential real estate project in the Kartal area located on the Anatolian side of Istanbul. Construction is completed and Körfez REIT owns 24 flats and 15 commercial units in the Kartal project. Sales related activities are being carried out by Körfez REIT.

Körfez REIT reconstructed the Güre Project, a thermal tourism facility in Edremit, Balikseir, Turkey composed of 301 time sharing apartments (with 7,224 periods). Almost all periods in the summer season have been sold and sales related activities for periods in the other seasons are carried out by Körfez REIT.

Körfez REIT has accrued TRY6,155 net revenue for the year ended 31 December 2020 since the Kartal Project is still under construction.

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

Körfez Tatil was incorporated in 2001 in Edremit, Turkey. Körfez Tatil was established to operate the Güre Project, a thermal tourism facility developed by Körfez REIT in Edremit, Balikesir, Turkey. The Güre Project was originally composed of 199 time-sharing apartment units and a hotel, both of which were demolished to develop a larger and modern project of 301 time-sharing apartments in line with the urban regeneration law. Körfez Tatil is a wholly- owned subsidiary of Kuveyt Türk.

Körfez Tatil's profit for the year ended 31 December 2020 was TRY13.86 million (in accordance with the relevant regulations on accounting framework and accounting standards as promulgated by the Turkish Commercial Code and relevant legislation) compared to TRY2.71 million for the year ended 31 December 2019.

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

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

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

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

*KT Sukuk Company Limited ("**KT Sukuk Cayman**")- Independent SPV*

KT Sukuk Cayman was incorporated in 2015 in the Cayman Islands as an independent special purpose vehicle and was established to issue sukuk securities amounting to U.S.$350,000,000.

*KT One Company Limited ("**KT One Cayman**")- Independent SPV*

KT One Cayman was incorporated in 2019 in the Cayman Islands as an independent special purpose vehicle and was established to issue sukuk securities amounting to U.S.$200,000,000.

Private Pension Company ("**Katılım Emeklilik**")

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

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

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

*KT Portföy ("**KT Portföy**") Yönetim Anonim Şirketi - Wholly Owned Subsidiary*

KT Portföy was established on 26 May 2015 to operate as a portfolio management company within Turkey. The objective of KT Portföy is to provide a participation based portfolio management service to the Group's customers.

*Architect Bilişim ("**Architect Bilişim**") Sistemleri ve Pazarlama Anonim Şirketi - Wholly Owned Subsidiary*

Architect Bilişim was established to operate as an information technology company. The company provides information technology related services to the Group.

Neova - Wholly Owned Subsidiary

Neova was incorporated in İstanbul in 2008 and commenced operations in the second half of 2010. As at the date of this Prospectus, Kuveyt Türk holds 100 per cent. of the shares in Neova. Neova is the first insurance company providing *Sharia* compliant insurance products in Turkey.

International Branches

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

Associates

*Islamic International Rating Agency ("**IIRA**")*

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

*Kredi Garanti Fonu A.Ş. ("**KGF**")*

KGF is a company recently incorporated in order to provide support to small businesses in Turkey and is predominantly owned by banks and associations in Turkey. As at the date of this Prospectus, Kuveyt Türk owns 1.49 per cent. of the shares of KGF.

*Borsa Istanbul A.Ş. ("**Borsa**")*

Borsa was established pursuant to Capital Markets Law No. 6362, for the purpose of serving as a securities exchange in Turkey. As at the date of this Prospectus, Kuveyt Türk owns 0.0035 per cent. of the shares of Borsa.

Capital Adequacy

Kuveyt Türk calculates its capital adequacy ratio in accordance with guidelines promulgated by the BRSA, which are based on the standards established for international settlements. These guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposure. In accordance with these guidelines, Kuveyt Türk had to maintain a minimum capital adequacy ratio of 12 per cent. throughout 2019. Kuveyt Türk currently calculates its capital adequacy ratio requirements in accordance with Basel III.

As at 31 December 2020, Kuveyt Türk's total capital adequacy ratio was 19.97 per cent. (compared to 18.96 per cent. as at 31 December 2019) (in accordance with the BRSA Accounts) (see "*Risk Factors—Risk factors relating to Kuveyt Türk's Business*" for further details).

The table below sets out Kuveyt Türk's regulatory capital as at 31 December 2020 and 2019.

	As of 31 December		
	2020	*(TRY in thousands)*	**2019 (restated)**
Tier 1 capital	9,559,732		8,121,764
Tier 2 capital	3,244,385		2,668,604
Deductions from capital	(98,649)		(121,954)
Total capital	**12,705,468**		**10,668,414**
Risk weighted assets amount subject to market, operational and credit risk	63,316,084		56,262,955

	Actual	Required	Actual	Required
Tier 1 capital ratio	15.03%	6%	14.44%	6%
Total capital ratio	19.97%	12%	18.96%	12%

Information Technologies

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

The Core Banking Systems Transformation Project which Kuveyt Türk initiated in order to support its business strategies and continuous growth opportunities utilising the most recent technologies was completed in 2013 and included a complete transformation of all the banking systems.

Kuveyt Türk's core banking systems run on Microsoft Windows Systems infrastructure and core databases are hosted on Microsoft SQL 2017 servers. The core banking system used within Kuveyt Türk was developed in-house. The system includes modules to support all main functions of Kuveyt Türk, such as accounting, customer relations, money transfers, deposits, loans, trade finance, treasury, etc. Customers can reach the functions they need from several digital channels such as mobile applications, internet branch, etc. These systems also have the features to easily integrate with third party systems such as VISA, MasterCard, SWIFT and utility payment systems. Kuveyt Türk has also developed an API Banking Platform which enables FinTechs or other companies to use these features via APIs.

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

In 2010, the DRC was established at the Türk Telecom Data Centre in Ankara, approximately 450 kilometres from İstanbul. In 2018, a reserved room was arranged and new hardware are installed to this new room. An online backup system is used to transfer system data to the DRC. All the application servers are designed to run as active. Maintaining online backup of this data at the DRC enables all clients at branches and other remote locations to divert their connections to the DRC from the main system in headquarters with minimum loss of service time in case main IT systems in İstanbul become inoperable. In order to ensure full functionality of the DRC, the systems are fully tested once a year in accordance with a disaster scenario.

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

Kuveyt Türk has recently undertaken a project to ensure compliance with the Regulation on Information Systems of Banks and Electronic Banking Services which was published on 15 March 2020 and which entered into force on 1 July 2020, and which makes provision for, among other things, the transmission and security of personal and sensitive data.

Intellectual Property

Kuveyt Türk's operations are not, to any significant extent (other than for the purposes of brand recognition and value), dependent on any specific intellectual property right. Kuveyt Türk seeks to protect the trademarks and trade names that it deems necessary for its operations and it takes necessary measures to ensure that these rights are adequately protected. Kuveyt Türk owns a total of 165 trademarks in Turkey, including those relating to the "Kuveyt Türk Saglam Bankacilik", "Senin Bankan", "Kuveyt Türk Katılım Bankası A.S. Bankacilikta Çözüm Ortaginiz", "Kuveyt Türk aile", "Kuveyt Türk Altin", "Kuveyt Türk Tasarruflu Katılma Hesabı", "Kuveyt Türk Alacağım Güvende Sistemi", and "Kuveyt Türk Kaşif Hesap" brands. In addition, Kuveyt Türk licences the "Visa®" mark from Visa International Service Association and the "MasterCard®", "Maestro®" and "Cirrus®" marks from MasterCard International Incorporated.

Research and Development

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

Insurance

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

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

Legal Proceedings

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

RISK MANAGEMENT

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

(i) credit risk;

(ii) funding and liquidity risk;

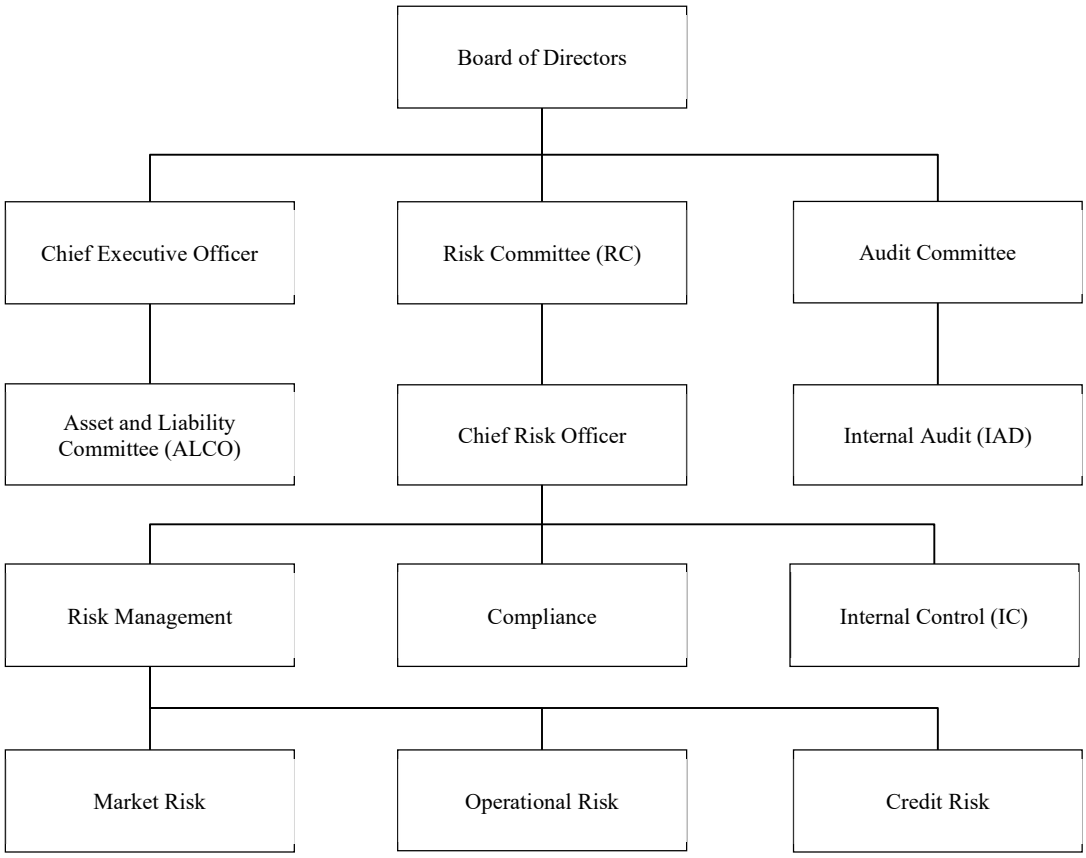
(iii) market risk (including pricing, foreign exchange and interest rate risk); and

(iv) operational risk (including strategic and reputation risks).

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

Risk Management Structure

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



Risk Committees

Audit Committee

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

Asset and Liability Committee ("ALCO")

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

The ALCO's responsibilities also include:

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

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

Internal Systems Committee ("ISC")

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

The ISC is responsible for the following four departments:

*Internal Control ("**IC**") Department*

Kuveyt Türk established the IC Department to design, implement, manage and monitor internal risk control activities and to report the results to the ISC and Audit Committee to ensure that Kuveyt Türk undertakes all its activities in compliance with all applicable internal and external regulations. The IC Department is located in the head office and comprises 52 employees.

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

- *Branches and Regions Internal Control Unit*: domestic branches and their business processes and procedures are controlled, examined and followed-up on a regular basis in terms of internal control systems and activities.

- *Head Office and Subsidiaries Internal Control Service*: the activities, business processes, risk and control case studies, control designs and products and services of head office's business units as well as overseas branches and subsidiaries, are controlled, examined and monitored, in terms of their internal control systems.

- *Information Systems and Independent Audit Coordination Service*: activities such as coordination of external audit activities, follow-up of findings of the risk controls and audits and development of internal control systems and dissemination of the risk and control culture throughout Kuveyt Türk are performed. In addition, strategically important transactions and transactions considered to be higher risk and activities throughout Kuveyt Türk are examined and followed-up remotely via computer (ACL)-assisted auditing techniques.

Compliance Department

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

In addition to the compliance function, the Compliance Department is also responsible for monitoring legal and regulatory changes and advising branches and head office on legal and regulatory issues. The Compliance Department reports directly to the Audit Committee and consists of 14 employees.

*Internal Audit Group ("**IAG**")*

The IAG is responsible for providing assurances to Board of Directors and Senior Management regarding both Kuveyt Türk's activities and operations being in compliance with applicable rules and regulations, in-bank strategy, policies, principles and targets, and the effectiveness and adequacy of internal control and risk management systems. As of the date of this Prospectus, it consists of 55 employees.

The IAG, without any restriction and through the adoption of a risk-based approach, audits all Kuveyt Türk's activities, including Head Office departments, domestic and foreign branches, subsidiaries, IT systems, accounts, records, documents, personnel and all other matters that can affect Kuveyt Türk's security. Based on its findings, it makes recommendations for changes and improvements in order to prevent the repetition of any problems it uncovers.

Amongst other things, IAG is responsible for:

- auditing compliance with Banking Law and other relevant legislation, in-bank strategy, policy and guidelines and other internal regulations;

- auditing accuracy, reliability and timeliness of legal reports and reports addressed to the Board of Directors and the Audit Committee in connection with the in-bank regulations;
- analysing the accuracy and reliability of the accounting records and financial reports;
- testing the compliance of operational activities with applicable internal control procedures;
- evaluating the adequacy and effectiveness of internal control and risk management systems; and
- reviewing information systems including electronic information system and electronic banking services within the framework of procedures and principles determined by applicable law.

Audit reports are presented to Kuveyt Türk's management and the Audit Committee. Activity reports are presented to the Board and Audit Committee on a quarterly basis. These reports include a summary of the activities of the IAG. Any significant audit findings and the results of audits conducted in relation to Kuveyt Türk's IT systems are also reported to the Board and the BRSA in the quarterly prepared activity reports.

Final audit reports and their executive summaries are submitted to Senior Management. Executive summaries are also distributed to the Audit Committee. IAG also follows up on any remedial actions required in relation to the findings of such reports and reports the results of these follow-ups to the relevant authorities as and when required.

The IAG takes every measure necessary to ensure personal development and professional growth in the best way of all IAG members.

*Risk Management Department ("**RMD**")*

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

This risk assessment is performed by the credit risk, operational risk, IT risk and market risk groups. The credit risk, operational risk, IT risk and market risk groups all fall under the purview of the RMD (which consists of 2 sub-departments and 18 employees) and is managed by the Head of the Risk Management. The RMD, Compliance Department and IC Department, are part of the ISC and are overseen by the Chief Risk Officer (who reports directly to the Audit Committee and Internal Systems Committee and coordinates all communications, reporting and monitoring between the Audit Committee, Internal Systems Committee and the RMD).

Credit Risk

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

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

Related departments prepare periodic reports that show the distribution of performing and nonperforming loans across sectors, maturity dates, currency distribution of loans, the break-down of loans in terms of customer segmentation, sectors, sensitivity of the corporate loan portfolio in terms of liquidity, management, default, commodity, country, market and investment risks. The control and management of Kuveyt Türk's credit risk is based on a number of principles and policies, as well as a range of procedures,

systems and processes including Kuveyt Türk's credit policies and procedures. Kuveyt Türk's principal country, industry, bank and customer risk limits are set out in the credit policy and are subject to regular review.

Credit Approval Policies and Procedures

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

Collateral

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

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

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

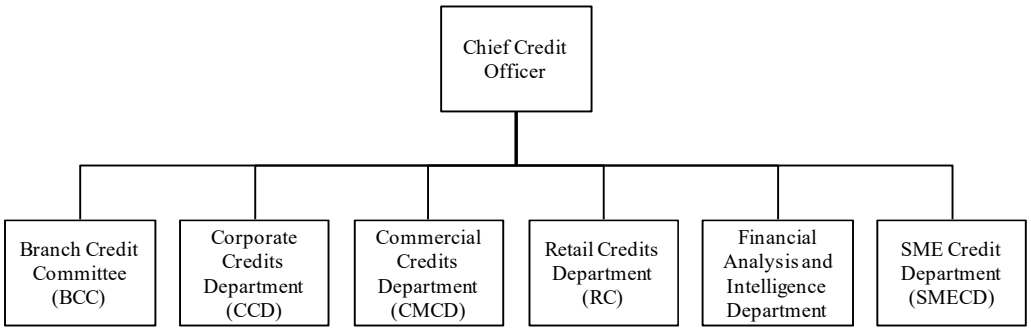
Financing

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

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

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

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



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

The approval process consists of six stages:

Stage 1: The relevant business units within the branches solicit clients, prepare a financial analysis and intelligence report (see "*— Credit Risk—RCD, SMECD, CCD and CMCD*" for details).

Stage 2: The branch management provides an initial decision or requests further information. Once complete, the credit proposal is submitted to the Branch Credit Committee ("**BCC**"), the Retail Credits Department ("**RCD**"), Corporate Credits Department ("**CCD**") or Commercial Credits Department ("**CMCD**") (as applicable) for authorisation by the relevant credit committees.

Stage 3: The BCC, RCD, SMECD, CCD or CMCD independently reviews and evaluates the credit proposals and accordingly the relevant department decides whether or not to reject or submit the credit proposal to the relevant credit committees (see "*— Credit Risk— RCD, SMECD, CCD and CMCD*" for further details).

Stage 4: The relevant credit committee or the Board of Directors makes the final decision.

Stage 5: The BCC, RCD, SMECD, CMCD or CCD insert the agreed limits into the limits management system and notify the relevant branches.

Stage 6: The relevant branch completes the necessary documentation based on condition precedent documents and in accordance with the required and set collaterals, following which the operations team disburses the facility(ies) to the customer.

BCC

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

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

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

Ceiling Limits and Branch Capacities:

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

Circular Types:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RCD

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

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

RCD's organisation structure consists of two units: the Credit Unit for Individual and Credit Cards and the Projects Unit for buildings under construction.

Credit Unit for Individual and Credit Cards

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

- *Individual Credit Allocation Unit*

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

  Kuveyt Türk's main sources of information are:

  (i) the records held by the CBT;

  (ii) the Kredi Kayıt Bürosu A.Ş. ("**KKB**"), a private Turkish credit bureau, which collects credit information from all Turkish banks and provides access to up to 10 years of the applicants' credit history; and

  (iii) SABAS (the central fraud information system).

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

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

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

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

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

- *Credit Card Allocation Unit*

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

SMECD

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

Kuveyt Türk's main sources of information are:

(i) the information systems maintained by the CBT; and

(ii) the KKB.

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

CCD and CMCD

Credit applications by Kuveyt Türk's corporate and commercial customers must be submitted to branches on standard forms with the related ancillary documents, including audited financial statements. A credit file is established by the branch office for each applicant which includes publicly available information from the CBT, such as dishonoured cheques and protested bills.

Since 2006, Kuveyt Türk has applied a company rating system for its corporate and commercial customers which has enabled it to develop rating models for the SME and Retail segments based on the internal behaviour of its clients The rating process comprises three main stages: (i) financial analysis of the applicant's historical balance sheets, income statements and other available financial documents of the applicant; (ii) inquiries through other banks and financial institutions and through information sources in relation to the relevant sector in which the company operates; and (iii) on-site visits and interviews, including collection of additional information concerning the applicant such as information regarding the applicant's business type, capital structure, shareholders, managerial staff, and market share as well as data regarding the applicant's competitors.

Kuveyt Türk's rating system comprises a total of 12 PD models, 8 of which are designed for wholesale portfolios and 4 of which are designed for retail portfolios. The rating models cover both quantitative and qualitative factors to determine the customer's creditworthiness and the factors weights are scored based on the statistical models. On finalisation of the rating process, Kuveyt Türk assigns the customer a credit rating using a 19 notch master scale ranging from 1 to 7, the latter being the worst score. There are seven sub-categories of that rating system. The first category (with the highest rating) is the most favourable one while

the last one is automatically rejected. The remaining categories are assessed on a case by case basis with respect to the proposed security structure and other terms and conditions of the requested financings.

CRMD

The CRMD reports to the Executive Vice President of the Legal & Risk Follow-Up department, and monitors performing loans based on regular review of customer's loan files. The monitoring of the loans is based on various risk related circumstances as stated in the early warning signals. This allows the CRMD to anticipate the bad debts before the defaults occur and coordinate with the relevant departments and branches in order to take the necessary actions. This allows Kuveyt Türk to minimise the credit risk of Kuveyt Türk by increasing the asset quality.

The CRMD applies a wide variety of monitoring tools to ensure that the loans remain performing whilst at all times maintaining a prudent early warning signal system. The following are some of the key monitoring functions in relation to performing loans and overdue receivables up to 30 days undertaken by the CRMD:

- monitoring the repayment performance of standard loans and ensuring that appropriate monitoring activities are performed by the relevant branches. It also performs the activities related to the collection and recovery of loans for retail, small business and corporate credits that are up to 30 days overdue. Branches and regional offices are responsible for the close monitoring of principal, profit share, commission and other related payments, financial status, Central Bank records, operations, intra-group relations and collaterals against the loans. Branches and regional offices are required to take the necessary actions based on the early warning signals and inform the relevant departments to undertake the necessary actions;

- sending reports to the CBT including limits and risks Kuveyt Türk is exposed to in relation to its customers. The CBT makes consolidated reports by collecting limits and risks in relation to the relevant borrower from all banks, leasing and factoring companies. The CRMD reviews and monitors the consolidated reports of the CBT and determines Kuveyt Türk's level of risk exposure to the particular customer. This monitoring allows Kuveyt Türk to review customers whose credit exposure are increasing or limits are fully used or where existing limits are substantially decreasing as well as ascertaining any defaults and sharp interest reductions if debts are being granted to the customer;

- preparing a collateral gap report or disparity report by monitoring limits, outstanding risks and collaterals of the customer. Companies are watched closely according to the monthly collateral gap reports in case of a substantial mismatch;

- tracing the firms according to the reports of internal control and auditing and reviewing where limits are misused or collaterals are insufficient;

- close examination in case an inquiry is made about present customers' written out cheques, execution records, tax liabilities, negative market intelligence and news in the press and any infirmity caused by reasons;

- all types of requests of the branches about to release the collaterals of the active all corporate and commercial, small business and retail credits are evaluated in order to approve or reject them;

- all retail, small business and corporate and commercial credits are classified on a quarterly basis based on risk related circumstances as stated in the early warning signals and according to guidelines of the BRSA; and

- obtains the latest financial analysis and bank and market enquiries from the Financial Analysis and Intelligence Department for Kuveyt Türk's riskier customers.

After the occurrence of a default, the RFD assumes responsibility for following-up the relevant credit balances.

Credit Classification and Provisioning

Senior Management is responsible for establishing allowances and provisions in relation to Kuveyt Türk's credit portfolio in accordance with TFRS 9; see "*Overview of Turkish Banking Sector and Regulations—Provisioning and Impairment*".

Portfolio Concentrations

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or in activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, market, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the counterparties' performance to developments affecting a particular industry or geographic location.

Kuveyt Türk's credit policies are structured to ensure that Kuveyt Türk is not over-exposed to a given client, industry or geographic area through diversification of financing and investment activities. Kuveyt Türk periodically monitors credit exposure limits by geographic region, country grade class, country, economical sector and top customers concentration. Accordingly, Kuveyt Türk actively tries to reduce the credit risk caused by customer concentration by expanding its customer base of Small Business and broadening its industry diversification. Kuveyt Türk has focused its efforts primarily on Small Business.

The following table sets out Kuveyt Türk's distribution of cash receivables by sector as at the dates indicated.

Sector	**As at 31 December 2020**	**As at 31 December 2019**
	Cash Loan Amount (*TRY Thousands*)	
Individual	14,531,103	8,757,610
Other Services	4,853,895	3,623,990
Education	341,301	329,666
Real Estate and Brokerage	789,411	1,042,084
Financial Services	3,796,867	9,167,477
Food, Beverage and Tobacco	2,309,211	2,217,930
Government	1,658,117	406,943
Production	4,017,691	2,361,665
Construction (Commitment)	9,152,145	7,320,658
Construction (Build and Sell)	4,227,056	-
Public Services (Electricity, Water and Gas)	4,714,626	4,027,816
Mining & Chemistry	4,213,394	2,685,939
Machinery Equipment	663,178	400,345
Automotive	2,754,410	1,668,448
Oil, Gas and Oil Products	1,288,244	116,958
Health	1,449,528	562,229
Agriculture	494,186	190,390
Textile	5,637,005	3,563,134
Wholesale & Retail	13,813,184	9,735,324
Tourism	416,342	421,054
Transportation & Warehouse	1,926,729	1,366,508
Total	**83,047,623**	**59,966,168**

Proprietary Investments

Kuveyt Türk's investments held under the "*At Fair Value for Other Comprehensive Income*" and "*Fair Value Through Profit or Loss*" categories are marked to market on a monthly basis. Any permanent diminution in the value of investments in the "*Held-to-Maturity*" category are written down.

Loan Provisions

Kuveyt Türk has improved its asset quality through the years. The non-performing loans ("**NPL**") ratio of Kuveyt Türk remained below the sector average in 2020. As of 31 December 2020, the NPL ratio of the

banking sector stood at 4.08 per cent. while Kuveyt Türk's NPL ratio remains below the sector with 3.58 per cent.

NPL Ratio	2016	2017	2018	2019	2020
Kuveyt Türk	2.43%	1.82%	2.42%	3.52%	3.58%
Participation Banking Sector	3.92%	3.22%	4.16%	4.74%	3.59%
Banking Sector	3.37%	3.10%	4.13%	6.11%	4.08%

The provisions ratio is above the Turkish Participation Banking Sector average provision ratio and was among the first 9 banks in the top 19 banks of the Turkish Banking Sector in 2020. As at 31 December 2020, Kuveyt Türk's provisions ratio was 85 per cent.

Provisions Ratio	2016	2017	2018	2019	2020
Kuveyt Türk	78.35%	93.39%	71.00%	74.00%	85.00%
Participation Banking Sector	62.10%	70.75%	63.21%	63.88%	82.91%
Banking Sector	78.55%	79.98%	69.09%	65.13%	74.94%

Close Monitoring Loans Ratio (31 days and more overdue, restructuring loans, early warning signals, rating deterioration) is 9.11 per cent. as at 31 December 2020. Kuveyt Türk's Close Monitoring Loans is under 10.74 per cent. of the Turkish Banking Sector average.

Close Monitoring Loans Ratio	As of December 2020
Kuveyt Türk	9.11%
Participation Banking Sector	6.56%
Banking Sector	10.74%

The restructuring ratio of Kuveyt Türk is 3.80 per cent. as at 31 December 2019 and 3.16 per cent. as at 31 December 2020. Kuveyt Türk was ranked 10th in 2019 and 7th in 2020 among the top 20 banks in the Turkish Banking Sector and has shown better performance than some of the major banks in the Turkish Banking Sector and all other participation banks in the Turkish Banking Sector.

The quality of Kuveyt Türk's loan portfolio by class of financial asset is set out below.

The bank calculates the probability of delinquency and internal rating for both wholesale and retail portfolios. External ratings are used for loans extended to financial institutions. Ratings are shown in the table below as of 31 December 2020:

	Cash Loans	Non-cash loans	Total
High Quality	44.99%	63.93%	47.47%
Medium Quality	32.35%	23.33%	31.16%
Average	15.48%	11.01%	14.90%
Below Average	7.18%	1.73%	6.47%

Loans:	As at 31 December 2020			
	Less than 30 Days	30 to 60 days	61 to 90 days*	Total
	(TRY in thousands)			
Corporate lending	5,734,223	123,369	703,172	6,560,764
Consumer lending	259,740	36,192	58,781	354,713
Credit cards	128,633	7,255	13,699	149,587
Total	**6,122,596**	**166,816**	**775,652**	**7,065,064**

(*) Based on the BRSA's decision dated 17 March 2020 and numbered 8948, and dated 27 March 2020 and numbered 8970, the risks in the number of delay days of 90-180 days are presented in this line.

Loans:	As at 31 December 2019				
	Less than 30 Days	30 to 60 days	61 to 90 days	More than 91 days	Total
	(TRY in thousands)				
Corporate lending	4,471,573	540,320	343,866	-	5,355,759
Consumer lending	153,578	127,256	71,308	-	352,142
Credit cards	123,659	10,880	5,495	-	140,034
Total	**4,748,810**	**678,456**	**420,669**	**-**	**5,847,935**

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk. Although strategic and reputational risks are not included in the capital measurement calculations for Basel III purposes, assessment and monitoring of these risks also fall under the purview of the RMG. Examples of events that are included under this definition of operational risk include losses from fraud, computer systems failures, settlement errors, model errors and natural disasters. Kuveyt Türk also maintains an operational loss database in order to quantify and monitor operational risks (see "*Risk Factors— Risk factors relating to Kuveyt Türk's Business*" for further details).

Kuveyt Türk's operational risk issues are actively managed by regular monitoring of Kuveyt Türk's activities. This allows Kuveyt Türk to quickly detect and correct deficiencies in its policies and procedures for managing operational risks. By promptly detecting and addressing these deficiencies, Kuveyt Türk can substantially reduce the frequency or severity of a loss (or potential loss) event. The RMG makes specific proposals to the Head of the Audit Committee whenever it determines that existing operational risks warrant changes to Kuveyt Türk's existing Internal Systems Regulations and Risk Management Policies. The operational risk reports are periodically submitted to Kuveyt Türk's Senior Management.

Operational risk is managed by a dedicated 2-member team within Kuveyt Türk. Business risk officers have been identified in each functional area to identify the events and evaluate the incidence of risk, probable losses and frequency thereof, in each functional area. Kuveyt Türk's Operational Risk team reviews the identified risks, controls and residual gaps and monitors the time lines for closing such gaps. The Audit Committee validates the identified risk and the prevailing gaps. Evaluating the operational risk areas is an ongoing process and the procedures and policies are updated accordingly.

Funding

As a participation bank, Kuveyt Türk does not have access to the same sources of funding as conventional banks (such as interest–bearing facilities or security portfolios). Kuveyt Türk's funding base for its activities are substantially derived from: (i) customer deposits (specifically deposits placed in current accounts and participation accounts); (ii) credits from banks and other international financial institutions; (iii) issuances of international and domestic listed sukuk securities; and (iv) shareholders' equity.

Total Deposits

Total deposits were the major source of funding for Kuveyt Türk for the year ended 31 December 2020. As at 31 December 2020, total deposits comprised 80 per cent. of Kuveyt Türk's total liabilities and shareholders' equity which is higher than the sector average (at 59 per cent.). As at 31 December 2020, total deposits increased by 43.98 per cent. to TRY126,694.56 million, from TRY87,996.14 million as at 31 December 2019. Kuveyt Türk has a broad and diversified source of depositors and is not reliant on any key anchor depositors with 56 per cent. of its total deposits coming from retail depositors.

The following tables set out the total liabilities which are substantially dominated by deposits, for the core business segments for the years ended 31 December 2020 and 2019.

For the year ended 31 December 2020	Retail banking	Corporate and commercial banking	Treasury and international banking	Unallocated	Total operations of the Group
	(TRY in thousands audited)				
Total liabilities	105,235,906	21,636,217	16,987,622	14,337,368	158,197,113

For the year ended 31 December 2019	Retail and enterprise banking	Commercial banking	Corporate and international banking	Unallocated	Total operations of the Group
			(TRY in thousands audited)		
Total liabilities	73,909,898	14,083,077	9,251,721	11,756,882	109,001,578

Credits from banks and other international financial institutions

Kuveyt Türk has a number of utilised credit facilities with domestic and international banks in both Turkish lira and foreign currencies, predominantly euro and U.S. dollars, along with borrowings from the international and domestic debt capital markets.

The availability of funds from banks and other financial institutions, as well as from customer accounts, is influenced by factors such as prevailing interest rates, market conditions and levels of competition (see "*Risk Factors — Risk factors relating to Kuveyt Türk's Business—Kuveyt Türk's business, financial condition, results of operations and prospects have been affected by liquidity risks in the Turkish market and may be further affected by liquidity risks, particularly if Turkish or international financial market conditions deteriorate*" for further details).

Legal Risk

Kuveyt Türk has a full-time legal team which deals with both routine and more complex legal issues. Situations of a particular complexity and sensitivity are referred to external firms of lawyers, either in Turkey or overseas, as appropriate. Kuveyt Türk also seeks to mitigate legal risk through the use of properly reviewed standard documentation and appropriate legal advice in relation to its non-standard documentation.

Market Risk

Market risk is the risk of loss to future earnings, values of assets and liabilities or to future cash flows that may result from changes in the price of a financial instrument (for example, as a result of changes in foreign currency exchange rates, interest/profit rates, commodity prices, equity prices and other market changes that affect market risk sensitive instruments). Market risk is attributed to all market risk sensitive financial instruments, including credits, deposits and borrowings. The primary market risks faced by Kuveyt Türk are the indirect effects of interest rate fluctuation and the direct effects of exchange rate fluctuation (see "*Risk Factors — Risk factors relating to Kuveyt Türk's Business*" and "*Foreign Exchange Rate Risk*" below).

The RMG measures and monitors the market risk exposure to the value of the financial instruments held by Kuveyt Türk that may result from any number of market pressures. To measure market risk, Kuveyt Türk has adopted globally accepted and widely implemented risk management techniques. Kuveyt Türk calculates and reports market risk according to a standardised methodology. It manages market risk on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends, and management's estimate of long-and short-term changes in fair value.

Market risk also includes price risks. Kuveyt Türk only has positions in equities and commodities for investment or investment-related purposes. It manages price risks relating to such securities by using position limits, which are monitored by the Treasury Middle Office ("**TMO**"). Foreign currency transactions, both with customers and as part of Kuveyt Türk's proprietary trading, usually generate foreign currency positions. Kuveyt Türk hedges these positions within set intra-day and/or overnight limits and executes transactions only in major convertible foreign currencies.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of Kuveyt Türk's financial instruments. In a conventional bank, interest rate sensitivity is the relationship between market interest rates and net interest income resulting from the re-pricing characteristics of assets and liabilities. As Kuveyt Türk does not have financial assets that are sensitive to interest rate movements (such as government bonds) and because Kuveyt Türk does not guarantee depositors a fixed rate of return, Senior Management believe that Kuveyt Türk has lower interest rate risk than conventional banks. The principal objective of Kuveyt Türk's interest rate risk management activities is to enhance profitability by limiting the effect of adverse interest rate movements in the banking sector and increasing mark-up income by

managing mark-up rate exposure. Kuveyt Türk monitors interest rate sensitivity by analysing the composition of its assets and liabilities and off-balance sheet financial instruments (see "*Risk Factors – Risk factors relating to Kuveyt Türk's Business*" for further details).

The table below sets out Kuveyt Türk's analysis of financial liabilities by contractual maturities on an undiscounted basis as at 31 December 2020:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Above 5 years	Total	Adjustments	Balance Sheet Value
				31 December 2020				
Funds Collected	114,170,245	6,715,547	4,946,413	848,336	14,020	126,694,561	-	126,694,561
Other Funding's	1,610,468	146,860	2,709,958	4,548,423	2,694,681	11,710,390	(1,915,804)	9,794,586
Debts from lease transaction	14,440	24,612	98,136	183,852	28,254	349,294	-	349,294
Securities issued	1,141,578	881,784	3,796,075	-	-	5,819,437	(660,164)	5,159,273
Funds from repo transaction	185,613	-	-	-	-	185,613	(388)	185,225
Total	**117,122,344**	**7,768,803**	**11,550,582**	**5,580,611**	**2,736,955**	**144,759,295**	**(2,576,356)**	**142,182,939**

Foreign Exchange Rate Risk

As a participation bank, Senior Management believe its foreign currency risks are somewhat lower than many conventional banks, because its foreign currency participation and investment accounts are generally matched directly to its foreign currency credits. Kuveyt Türk is, however, subject to foreign exchange rate risk due to adverse movements in currency exchange rates in the currencies in which it maintains assets and liabilities. Changes in foreign exchange rates have an impact on Kuveyt Türk's income and expenses in line with the magnitude of such changes and the current volume of its foreign exchange position. The TMO monitors the foreign exchange rates closely and ensures that cash and non-cash foreign currency commitments can be covered by foreign currency denominated assets to the extent possible. Kuveyt Türk seeks to maintain an even foreign exchange position policy to minimise its currency risk. Kuveyt Türk however, experiences from time to time net short positions in foreign currencies, which may require it to convert Turkish lira at times at unfavourable exchange rates (see "*Risk Factors — Risk factors relating to Kuveyt Türk's Business*" for further details).

The table below sets out Kuveyt Türk's exposure to foreign currency exchange rate risk for the years set out below.

	Euro	U.S. dollar	Other FC	Total
31 December 2020				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	9,001,993	9,677,347	5,287,203	23,966,543
Banks (****)	644,121	352,463	5,259,185	6,255,769
Financial assets at fair value through profit and loss	885,744	275,145	5,659,521	6,820,410
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	368,754	4,970,879	-	5,339,633
Loans and finance lease receivables (*)	14,635,388	13,719,665	17,232	28,372,285
Subsidiaries, associates and joint ventures (**)	-	-	-	-
Financial assets at amortized cost	3,857,987	2,373,500	-	6,231,487
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	13,683	1,173	-	14,856
Intangible assets	77,261	-	-	77,261
Other assets	8,106,276	290,881	2,639	8,399,796
Total assets	**37,591,207**	**31,661,053**	**16,225,780**	**85,478,040**
Liabilities				
Current account and funds collected from Banks via participation accounts	497,579	100,797	233,373	831,749
Current and profit sharing accounts FC (****)	16,280,443	38,670,358	37,433,072	92,383,873
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	862,627	8,760,661	-	9,623,288
Marketable securities issued	-	3,337,298	-	3,337,298
Miscellaneous payables	119,571	156,326	109,448	385,345
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (*****)	260,479	422,843	29,777	713,099
Total liabilities	**18,020,699**	**51,448,283**	**37,805,670**	**107,274,652**

Net balance sheet position	19,570,508	(19,787,230)	(21,579,890)	(21,796,612)
Net off-balance sheet position	(19,869,202)	20,187,707	21,580,979	21,899,484
Financial derivative assets	730,800	25,033,494	21,919,119	47,683,413
Financial derivative liabilities	20,600,002	4,845,787	338,140	25,783,929
Non-cash loans (***)	1,840,536	2,349,832	205,654	4,396,022
31 December 2019				
Total assets	32,421,730	25,771,122	11,237,311	69,430,163
Total liabilities	12,507,749	36,360,587	12,183,094	61,051,430
Net balance sheet position	19,913,981	(10,589,465)	(945,783)	8,378,733
Net off-balance sheet position	(20,055,210)	11,193,288	930,027	(7,931,895)
Financial derivative assets	371,647	19,860,378	1,463,898	21,695,923
Financial derivative liabilities	20,426,857	8,667,090	533,871	29,627,818
Non-cash loans (***)	1,883,918	2,503,577	576,420	4,963,915

(*) Includes foreign currency indexed loans amounting to TL 1,740,355 (31 December 2098 – TL 2,662,329).
(**) Does not have any effect to the net off-balance sheet position.
(***) Precious metals are included in "Other FC" column.
(****) Other liabilities at fair value through TL 1,537 in the calculation of profit / loss of securities are not included in the foreign currency risk of impairment provisions. It also includes a provision for foreign currency indexed loans amounting to TL 122,089
(*****) Includes provisions for expected losses amounting to TL 328 in the balance sheet
(******) Includes deferred tax assets amounting to TL 73,642 in the balance sheet.

Profit Rate Risk

Profit rate risk arises from the possibility that changes in conventional interest rates will affect the future profitability or the fair value of financial instruments. Kuveyt Türk is exposed to profit rate risk as a result of mismatches or gaps in the amount of assets and liabilities and off-balance sheet instruments that mature or re-price during a given period. The impact of possible changes in the profit rates is measured and the profit rate gaps are reviewed to initiate corrective action in Kuveyt Türk's funding profile to ensure that the overall profit rate risk remains within acceptable tolerances. By taking such action Kuveyt Türk seeks to match profit-related assets and liabilities and, accordingly, minimise the effect of profit rate risk on its net profit (see "*Risk Factors – Risk factors relating to Kuveyt Türk's Business*" for further details).

Funding and Liquidity Risk

Kuveyt Türk's funding and liquidity management policy seeks to ensure that, even in adverse economic conditions, Kuveyt Türk maintains sufficient funds to meet its operational needs (including maturing liabilities), and to ensure compliance with BRSA regulations. Funding and liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments and the risk of being unable to liquidate a position in a timely manner and at a reasonable price. The risk arises in the general funding of Kuveyt Türk's financing activities and in the management of its positions.

To meet its funding needs, Kuveyt Türk has principally relied on current accounts and participation accounts. Historically, when growth in cash credits has been greater than Kuveyt Türk's growth in participation accounts, it has bridged most of this gap through use of some current accounts and shareholders' equity and by increasing capital or retaining profits. Kuveyt Türk also utilised the U.S.$200 million syndicated interest- free commodity Murabaha facility obtained in 2006 to balance its liquidity needs. In 2011, Kuveyt Türk also issued, through KT Sukuk, U.S.$350 million lease certificates due 2016 as part of managing its funding requirements. In 2013 Kuveyt Türk issued, through KT Kira, TRY150 million Lease Certificates due 18 November 2014 and Kuveyt Türk also raised U.S.$275 million and EUR83 million syndicated murabaha financing from international markets on 27 December 2013. In addition, in 2014 Kuveyt Türk issued, through KT Kira, U.S.$500 million Certificates due 2019. In April 2015, Kuveyt Türk issued MYR 300 million Certificates due 2020 through its MYR 2 billion programme. On 17 February 2016 Kuveyt Türk issued through KT Sukuk, U.S.$350 million Fixed Rate Resettable Tier 2 Certificates due 2026. Kuveyt Türk issued, on 1 November 2016 through KT Kira, U.S.$500 million Fixed Rate Resettable Senior Unsecured Sukuk due 2021. Most recently, Kuveyt Türk issued, on 16 July 2019, through KT One Company Limited, U.S.$200 million Tier 1 Capital Certificates.

In order to manage funding and liquidity risk, the RMG monitors funding and liquidity risk, market conditions, composition of participation funds with respect to different currencies, maturity structures, costs and future expected cash flow commitments, in particular those related to large deposits. Liquidity gap analysis reports are generated by the budgeting and reporting department on a weekly basis and monitored by the ALCO. In addition, the department also develops forecasts of Kuveyt Türk's likely liquidity

requirements in the event of emergencies and, based on these forecasts, develops contingency plans. The RMG monitors the limits set by the Board on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level of funding that should be in place to cover withdrawals at unexpected levels of demand. Treasury manages funding and liquidity risk to avoid under-concentration of funding requirements at any point in time or from any particular source, and provides regular updates on Kuveyt Türk's liquidity position to the ALCO. The budgeting and reporting department also monitors Kuveyt Türk's funding and liquidity risk and prepares weekly reports to the ALCO. The RMG reports on a monthly basis to the Audit Committee.

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

	As at 31 December	
	2020	**2019**
	(%)	
Cash loans/total assets	49.00%	52.22%
Cash loans/deposits	61.18%	64.69%
Cash loans/ total equity attributable to equity holders of the parent	965.26%	791.39%
Liquid assets[(1)]/total assets	7.59%	11.00%
Liquid assets/deposits[(2)]	9.10%	13.56%

(1) Liquid assets comprise cash and cash equivalents and balances with other financial institutions (not including Kuveyt Türk's reserves with the Central Bank).
(2) Also includes due to other financial institutions and banks.

The following tables summarise Kuveyt Türk's estimated maturity analysis for certain assets and liabilities as at 31 December 2020 and 31 December 2019, and contains certain information regarding Kuveyt Türk's funding and liquidity risk.

31 December 2020	**Demand**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Unallocated (***)**	**Total**
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	6,637,647	18,473,323	-	-	-	-	-	25,110,970
Banks (*)	5,380,564	-	1,348,720	640,494	-	-	-	7,369,778
Financial assets at fair value through profit and loss		35,609	5,045,820	2,244,046	349,947	5	87,772	7,763,199
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	179,750	269,760	1,835,628	18,324,240	-	113,707	20,723,085
Loans (**)	-	10,652,407	9,051,513	24,701,706	30,700,992	4,907,789	(2,497,287)	77,517,120
Loans measured at amortised cost	-	-	3,675,988	382,349	2,441,473	-	-	6,499,810
Other assets (***)	8,537,925	720,012	330,561	89,906	857,093	-	2,677,654	13,213,151
Total assets	**20,556,136**	**30,061,101**	**19,722,362**	**29,894,129**	**52,673,745**	**4,907,794**	**381,846**	**158,197,113**
Liabilities								
Current account and funds collected from banks via participation accounts	843,666	20	-	-	-	-	-	843,686

Current and profit sharing accounts	73,523,304	39,803,255	6,715,547	4,946,413	848,336	14,020	-	125,850,875
Funds provided from other financial institutions	-	915,046	3,375,665	2,607,293	3,217,621	28,255	-	10,143,880
Money market borrowings	-	185,225	-	-	-	-	-	185,225
Marketable securities issued	-	1,328,260	755,504	3,075,509	-	-	-	5,159,273
Miscellaneous payables	662,768	120,963	-	-	-	-	-	783,731
Other Liabilities (****)	-	2,190,098	1,261,364	12,609	12,756	-	11,753,616	15,230,443
Total Liabilities	**75,029,738**	**44,542,867**	**12,108,080**	**10,641,824**	**4,078,713**	**42,275**	**11,753,616**	**158,197,113**
Net liquidity gap	(54,473,602)	(14,481,766)	7,614,282	19,252,305	48,595,032	4,865,519	(11,371,770)	-
Prior period								
Total assets	16,456,130	25,029,166	8,599,635	21,375,011	33,237,258	2,911,169	1,393,209	109,001,578
Total liabilities	37,304,079	42,377,871	6,494,668	5,242,158	5,061,569	2,239,399	10,281,834	109,001,578
Net liquidity gap	(20,847,949)	(17,348,705)	2,104,967	16,132,853	28,175,689	671,770	(8,888,625)	

31 December 2019	**Demand**	**Up to 1 Month**	**Up to 3 Months**	**Up to 12 Months**	**Up to 1-5 Years**	**Over 5 Years**	**Unallocated (***)**	**Total**
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	7,919,383	11,296,909	-	-	-	-	-	19,216,292
Banks (*)	7,350,687	3	1,023,648	33,214	-	-	21,371	8,428,923
Financial assets at fair value through profit and loss	-	32,425	42	1,163,895	2,795,621	9,521	258,167	4,259,671
Money market placements	-	-	-	-	-	-	-	0
Financial assets at fair value through other comprehensive income	-	-	97,758	3,770,234	8,377,539	17,850	191,873	12,455,254
Loans (**)	-	12,226,141	8,067,543	16,440,882	18,454,898	2,883,798	(1,150,167)	56,923,095
Loans measured at amortised cost	-	-	176,601	-	3,036,323	-	-	3,212,924
Other assets (***)	270,904	1,484,499	442,929	64,518	416,900	-	1,825,669	4,505,419
Total assets	**15,540,974**	**25,039,977**	**9,808,521**	**21,472,743**	**33,081,281**	**2,911,169**	**1,146,913**	**109,001,578**
Liabilities								
Current account and funds collected from banks via participation accounts	398,194	7,719	-	-	-	-	-	405,913
Current and profit sharing accounts	36,632,138	40,984,400	5,696,820	3,512,723	764,141	-	-	87,590,222
Funds provided from other financial institutions	-	158,561	31,466	371,979	1,380,854	2,239,399	-	4,182,259
Money market borrowings	-	-	-	-	-	-	-	0

Marketable securities issued	-	299,646	250,882	1,182,558	2,909,079	-	-	4,642,165
Miscellaneous payables	276,465	113,907	86,202	6,669	-	-	146,674	629,917
Other Liabilities (****)	-	1,029,136	331,789	148,110	1,971	-	10,040,096	11,551,102
Total Liabilities	**37,306,797**	**42,593,369**	**6,397,159**	**5,222,039**	**5,056,045**	**2,239,399**	**10,186,770**	**109,001,578**
Net liquidity gap	(21,765,823)	(17,553,392)	3,411,362	16,250,704	28,025,236	671,770	(9,039,857)	0

As a participation bank, Kuveyt Türk is less sensitive to certain funding and liquidity risks than conventional banks may be. The performance of, and return on, Kuveyt Türk's customers' participation accounts are directly tied to the performance of, and return on, Kuveyt Türk's credit portfolio, thus limiting negative liquidity effects during periods of market fluctuations. Moreover, because of the monthly principal repayment schedule for commercial credits (Kuveyt Türk does not offer the equivalent of interest only or "balloon" credits) it has more predictable month-to-month cash inflows. Senior Management believes that this more predictable access to funds gives it additional flexibility in managing funding and liquidity risk exposure. Kuveyt Türk continually assesses its funding and liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of its overall strategy.

The matching and controlled mismatching of the maturities and profit sharing rates or mark-up rates of assets and liabilities is fundamental to the management of Kuveyt Türk's business. It is unusual for these to be completely matched as transacted business is often on uncertain term and of different types. Furthermore, due to the short term maturity nature of deposits in Turkey, maturity mismatches are a common problem for Turkish banks. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace them, at an acceptable cost, are important factors in assessing Kuveyt Türk's liquidity and its exposure to changes in interest/profit or mark-up rates and exchange rates. Liquidity requirements to support calls under letters of guarantee, letters of credit and other non-cash credits are considerably less than the amount of the commitment.

Because Kuveyt Türk is a participation bank, certain alternative sources of funding typically used by conventional banks (such as interest-bearing facilities and securities portfolios) are not available to it and its ability to develop new sources may be limited or slowed by the approval process to which it subjects its financing and banking products (see "*Risk Factors – Risk factors relating to Kuveyt Türk's Business*" for further details).

Anti-Money Laundering and Combating the Finance of Terrorism ("AML/CFT") and Client Identification

As the Financial Intelligence Unit of Turkey, the Financial Crimes Investigation Board laws and regulations with respect to AML/CFT are applicable to Kuveyt Türk. Kuveyt Türk is committed to ensuring adherence to AML/CFT regulations at all times. Kuveyt Türk has strict client identification policies and procedures and product teams are precluded from establishing new business relationships until all relevant parties to the relationship have been identified and the nature of the business they expect to conduct has been established and approved. Furthermore, Kuveyt Türk is committed to preventing the provision of its financial services for the purposes of money laundering or terrorist financing activity. In line with Kuveyt Türk's AML/CFT Policy, all employees regardless of their role in Kuveyt Türk, are trained in Kuveyt Türk's AML/CFT and anti-terrorism financing policies on an annual basis.

Kuveyt Türk has appointed a Money Laundering Responsibility Officer (a "**MLRO**") who is responsible for supervising Kuveyt Türk's AML/CFT activities and for maintaining appropriate and effective systems, controls and records to ensure compliance with local AML/CFT regulations and the provisions of Kuveyt Türk's AML/CFT manual. The MLRO is also responsible for reviewing and reporting any suspicious transactions/activities concerning a client or an account to the respective regulator.

In order not to be unknowingly used as an intermediary in money laundering or terrorist financing, Kuveyt Türk implemented comprehensive AML and know-your-customer policies and procedures to comply with Turkish and international anti-money laundering rules and regulations. These policies and procedures apply to all local and international operations and transactions and include customer identification verification, retention of customer-related documentation and reporting of suspicious transactions to the authorities. Additionally, Kuveyt Türk requires that all its correspondent banks meet the requirements set forth in its AML policies.

The MLRO's responsibilities include formulating, issuing and implementing Kuveyt Türk's AML/CFT strategies and policies on an ongoing basis, overseeing the provision of appropriate AML/CFT training to all relevant staff, supervising and coordinating the activities of Kuveyt Türk's business, including the principal activities and reporting to the Turkish Financial Intelligence Unit of the Financial Crimes Investigation Board, regarding any suspicious activities.

MANAGEMENT

Board of Directors

The Board of Directors of Kuveyt Türk (the "**Board**") is comprised of nine directors ("**Directors**"), (see table below). Members of the Board are appointed by Kuveyt Türk's shareholders, five of which are appointed by KFH, with one such Director being the chairman. Kuveyt Türk's chief executive officer also sits as a member of the Board as required by the Banking Law. Each Director is appointed for a term of three years and the Board meets at least six times annually. The business address of each member of the Board is Büyükdere Caddesi, No: 129/1, 34394 Esentepe, Istanbul, Turkey. No member of the Board has any actual or potential conflict of interest between his duties to Kuveyt Türk and his private interests and/or other duties.

The Board members together with senior managers of Kuveyt Türk own 0.11 per cent. of Kuveyt Türk's share capital.

As at the date of this Prospectus, the members of the Board are:

Name	Year of birth	Position	Year first elected to position
Hamad Abdulmohsen AlMarzouq	1962	Chairman	2014
Burhan Ersoy	1958	Director	2020
Salah Abdullatif E AL Mudhaf	1958	Director	2019
Shadi Ahmed Yacoub Zahran	1972	Director	2020
Gehad Mohamed El Bendary Anany	1973	Director	2020
Nadir Alpaslan	1966	Director, Vice Chairman	2011
Ahmad S Al Kharji	1972	Director	2014
Mohamed Hedi Mejai	1969	Director	2021
Ufuk Uyan	1958	Director, Chief Executive Officer	1999

Hamad Abdulmohsen Al Marzouq - Chairman

Mr. Al Marzouq graduated from University of Southern California, United States of America in 1985 and received an MBA degree from the Claremont Graduate University. Mr. Al Marzouq's prior positions include working at senior management level at each of Kuwait Investment Corporation until 1990, the Kuwait Central Bank between 1990-1998 and Ahli United Bank Bahrain until 2014. Mr. Al Marzouq was appointed as Chairman of the Board of Directors of Kuveyt Türk in 2014. Mr. Al Marzouq is also a member of Kuveyt Türk's Corporate Governance Committee, Executive Committee and Credit Committee.

Burhan Ersoy - Director

Mr. Ersoy was born in 1958 in Samsun, Turkey and completed his primary, secondary and high school education in Amasya, Turkey and his university education in Samsun. He started his business life in Merzifon Agricultural Equipment Institution in 1976, and in 1984 he worked in Ankara Education Center Directorate. In 1986, he worked as the Branch Manager of the Ministry of National Education Personnel General Directorate, Central Appointment Department. Between 1988 and 1991, Mr. Ersoy served as the State Ministry Consultant. From 1991 to 1996, he worked as the Branch Manager of the Prime Ministry General Directorate of Personnel and Principles and as the Deputy Head of the Press and Public Relations Department of the Prime Ministry. Mr. Ersoy has worked as a consultant in various public institutions and in the Turkish Grand National Assembly since 1997, and also in the Ministry of State. While serving as the Head of Department at the Prime Ministry General Directorate of Legislation Development and Publication, he was appointed as the Deputy General Manager of the General Directorate of Foundations in 2003. Mr. Ersoy, who also served as a Board Member of various organisations, is currently a member of the Board of Trustees of Fatih Sultan Mehmet Vakıf University and he is a member of the Board of Directors of Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. Mr. Ersoy has been appointed as the General Manager of Foundations and Chairman of the Foundations Council since 1 February 2020, and he is still in office. Mr. Ersoy has a good command of Arabic and English. Mr. Ersoy was appointed as a Board Member at Kuveyt Türk in July 2020 and is currently in charge of Ethical Banking.

Salah Abdullatif E. Al Mudhaf - Director

Born in 1958 in Kuwait, Mr. Al Mudhaf graduated from the Business Administration Department at Kuwait University in 1981. He began his career at the Kuwait Social Security Institution as a manager in charge of the staff. Mr. Al Mudhaf is still serving the same institution as the Deputy General Manager. He was a member of the board at Wafra Real Estate and Wafra International Investment Co. in 1993-2014 and 2002-2013, respectively. Since 2013, he has been serving the same company as the Chairman of the Board of Directors. Mr. Al Mudhaf was appointed as a Member of the Board at Kuveyt Türk in April 2019 and he is also a Member of the Risk Committee.

Shadi Ahmed Yacoub Zahran - Director

Mr. Zahran received his Master of Business Administration (MBA) Degree in Finance from the University of Manchester in the United Kingdom in 2014. He received his Bachelor's Degree in Accounting from the University of Jordan in 1992. Mr. Zahran is a member of the Board of Trustees of the Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI) and a Board Member of the General Council for Islamic Banks and Financial Institutions (CIBAFI). Mr. Zahran holds several specialized professional certificates including Certified Public Accountant (CPA) from the state of Illinois in the U.S. since 1996, an Auditing License from the Council of the Auditing Profession in Jordon since 1996, Certified Bank Auditor (CBA) from Bank Administration Institute (BAI) since 1999, and Certified Islamic Professional Accountant (CIPA) from the Accounting and Auditing Organization for Islamic Financial Institutions since 2006. Mr. Zahran previously held several executive positions at Ahli United Bank Group including General Manager Finance in Kuwait from 2009 until 2014 and Head of Group Financial Controlling at Ahli United Bank in Bahrain from 2005 until 2009. Mr. Zahran previously held the position of Head of Financial Systems Management & Operations Department at Al Rajhi Bank in the Kingdom of Saudi Arabia from 2000 until 2005. In addition, Mr. Zahran previously worked as an External Auditor at the international external audit firm Ernst & Young. Mr. Zahran is currently the Group Chief Financial Officer at Kuwait Finance House since 2014. In addition, Mr. Zahran is the Vice Chairman of KFH Capital Investment Company and Board Member at Kuwait Finance House Bahrain. Mr. Zahran was appointed a Member of the Board at Kuveyt Türk in July 2020. He is also the Chairman of the Audit Committee, and a Member of the Credit Committee and Corporate Social Responsibility Committee.

Gehad Mohamed El-Bendary Anany - Director

Mr. Anany received his Finance & Risk Management Diploma from the University of Wales in the United Kingdom in 2014. He received his Bachelors of Commerce Degree in Accounting from Tanta University in Egypt in 1996. Mr. Anany has completed specialized training programs in Enterprise Leadership from Insead University, Network Leadership Program from IMD University, and Advanced Risk Management from Wharton University. Mr. Anany holds numerous specialized professional certificates including the International Certificate in Banking Risk and Regulation (ICBRR) from the Global Association of Risk Professionals (GARP) in 2009. Mr. Anany previously held several executive positions at Kuwait Finance House including the position of General Manager Risk Management from 2016 until 2018, Deputy General Manager - Portfolio & Enterprise Risk Management from 2013 until 2016, Head of Enterprise Risk Management Unit from 2012 until 2013, and Head of Risk Unit from 2007 until 2012. Mr. Anany is currently the Group Chief Risk Officer at Kuwait Finance House since 2018 and has over 20 years' experience in Risk Management, Auditing and Internal Control Systems in Financial Institutions. Appointed a Board Member at Kuveyt Türk in July 2020, Mr. Anany is also a Chairman of the Risk Committee and a Member of the Remuneration and Nomination Committee.

Nadir Alpaslan - Vice Chairman, Director

Mr. Alpaslan received a Bachelor's degree from the Faculty of Political Sciences in Istanbul University, Turkey in 1987. His career started at the Ministry of Tourism as ministerial adviser from 1999 and subsequently at the Ministry of Education as human resources director and thereafter he joined the Ministry of Culture and Tourism until 2007. From 2007 until 2018, he served at the Deputy Secretary-General of the Turkish President. He was appointed the Deputy Minister of Culture and Tourism in July 2018. Mr. Alpaslan has been a member of the Board of Directors of Kuveyt Türk since 15 April 2011 and he is a Member of the Corporate Governance, Audit, and Credit Committees.

Ahmad S Al Kharji - Director

Mr. Al Kharji received a bachelor's degree in Finance and Banking from Kuwait University, Kuwait in 1994. In 1998, he received his master's degree in Business Administration from the University of San Diego, California, USA. Mr. Al Kharji was appointed as a Member of the Board of Directors of Kuveyt Türk's in March 2014; he is also a Member of the Credit Committee, Corporate Social Responsibility Committee, and Remuneration and Nomination Committee. He previously served as Head of the Investment Banking Department at Kuveyt Türk from June 2006 until November 2008. Mr. Al Kharji currently heads the International Banking Sector department KFH, which oversees and monitors the bank's subsidiaries, namely Kuveyt Türk, Kuwait Finance House Bahrain B.S.C. and Kuwait Finance House (Malaysia) Berhad, as well as managing the activity of the Financial Institutions and Structured Finance functions.

Mohamed Hedi Mejai - Director

Mr. Mejai is a French citizen, born in Zarzis in 1969. Mr. Mejai has obtained various educational degrees, including graduating from the IDB Management Development Program from the London Business School, holding a Master of Business Administration from EDHEC management school in France, and holding a Master of Science degree in International Economic and Legal Studies from a university in London. From August 2005 to May 2010, he served as Executive Director of Investments and Business Development at the International Investment Bank (IIB) in Manama, Kingdom of Bahrain. In 2010, he was entrusted to lead the company as Chief Executive Officer and was a member of the board of Oryx Capital Ltd, based in Dubai. Since August 2011, Mr. Mejai serves as Director of the Investment Department at IDB. Mr. Mejai has served as a Member of the Board of Directors of Kuveyt Türk since March 2021.

Ufuk Uyan - Director and Chief Executive Officer

Mr. Uyan received his bachelor's degree in Economics from Bosphorus University, Turkey in 1981 and obtained a master's degree from the same university in 1983. Mr. Uyan has been a Member of Kuveyt Türk's Board of Directors since 1999. He also serves as a Member of Kuveyt Türk's Executive Committee and he is a Member of the Credit Committee, Remuneration and Nomination Committee, and the Corporate Social Responsibility Committee. He worked as a research assistant at Bosphorus University between 1981 and 1982, and, in 1982, he joined Türkiye Sinai Kalkinma Bankası A.S., as a research analyst in the department of private investigations. In 1985, he became an assistant project manager at Albaraka Türk Katılım Bankası A.S. He was appointed as the manager of projects and investments at Kuveyt Türk in 1989. In 1993, he was promoted to deputy general manager and, in 1999, he was appointed as Kuveyt Türk's Chief Executive Officer.

Senior Management

Kuveyt Türk's Senior Management is responsible for the day-to-day management of Kuveyt Türk in accordance with the instructions, policies and operating guidelines set by the Board.

The business address of each member of Kuveyt Türk's Senior Management is Büyükdere Caddesi, No: 129/1, 34394 Esentepe, Istanbul, Turkey. No officer or senior manager of Kuveyt Türk has any actual or potential conflict of interest between his duties to Kuveyt Türk and his private interests and/or other duties.

The names and title of each member of Kuveyt Türk's Senior Management are set out in the table below:

Name	Year of birth	Position	Year first elected to position
Ufuk Uyan	1958	Chief Executive Officer	1999
Ahmet Karaca	1970	Chief Financial Officer (Financial Affairs)	2006
Ahmet Süleyman Karakaya	1953	Executive Vice President (Corporate and Commercial Banking)	2003
Bilal Sayın	1966	Executive Vice President (Credits)	2003
Hüseyin Cevdet Yılmaz	1966	President (Risk, Control and Compliance Group)	2002
İrfan Yılmaz	1970	Executive Vice President (Banking Services)	2005
Nurettin Kolaç	1966	Executive Vice President (Legal Affairs and Risk Follow Up)	2010
Mehmet Oral	1967	Executive Vice President (Retail Banking)	2012
Dr. Ruşen Ahmet Albayrak	1966	Executive Vice President (International Banking and Treasury)	2005
Aslan Demir	1971	Executive Vice President (Strategy)	2012
Abdurrahman Delipoyraz	1968	Executive Vice President (SME Banking)	2015

Ufuk Uyan—Director and Chief Executive Officer

See "Management—Board of Directors—Ufuk Uyan".

Ahmet Karaca - Chief Financial Officer (Financial Affairs)

Mr. Karaca received a Bachelor's degree from the Department of Public Administration of Ankara University, Turkey in 1990. He completed his Master's degree in Economics at the State University of New York, United States of America in 2006. Mr Karaca has been Executive Vice President in charge of Kuveyt Türk's Financial Affairs since 2006. Between 2002 and 2003, he worked as the Vice Chairman of the Board of Directors of Sworn Bank Auditors. From 1992, he was an on-site bank examiner at the Treasury Ministry of Turkey and was appointed as a sworn bank auditor in 1995.

Ahmet Süleyman Karakaya - Executive Vice President (Corporate and Commercial Banking)

Mr. Karakaya received a Bachelor's degree in Business and Finance from Istanbul, Turkey University in 1979. Mr. Karakaya has been the Executive Vice President in charge of Kuveyt Türk's Commercial Banking division since 2003. Before joining Kuveyt Türk, he worked at the Risk Management, Credits and District Management departments of Türkiye Garanti Bankası A.S. in Turkey between 1981 and 2003. Prior to this, Mr. Karakaya also served as an inspector at Türkiye Garanti Bankası A.S. between 1981 and 1985.

Bilal Sayin - Executive Vice President (Credits)

Mr. Sayin received a Bachelor's degree in Public Administration from Orta Dogu Teknik Üniversitesi in 1990. Mr Sayin has been the Executive Vice President in charge of Kuveyt Türk's Credits since 2003. In 1999, he was appointed as manager of Kuveyt Türk's Commercial Fund Allotment department. Mr. Sayin joined Kuveyt Türk in 1995 as specialist of the Projects and Investment department. He began his banking career in 1990 at Albaraka Türk Katılım Bankası A.S.

Hüseyin Cevdet Yılmaz - President (Risk, Control and Compliance Group)

Mr. Yilmaz received a Bachelor's degree from the Business School of Bosphorus University, Turkey in 1989. Mr Yilmaz has been the President in charge of Kuveyt Türk's Risk Control and Compliance Group since 2002. In 2002, he joined Kuveyt Türk as President of the Inspection Board. He began his banking career in 1991 at Esbank A.S. as an Assistant Internal Auditor in the Internal Audit and Inspection Department. Mr. Yilmaz has been serving as Chief Risk Officer since 2012; he was assigned as the Audit and Risk Group President in 2003.

İrfan Yılmaz - Executive Vice President (Banking Services)

Mr. Yilmaz received a Bachelor's degree in Business Engineering from Istanbul Technical University, Turkey in 1989. Mr. Yilmaz has been serving as the Executive Vice President in charge of Kuveyt Türk's Banking Services since October 2012. Prior to this, he served as a manager in the Retail Banking department in 2000. In 1996, he joined Kuveyt Türk's Inspection Board and became its chairman in 1998. He began

his banking career in 1990 at Kuveyt Türk spending six years as an officer in the Financial Control department.

Nurettin Kolaç - Executive Vice President (Legal Affairs and Risk Follow Up)

Mr. Kolaç received a Bachelor's degree in Law from Marmara University, Turkey in 1988. Prior to this Mr. Kolaç worked for Türkiye Halk Bank A.Ş. and its subsidiaries as an attorney at law between 1989 and 2004. He started his career at the BRSA in 2007 where he was the Head of Legal Affairs. Mr. Kolaç joined Kuveyt Türk in April 2010 and has been appointed as the Executive Vice President responsible for legal affairs and collection.

Mehmet Oral - Executive Vice President (Retail Banking)

Mr. Oral is a graduate of Uludag University, Department of Business Administration, Turkey. He began his career at Kuveyt Türk as a Central Branch Officer in 1992. After working for eight years at the Central Branch, he was appointed as Director of the IMES Branch in 2000. Mr. Oral went on to serve as Director of the Bursa Branch from 2001 to 2004 and Director of Merter Branch from 2004 to 2005. After Kuveyt Türk's transition to regional offices, he was appointed Regional Director of the Istanbul European Side Region Office in 2005. After serving in this position for four years, Mr. Oral became the Director of the HR, Training and Quality Group in 2009. Since October 2012, he has been serving as Executive Vice President of Retail Banking.

Dr. Rusen Ahmet Albayrak - Executive Vice President (Treasury and International Banking)

Dr. Albayrak received a Bachelor's degree in Industrial Engineering from Istanbul Technical University, Turkey in 1988 and completed his doctor of philosophy degree at Istanbul Technical University in Business Management in 2007. He received his master's degree in Organisational Leadership and the Management from University, USA of North Carolina in 1993. Dr. Albayrak has been the Executive Vice President in charge of Kuveyt Türk's Treasury and International Banking Department since 2012. Prior to this, Dr. Albayrak acted as Executive Vice President in charge of Kuveyt Türk's Banking Services Group from 2005 to 2012. He was appointed as Kuveyt Türk's assistant general manager in charge of branches in 2003 and was in charge of setting up the Retail Banking Sales department at Kuveyt Türk in 2002. Mr. Albayrak joined Kuveyt Türk as an assistant manager in the Financial Analysis and Marketing Department in 1994. Prior to this, he worked as a project leader of Performance Management Consultancy Limited, Turkey between 1996 and 1997. He began his banking career at Albaraka Türk Katılım Bankası A.S. in 1988.

Aslan Demir - Executive Vice President (Strategy)

Mr. Demir is a graduate of Marmara University, Department of International Relations, Turkey, and he completed his Master's degree at the University of Sheffield, United Kingdom. In 2020, he obtained his second Master's degree at Marmara University. Having started his banking career as an officer in the Treasury Department of Kuveyt Türk in 1995, Mr. Demir worked for six years in the department before serving in the Project Management and Quality Department of Kuveyt Türk from 2001 to 2004. In 2005, he was appointed Director of Project Management and Quality and in 2007, Mr. Demir was appointed as Head of Information Technologies at Kuveyt Türk. Since October 2012, Mr. Demir has been serving as Executive Vice President of Strategy, Human Resources, Digital Transformation, Corporate Communication, and Corporate Performance Management.

Abdurrahman Delipoyraz - Executive Vice President (SME Banking)

Mr. Delipoyraz graduated from Istanbul Technical University, Department of Industrial Engineering, Turkey in 1992. He started his professional career at Kuveyt Türk, in the Financial Analysis and Intelligence Department. Later, he went on to work in the Corporate and Commercial Banking Sales Department, before serving as Branch Manager at the Beşyüzevler and Bakırköy branches. In December 2004, he was appointed a Regional Director and served as the Istanbul Europe-1 and Istanbul Anatolia Regional Directors. Since January 2015, Mr. Delipoyraz has been serving as Executive Vice President of SME Banking.

Board and Management Committees

Kuveyt Türk has established several Board and management committees responsible for various aspects of Kuveyt Türk's operations. The committees are the Internal Audit Committee, the Internal Systems

Committee, the Credit Committee (see "*Risk Management*" for further details), the Executive Committee, the Basel II Steering Committee, and the Sustainability Committee.

Executive Committee

The Executive Committee is responsible for exercising the powers of the Board (save for those which the Board expressly reserves for itself) in the management of the business and affairs of Kuveyt Türk as directed by the Board.

Sustainability Committee

The Sustainability Committee is responsible for overseeing Kuveyt Türk's sustainability strategy and performance, in line with business strategy, market conditions and trends. The members of the Sustainability Committee are as follows:

Name	Title	Position
Ufuk Uyan	Chief Executive Officer	Chairman
Aslan Demir	Strategy EVP	Member
Ruşen Ahmet Albayrak	Treasury & International Banking EVP	Member
Bilal Sayin	Credits EVP	Member
İrfan Yilmaz	Banking Services Group EVP	Member
Hüseyin Cevdet Yilmaz	Chief Risk Officer EVP	Member
Selman Ortaköy	Strategy Innovation Group Head	Secretary

There are four working groups within the Sustainability Committee, namely the Sustainable Finance Working Group, the Climate Change Working Group, the Employee and Communication Working Group, and the Ecosystem Management Working Group.

The duties and powers of the Sustainability Committee include:

- Creating a sustainability policy and complementary policies and submitting such policies for the approval of the Board of Directors;
- Determining the targets to be established for the implementation of the sustainability policy approved by the Board of Directors;
- Establishing and reviewing Kuveyt Türk's sustainability strategy and establishing new working groups when necessary in order to develop projects within the scope of sustainability practices and revising existing working groups;
- Monitoring and supervising the processes followed by the working groups;
- Taking necessary decisions and actions by examining the requests from the working groups; and
- The Chairman of the Sustainability Committee providing approval in emergency situations and in cases where the Sustainability Committee is not able to convene in a short time.

Sustainable Finance Working Group

The duties and powers of the Sustainable Finance Working Group includes preparing the Sustainable Finance Scope Document (Framework) in accordance with Kuveyt Türk's sustainability policy, credit policy and other associated policies in force and contacting the relevant departments and compiling proposed eligible projects related to the funding provided or to be provided with a sustainable financial structure or the costs. The Sustainable Finance Working Group is further responsible for controlling the compliance of the projects identified within Kuveyt Türk's sustainability policy, determining the projects that pass the required criterion as eligible projects within the scope of sustainable finance and examining the distribution of the eligible projects. The Sustainable Finance Working Group is responsible for renewing the projects that are outside the scope of the eligibility category with new and eligible projects that have not yet been assigned accordingly and regularly checking the eligibility of projects, managing them according to the Sustainable Finance Scope Document (Framework), and reporting accordingly.

Climate Change Working Group

The Climate Change Working Group plays an active role in the decisions taken by Kuveyt Türk in order to keep up with the changing conditions regarding the global climate crisis and focuses on certification and current global practices to ensure energy efficiency. In its duties, the Climate Change Working Group may contact the relevant departments and conduct research pertaining to the risks that may arise regarding climate change. The Climate Change Working Group is tasked with supervising the compliance of the current and newly implemented projects with Kuveyt Türk's sustainability policy on climate change, working to reduce the challenges posed by climate change and the negative effects of consumption, and studying climate change risks and opportunities in order to analyse climate change, identify risks and impacts and to establish a corporate policy. The Climate Change Working Group's duties also include taking care to use the latest technologies possible within the scope of combating climate change, to select materials with the least environmental impact, to reduce waste and emissions and measuring and reporting Kuveyt Türk's performance for combating climate change and water management. In addition, the Climate Change Working Group's powers include developing projects on priority issues such as waste management, energy and resource efficiency within the scope of combating climate change and making innovative and sustainable investments to minimise the negative effects of the climate crisis. The Climate Change Working Group is aimed at carrying out projects that increase resource diversity with renewable energy resources and carrying out works for the protection of limited natural resources with projects that will ensure the efficient use of energy, water and paper, ultimately reducing the waste resulting from Kuveyt Türk's business processes to the minimum possible level.

Employee and Communication Working Group

The Employee and Communication Working Group is tasked with producing projects in the field of sustainability and submitting them for management approval, in addition to organising activities, workshops and trainings to provide experience to those working in the field of sustainability. Amongst the duties and powers of the Employee and Communication Working Group is the power to produce awareness studies and projects for external communication in the field of sustainability, planning social media communications in the field of sustainability, and planning for the preparation of the sustainability report, finalising the report through communicating with the relevant departments and submitting it for management approval. The Employee and Communication Working Group follows national and international competitions in the field of sustainability and participates in those deemed appropriate.

Ecosystem Management Working Group

The Ecosystem Management Working Group is responsible for supporting projects for the development and transformation of digital and innovative products, systems and services in order to strengthen the financial health of Kuveyt Türk within the scope of ecosystem management. Through contacting the relevant departments, the Ecosystem Management Working Group carries out works on the products and services developed within the scope of ecosystem management and reviews the compliance of the projects planned to be carried out with Kuveyt Türk's sustainability policy. Amongst the Ecosystem Management Working Group's powers and duties is the responsibility to examine the products and systems that are in progress and planned to be developed, investigating the financial needs of Kuveyt Türk's customers from a sustainability perspective, and ensuring that existing and developing products and services are accessible to all target audiences.

Corporate Governance

There are no mandatory corporate governance rules in Turkey. However, in 2003, the CMB issued a set of recommended principles for public companies (the "**Corporate Governance Principles**"). The Corporate Governance Principles can be categorised into four groups: (i) principles relating to investor relations; (ii) principles relating to public disclosure and transparency; (iii) principles relating to shareholders; and (iv) principles relating to management. Although implementation of the Corporate Governance Principles is not currently mandatory, the CMB requires public companies to disclose the extent to which they have been implemented and, if they have not been fully implemented, to explain the reasons therefore. The CMB may decide to make such principles mandatory for public companies in the future. Annual reports filed by public companies must disclose contingency plans for dealing with any conflicts that may arise in the future and the implementation of the Corporate Governance Principles. In order to support implementation of the new Corporate Governance Principles, the CMB issued a rating communiqué which enables rating agencies to rate companies on the basis of their compliance with the principles.

Kuveyt Türk introduced its Code of Ethics guidelines in 2003 and established its Corporate Governance Committee in July 2007 which ensures that Kuveyt Türk operates within the Corporate Governance Principles.

Employees

As at 31 December 2020, Kuveyt Türk employed 6,000 full-time employees. As at 31 December 2020, the average age of Kuveyt Türk's employees was approximately 34 years of age and approximately 89 per cent. of Kuveyt Türk's professional staff were university graduates. The following table sets forth the average number of employees of Kuveyt Türk and its subsidiaries for the periods indicated.

	For the years ended 31 December	
	2020	**2019**
Kuveyt Türk	6,000	5955
KT Bank AG	111	108
KT Portföy Yönetimi A.Ş.	20	20
Körfez Gayrimenkul Yatırım Ortakliği A.Ş	7	8
Körfez Tatil Beldesi Turistik Tesisler ve Devremülk Işletmeciliği A.Ş.	8	8
KT Sukuk Varlık Kıralama A.Ş	0	5
KT Kira Sertifikaları Varlık Kiralama A.Ş	0	5
KT Sukuk Company Limited	0	5
Total	**6,146**	**6,114**

Training

Kuveyt Türk believes that its interests are aligned with the interests of its employees in terms of training and career development. Accordingly, Kuveyt Türk has developed a carefully devised training and career development strategy for its personnel, which also takes into account its growth plans and continuous need for new qualified employees. Kuveyt Türk offers its employees a comprehensive training framework that covers core banking training, career development training and executive development programs. In addition to the centralised training, at local branch levels Kuveyt Türk offers selected employees training opportunities abroad. Kuveyt Türk was the first Turkish participation bank to develop an on-line training programme for employees. Kuveyt Türk currently provides approximately 60 per cent. of all training in-house and each employee attends on average 7 days of training each year.

Compensation

Kuveyt Türk's strategy is to offer its employees a comprehensive and competitive compensation package. Kuveyt Türk provides private health insurance for its employees at no cost and a private group pension plan for employees. If the employee pays 2 per cent. (minimum TRY115) of monthly gross salary into the pension plan, Kuveyt Türk matches that payment. Kuveyt Türk offers its employees a selection of other benefits based on their seniority including car allowances, cell phone allowances, lunch benefits, clothing allowances, education allowances, language allowances, transportation and other social contributions such as health, marriage, birth and death contributions. In addition to their base salaries, Kuveyt Türk also pays employees annual performance bonuses based on the individual employee's performance as well as Kuveyt Türk's overall financial performance. The total bonus pool is 6 per cent. of Kuveyt Türk's annual net profit in the event that at least 80 per cent. of the targeted annual net profit is reached or a bonus pool of 8 per cent. of Kuveyt Türk's annual net profit in the event that at least 90 per cent. of the targeted annual net profit is reached. On average, these performance bonuses have been approximately 1.7 times the employee's monthly salary.

Sharia Advisory Board

The Sharia Advisory Board comprises Islamic scholars of good repute and with extensive experience in law, economics and banking systems. The Sharia Advisory Board is appointed by the Board. Its responsibilities include directing, reviewing and supervising the activities of Kuveyt Türk in order to ensure that they are in compliance with Islamic rules and principles including, but not limited to, supervising the development and creation of innovative interest-free products, issuing fatwas on any matter proposed to it by the individual business units of Kuveyt Türk, ensuring that transactions are carried out in compliance with interest-free banking principles and analysing contracts and agreements concerning Kuveyt Türk's transactions.

The following table sets out the names of the current members of the Sharia Advisory Board as at the date of this Prospectus:

Name	Position
Prof. Dr. M.Abdurrezzak Tabatabai	Chairman
Prof. Dr. Mubarek Al Harbi	Member
Associate Professor Enver Şuayb Abdusselam	Deputy Chairman
Associate Professor Abdullah Durmus	Member
Mehmet Odabaşı	Member
Sheikh Halil Günenç	Member

There are no potential conflicts of interest between the private interests or other duties of the Sharia Advisory Board members listed above and their duties to Kuveyt Türk.

SELECTED FINANCIAL OVERVIEW

The following tables set forth, for the periods indicated, selected consolidated financial information of Kuveyt Türk derived from the 2020 Annual BRSA Accounts. Prospective investors should read the following information in conjunction with the "*Financial Review*" section, the BRSA Accounts and the Interim BRSA Accounts.

Income Statement Data

The table below sets out selected consolidated income statement data for Kuveyt Türk and its consolidated subsidiaries (together, the "**Group**") for the periods indicated.

	Year ended 31 December 2020 (TL thousands)	Year ended 31 December 2019 (restated) (TL thousands)
Profit share income	**9,646,347**	**7,745,856**
Profit share on loans	6,283,767	6,077,584
Profit share on reserve deposits	37,473	86,722
Profit share on banks	229,931	348,009
Profit share on money market placements	-	-
Profit share on marketable securities portfolio	2,702,365	907,934
Fair value through profit or loss	342,538	96,194
Fair value through other comprehensive income	2,121,615	665,164
Measured at amortised cost	238,212	146,576
Finance lease income	342,754	259,612
Other profit share income	50,057	65,995
Profit share expense	**3,111,225**	**3,932,137**
Expense on profit sharing accounts	1,934,858	3,013,663
Profit share expense on funds borrowed	396,952	272,103
Profit share expense on money market borrowings	354,479	2,514
Expense on securities issued	365,387	581,094
Profit share expense on lease	59,549	62,763
Other profit share expense	-	0
Net profit share income	**6,535,122**	**3,813,719**
Net fees and commission income/expenses	**261,839**	**368,932**
Fees and commissions received	862,342	818,966
Non-cash loans	136,800	175,096
Other	725,542	643,870
Fees and commissions paid	600,503	450,034
Non-cash loans	11,835	8,633
Other	588,668	441,401
Dividend income	**68**	**2,841**
Net trading income/loss	**847,844**	**1,328,159**
Capital market transaction gains/losses	45,028	32,116
Gains/losses from derivative financial instruments	(2,210,668)	464,803
Foreign exchange gains/losses	3,013,484	831,240
Other operating income	**1,819,357**	**1,930,377**
Net operating income/loss	**9,464,230**	**7,444,028**
Expected loss provisions (-)	**3,240,522**	**2,640,410**
Other provisions (-)	**325,218**	**68,562**
Personnel expenses (-)	**1,342,912**	**1,132,226**
Other operating expenses (-)	**2,312,022**	**1,992,008**
Net operating income/(loss)	**2,243,556**	**1,610,822**
Excess amount recorded as income after merger	**-**	0
Income / (loss) from investments in subsidiaries consolidated based on equity method	**20,930**	**13,727**
Income / (loss) on net monetary position	-	0
Profit / (loss) from continued operations before taxes	**2,264,486**	**1,624,549**
Tax provisions for continued operations (±)	**(551,618)**	**(348,156)**
Current tax provision	(826,371)	(451,634)
Deferred tax income effect (+)	187,277	205,627
Deferred tax expense effect (-)	462,030	309,105
Current period profit/(loss) from continued operations	**1,712,868**	**1,276,393**
Income from discontinued operations	**-**	**-**
Income on non-current assets held for sale	-	-
Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)	-	-
Income on other discontinued operations	-	-

Expenses from discontinued operations (-)	**-**	**-**
Expenses from non-current assets held for sale	-	-
Expenses from sale of associates, subsidiaries and jointly controlled entities (joint vent.)	-	-
Expenses from other discontinued operations	-	-
Profit / (loss) before tax from discontinued operations	**-**	**-**
Tax provision for discontinued operations (±)	**-**	**-**
Current tax provision	-	-
Deferred tax expense effect (+)	-	-
Deferred tax income effect (-)	-	-
Current period profit/loss from discontinued operations	**-**	**-**
Net profit/loss	**1,712,868**	**1,276,393**
Group's income/loss	1,746,138	1,273,941
Minority interest income/loss (-)	(33,270)	2,452
Earnings per share income/loss	-	-

	Year ended 31 December 2020 (TL thousands)	**Year ended 31 December 2019 (restated) (TL thousands)**
Current profit (loss)	**1,712,868**	**1,276,393**
Other comprehensive income	**(160,781)**	**281,715**
Other comprehensive income not reclassified through profit or loss	**(32,176)**	**(5,786)**
Property and equipment revaluation increase/decrease	-	-
Intangible assets revaluation increase/decrease	-	-
Defined benefit pension plan remeasurement gain/loss	(40,220)	(7,233)
Other comprehensive income items not reclassified through profit or loss	-	-
Taxes related to other comprehensive income items not reclassified through profit or loss	8.,044	1,447
Other comprehensive income reclassified through profit or loss	**(128,605)**	**287,501**
Foreign currency translation difference	260,831	52,280
Valuation and/or reclassification income/expense of the financial assets at fair value through other comprehensive income	(249,886)	389,097
Cash flow hedge income/loss	11,514	(21,235)
Foreign net investment hedge income/loss	(263,591)	(51,447)
Other comprehensive income items reclassified through profit or losses	-	-
Taxes related other comprehensive income items reclassified through profit or loss	112,527	(81,194)
	-	
Total comprehensive income	**1,552,087**	**1,558,108**

Balance Sheet Data

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

Assets	**As at 31 December 2020 (TL thousands)**	**As at 31 December 2019 (restated) (TL thousands)**
Financial assets (Net)	**61,428,638**	**44,542,146**
Cash and cash equivalents	**32,480,748**	**27,645,215**
Cash and balances with central bank	25,110,970	19,216,292
Banks	7,370,553	8,431,928
Money markets	-	-
Expected credit loss (-)	775	3,005
Financial assets at fair value through profit or loss	**7,763,199**	**4,259,671**
Government debt securities	7,050,998	3,941,594
Equity instruments	-	-

Other financial assets	712,201	318,077
Financial assets at fair value through other Comprehensive income	**20,723,085**	**12,455,254**
Government debt securities	20,489,638	12,106,518
Equity instruments	49,146	33,077
Other financial assets	184,301	315,659
Derivative financial assets	**461,606**	**182,006**
Derivative financial assets at fair value through profit or loss	461,606	182,006
Derivative financial assets at fair value through other comprehensive income	-	-
Financial assets measured with amortised costs (net)	**84,016,930**	**60,136,019**
Loans	**77,954,825**	**57,258,648**
Leasing receivables	**5,010,996**	**2,707,520**
Other financial assets measured at amortized cost	**6,499,810**	**3,212,924**
Government debt securities	6,317,812	2,902,939
Other financial assets	181,998	309,985
Expected credit loss (-)	**5,448,701**	**3,043,073**
Property and equipment held for sale purpose and related to the discontinued operations (net)	**519,087**	**473,326**
Held for sale	519,087	473,326
Related to discontinued operations	-	-
Investments in associates, subsidiaries and joint ventures	**84,991**	**64,061**
Investments in associates (net)	**-**	**-**
Associates valued based on equity method	-	-
Unconsolidated associates	-	-
Investment in subsidiaries (net)	**23,680**	**23,680**
Unconsolidated financial subsidiaries	-	-
Unconsolidated non-financial subsidiaries	23,680	23,680
Investment in joint ventures (net)	**61,311**	40,381
Joint ventures valued based on equity method	61,311	40,381
Unconsolidated joint ventures	-	-
Tangible assets (net)	**924,082**	**846,343**
Intangible assets (net)	**273,145**	**201,999**
Goodwill	-	-
Other	273,145	201,999
Investment properties (net)	**77,457**	**37,646**
Current tax assets	**-**	**-**
Deferred tax assets	**835,522**	**416,853**
Other assets	**10,037,261**	**2,283,185**
Total assets	**158,197,113**	**109,001,578**

Liabilities	**As at 31 December 2020 (TL thousands)**	**As at 31 December 2019 (restated) (TL thousands)**
Funds collected	**126,694,561**	**87,996,135**
Funds borrowed	**5,204,321**	**447,225**
Money markets	185,225	-
Securities issued (net)	5,159,273	4,642,165
Financial liabilities at fair value through profit or loss	-	-
Derivative financial liabilities	**1,676,806**	**424,137**
Derivative financial liabilities at fair value through Profit or loss	1,676,806	294,409
Derivative financial liabilities at fair value through Other comprehensive income	-	129,728
Lease payables	**349,294**	**354,051**
Provisions	**3,722,802**	**2,809,372**
Restructuring provision	**-**	**-**
Reserves for employee benefits	437,454	317,322
Insurance for technical provision (net)	2,118,814	1,693,153

Other provisions	1,166,534	798,897
Current tax liabilities	**389,870**	**255,397**
Deferred tax liabilities	**-**	**-**
Liabilities for property and equipment held for sale and related to discontinued operations (net)	**-**	**-**
Held for sale	**-**	**-**
Related to discontinued operations	**-**	**-**
Subordinated debt instruments	**4,590,265**	**3,380,983**
Loans	**-**	**-**
Other debt instruments	4,590,265	3,380,983
Other liabilities	**2,193,882**	**1,499,240**
Shareholders' equity	**8,030,814**	**7,192,873**
Paid-in capital	4,595,131	3,995,766
Capital reserves	26,399	25,764
Share premiums	24,525	24,525
Share cancellation profits	1,874	1,239
Other capital reserves	-	-
Other accumulated comprehensive income or loss that will not be reclassified through profit or loss	(51,258)	(19,082)
Other accumulated comprehensive income or loss that will be reclassified through profit or loss	109,258	254,771
Profit reserves	1,996,805	1,494,059
Legal reserves	310,296	253,156
Statutory reserves	-	-
Extraordinary reserves	1,617,135	1,170,797
Other profit reserves	69,374	70,106
Profit or loss	1,324,475	1,413,134
Prior years' profits or losses	(421,663)	139,193
Current period net profit or loss	1,746,138	1,273,941
Minority shares	30,004	28,461
Total liabilities and equity	**158,197,113**	**109,001,578**

FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information set out in "Presentation of Financial and Other Information", "Selected Financial Overview", the BRSA Accounts and the Interim BRSA Accounts.

As used herein, all references to 2019 and 2020 are references to the years ended 31 December 2019 and 31 December 2020, respectively.

This discussion of Kuveyt Türk's financial condition and results of operations is based on the BRSA Accounts and the Interim BRSA Accounts, and, unless otherwise specified, the financial information presented in this discussion has been extracted or derived without material adjustment from the BRSA Accounts or the Interim BRSA Accounts; see "Presentation of Financial and Other Information".

This discussion contains forward-looking statements that involve risks and uncertainties. Kuveyt Türk's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors".

Overview

Kuveyt Türk's core business segments are Retail Banking, Small Business Banking, Commercial Banking, Corporate and Treasury International and Investment Banking. Kuveyt Türk operates primarily in Turkey but also has an international presence in Bahrain and Germany. However, BRSA regulations prescribe a common segment reporting requirement with respect to financial statements by all banks in Turkey. Accordingly, Kuveyt Türk reports its financial statements on the basis of BRSA segments which are Retail Banking, Corporate and Commercial Banking and International and Investment Banking and Treasury.

Kuveyt Türk also provides insurance and pension products through its subsidiaries (see "*Description of Kuveyt Türk - Group Structure, Subsidiaries, International Branches and Strategic Relationships - Subsidiaries*" for further details). Kuveyt Türk's principal source of funding is derived from both the domestic and international wholesale funding markets and customer deposits (see "*Risk Management - Funding*" for further details).

Despite challenging global economic conditions, Turkey has continued to demonstrate growth with GDP increasing by 1.8 per cent. in 2020, 0.9 per cent. in 2019, 2.8 per cent. in 2018, 7.4 per cent. in 2017, 3.2 per cent. in 2016 and 6.1 per cent. in 2015 (*source: TürkStat*). This economic growth has stimulated demand for banking services and led to increased competition in the banking sector from both private sector and public sector banks in Turkey as well as greater participation of foreign banks.

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

Significant Factors Affecting Results of Operations

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

Turkey's Economic Condition

Kuveyt Türk operates primarily in Turkey. Accordingly, its results of operations and financial condition are, and will continue to be, significantly affected by Turkish economic factors, including the economic growth rate, the rate of inflation and fluctuations in exchange rates and interest rates.

In 2015, Turkey's economy experienced real GDP growth of 6.1 per cent. The inflation rate in 2015 was 8.81 per cent. and the CBT's one week repo rate at the end of the year was 7.5 per cent., a decrease from 8.25 per cent. at the start of that year. According to BRSA data, loans in the Turkish banking sector increased by 19.7 per cent. and the NPL ratio was 3.10 per cent. The CBT's one week repo rate increased slightly during 2016 and stood at 8.0 per cent. at the end of the year. According to BRSA data, loans in the Turkish banking sector increased by 16.8 per cent. and the NPL ratio was 3.24 per cent.

In 2016, Turkish economic growth rebounded strongly with annual real GDP growth of 11.92 per cent. and inflation at 8.53 per cent. According to BRSA data, loans in the Turkish banking sector increased by 17 per cent. during 2016 and the NPL for the banking sector was 3.24 per cent.

In 2017, Turkey's annual real GDP growth was 7.4 per cent. and inflation stood at 11.92 per cent. The CBT's one week repo rate at the year-end remained at 8.0 per cent., the same as the start of the year. According to BRSA data, loans in the Turkish banking sector increased by 21 per cent and the NPL ratio was 2.96 per cent.

In 2018, real GDP growth was 2.8 per cent. with inflation increasing to 20.30 per cent. CBT's one week repo rate at the end of the year stood at 24.00 per cent. compared to 16.50 per cent. at the start of the year. According to BRSA data, loans in the Turkish banking sector increased by 14.1 per cent. during 2018 and the NPL for the banking sector was 3.88 per cent.

In 2019, real GDP growth was 0.9 per cent. with inflation decreasing to 11.84 per cent. CBT's one week repo rate at the end of the year stood at 12.00 per cent. compared to 24.00 per cent. at the start of the year. According to BRSA data, loans in the Turkish banking sector increased by 4.88 per cent. during 2019 and the NPL for the banking sector was 5.37 per cent.

In the third quarter of 2020, GDP increased by 6.7 per cent. The following table sets forth increased or decreases in GDP (in the chain linked volume index and expressed in percentages) for the periods indicated:

GDP Growth Rates (in %)	Q1	Q2	Q3	Q4
2019	(2.6)	(1.7)	1.0	6.4
2020	4.4	(9.9)	6.7	

Source: TürkStat

The Central Bank decreased the one-week repo rate to 19.75 per cent. in July 2019. Further, the Central Bank cut the one-week repo rate to 16.50 per cent. in September 2019, to 14.00 per cent. in October 2019, to 12.00 per cent. in December 2019, to 11.25 per cent. in January 2020 and to 10.75 per cent. in February 2020. Economic activity started to weaken in mid-March due to the ongoing adverse impact of the COVID-19 outbreak. In response, the Central Bank cut the one-week repo rate to 9.75 per cent. in March 2020, to 8.75 per cent. in April 2020 and to 8.25 per cent. in May 2020. The Central Bank decided to retain the one week repo-rate at 8.25 per cent. in June 2020.

In line with the wider global position, and due to the ongoing adverse impact of the COVID-19 pandemic, economic activity in Turkey slowed down in the first quarter of 2020 as compared to 2019. However, the strong capital structure of the banking sector, which is among the most important sectors of the Turkish economy, reduces the fragility in the face of these economic fluctuations. Due to the economic stabilisation and the revival in the demand for commercial financings, it was expected that the increase in the banking sector's financing volume would be accelerated during 2020, but any such increase is uncertain in light of the adverse impact of the COVID-19 pandemic. By effectively managing risks and opportunities and providing robust financial support to the real economy in line with participation banking principles, Kuveyt Türk has not only maintained its asset quality but also sustained its profitability-oriented growth in the second quarter of 2020.

The following table sets forth key Turkish economic indicators for the periods presented.

	For the year ending 31 December	
	2020	2019
Nominal GDP at current prices (in million Turkish Lira)	5,047,909	4,320,191
Real GDP growth (%)	1.8	0.9
GDP per capita (in U.S. dollars)	8.550	9.127
Unemployment (%)	13.20	13.70
Turkish Central Bank policy rate (year-end) (%)	17.00	12.00
Exports (in billion U.S. dollars) (2)	169.6	180.8
Imports (in billion U.S. dollars) (2)	219.5	210.3
Foreign trade deficit (in billion U.S. dollars)	49.9	(29.5)
Current account deficit (in billion U.S. dollars)	36.7	8.7
Budget deficit (in billion Turkish Lira)	(173.0)	(123.7)

(1) (Sources of macro-economic data: CBT, Turkish Statistical Institute General Directorate of Public Accounts, Turkish Treasury, Turkish State Planning Organisation (DPT), IMF and other public sources).

(2) Foreign trade by years according to the general trade system.

Kuveyt Türk's cash loans increased from TRY59,966.17 million as at 31 December 2019 to TRY82,965.82 million as at 31 December 2020 representing an increase of 38.35 per cent. Whilst the Turkish economy recovered rapidly from the global economic crisis, more recently the economy has witnessed some challenging macro-economic conditions; for example, the unemployment rate has been increasing year on year from 2012 to 2020.

Declining Interest Rate Environment in Turkey

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

The table below sets out Kuveyt Türk's total income from financing activities, expense from profit sharing accounts and the resulting net profit margin for the periods indicated.

	For the year ending 31 December	
	2020	**2019**
	(TRY in thousands)	*(TRY in thousands)*
Profit share income	**9,646,347**	**7,745,856**
Profit share expense	3,111,225	3,932,137
Expense on Profit Sharing Accounts	1,934,858	3,013,663
Profit Share Expense on Funds Borrowed	396,952	272,103
Profit Share Expense on Money Market Borrowings	354,479	2,514
Expense on Securities Issued	365,387	581,094
Profit Share Expense on Lease	59,549	62,763
Other Profit Share Expense	-	-
Net financing income	**6,535,122**	**3,813,719**
Average net cash loans[1]	67,220,108	51,930,257
Net profit margin (per cent)[2]	**9.72%**	**7.34%**

(1) Kuveyt Türk considers that average net cash loans is an alternative performance measure within the meaning of guidelines issued by the European Securities and Markets Authority on the use of APMs by issuers when publishing regulated information or prospectuses on or after 3 July 2016 ("**APM**").

Average net cash loans is not a financial measure established by BRSA Principles. However, Kuveyt Türk considers that average net cash loans allows Kuveyt Türk's to assess the size of its net cash loan portfolio on a median basis for a particular period, and can be used to compare the size of its current period cash loan portfolio against previous periods.

(2) Kuveyt Türk considers that net profit margin is an APM. Net profit margin is calculated as net financing income (as stated in the BRSA Accounts) divided by average net cash loans (which is calculated as set out in the footnote above).

Net profit margin is not a financial measure established by BRSA Principles. However, Kuveyt Türk considers that net profit margin represents an accurate indicator of how efficiently Kuveyt Türk generates net profit from its top-line revenues, effectively allowing Kuveyt Türk's performance to be measured by analysing the percentage of its net cash loans which are converted into net profit. Net profit margin is also used to compare current period operating performance to operating performance from previous periods.

On 23 May 2018, following the Turkish Lira reaching its then-lowest level against the U.S. dollar (exceeding TRY 4.85 against the U.S. dollar), an emergency meeting of the Central Bank's Monetary Policy Committee increased the late liquidity window lending rate by 300 basis points to 16.5 per cent. while keeping constant its one-week repo rate at 8.00 per cent., the upper bound of its interest rate corridor at 9.25 per cent. and its overnight borrowing rate at 7.25 per cent. On 28 May 2018, the Central Bank announced

its decision to simplify its monetary policy, with the one-week repo rate to be the policy rate and the overnight borrowing and lending rates to be determined at 150 basis points below and above the one-week repo rate as of 1 June 2018. On 7 June 2018, the Monetary Policy Committee increased the one-week repo rate (policy rate) by 125 basis points to 17.75 per cent. and, as of 8 June 2018, the overnight borrowing rate, the overnight lending rate and the late liquidity window lending rate increased to 16.25 per cent., 19.25 per cent. and 20.75 per cent., respectively. Following the significant decline in the value of the Turkish Lira in the second half of 2018, which fell to a record low (exceeding TRY 7.2 per U.S. dollar in the week ended on 12 August 2018), the Central Bank (on 13 September 2018) increased its benchmark lending rate by 6.25 per cent., which increased the one week repo rate from 17.75 per cent. to 24.00 per cent. On 6 March 2019, the Central Bank decided to keep the policy rate constant at 24.00 per cent. However, since then, the policy rates have fluctuated; as at the date of this Prospectus, the one-week repo rate is 19.00 per cent., the overnight borrowing rate is 17.50 per cent. and the overnight lending rate is 20.50 per cent.

The recent higher interest rate environment contributed to an increase in total deposits to TRY87,996.14 million in 2019 and, notwithstanding the more recent decline in rates, such total deposits have continued to grow to TRY126,694.56 million in 2020, representing an increase of 43.98 per cent in 2020 compared to 2019. This was principally achieved due to Kuveyt Türk's flexibility in being able to offer attractive profit share rates to its depositors which resulted in a substantial increase in Kuveyt Türk's deposits for the period ended 31 December 2020 compared to the same period in 2019.

Exchange Rates

A portion of Kuveyt Türk's assets and liabilities are denominated in foreign currencies. As at 31 December 2020, 53.14 per cent. of Kuveyt Türk's total assets and 67.89 per cent. of Kuveyt Türk's total liabilities were denominated in foreign currencies. Kuveyt Türk follows a square foreign exchange position policy (which is designed to ensure that foreign exchange assets are matched by foreign exchange liabilities denominated in the same currency after taking into account the effect of derivative instruments) to minimise its currency risk. Nevertheless, the overall effect of exchange rate movements on Kuveyt Türk's results of operations depends on the rate of depreciation or appreciation of the Turkish lira against its principal trading and financing currencies, as well as the successful implementation of Kuveyt Türk's exchange rate risk mitigation policy.

Significant Accounting Policies, Judgments and Estimates

For a discussion of the accounting policies applied by Kuveyt Türk generally in preparing its BRSA Accounts, see note 1.2 to the BRSA Accounts for the year ended 31 December 2020.

In preparing the BRSA Accounts and the Interim BRSA Accounts, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of Kuveyt Türk's assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the financial statements as well as the reported amounts of its revenues and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements.

Results of operations for the years ended 31 December 2020 and 2019

Profit share income

The following table sets out the principal components of Kuveyt Türk's profit share income for the years ended 31 December 2020 and 2019.

	For the year ending 31 December	
	2020	**2019 (restated)**
	(TRY in thousands)	
Profit share income:		
Profit share income on loans	6,283,767	6,077,584
Profit share income received from reserve deposits	37,473	86,722
Profit share income received from banks	229,931	348,009
Profit share income from securities portfolio	2,702,365	907,934
Fair value through profit or loss	342,538	96,194
Fair value through other comprehensive income	2,121,615	665,164
Measured at amortised cost	238,212	146,576
Finance lease income	342,754	259,612
Other profit share income	50,057	65,995
Total profit share income	**9,646,347**	**7,745,856**

Kuveyt Türk's profit share income consists of returns earned by Kuveyt Türk on: (a) loans originated by it; (b) reserve deposits held by it; (c) deposits held by it with other banks and financial institutions; and (d) its securities portfolio; (e) its investments in its associates and subsidiaries; (f) its finance lease portfolio; and (g) certain other ancillary items.

2020 and 2019 compared

Kuveyt Türk's primary sources of profit share income are returns on loans originated by it, income received on deposits held with other banks and financial institutions, income received on its securities portfolio and income on its finance leases.

Income from loans originated by Kuveyt Türk increased by 3.39 per cent. in 2020 from TRY 6,077.58 million in 2019 to TRY6,283.77 million in 2020. This increase was a direct result of a 38.41 per cent. increase in transaction volume size and a 25.30 per cent. increase in profit rates.

Profit share income on deposits with other banks and financial institutions decreased by 33.9 per cent. from TRY348.01 million in 2019 to TRY229.93 million in 2020. This decrease was due to a 24.46 per cent. decrease in transaction volume size on deposits with other banks and financial institutions.

Profit share income from Kuveyt Türk's securities portfolio also increased significantly by 197.6 per cent., from TRY907.93 million in 2019 to TRY2,702.37 million in 2020. This increase was due to a 129.87 per cent. increase in transaction volume size in Kuveyt Türk's securities portfolio.

Profit share income from Kuveyt Türk's finance lease portfolio also increased by 32.0 per cent., from TRY259.61 million in 2019 to TRY342.75 million in 2020. This increase was due to a 69.12 per cent. increase in transaction volume size in Kuveyt Türk's finance lease portfolio.

Profit share expense

Kuveyt Türk's profit share expense comprises amounts paid by it in respect of: (a) deposits by customers in participation accounts; (b) its borrowings and deposits from other banks and financial institutions; (c) its money market borrowings; (d) securities issued by it; and (e) its leases.

The following table sets out the components of Kuveyt Türk's profit share expense for the years ended 31 December 2020 and 2019.

	For the year ending 31 December	
	2020	**2019 (restated)**
	(TRY in thousands)	
Expense on profit sharing accounts	1,934,858	3,013,663
Profit share expense on funds borrowed	396,952	272,103
Profit shares expense on money market borrowings	354,479	2,514
Expense on securities issued	365,387	581,094
Profit share expense on lease	59,549	62,763
Total profit share expense	**3,111,225**	**3,932,137**

2020 and 2019 compared

Kuveyt Türk's primary profit share expenses are its expenses on profit sharing accounts, expenses on funds borrowed and expenses on securities issued.

Expenses on profit sharing accounts decreased by 35.80 per cent. in 2020 from TRY3,013.66 million in 2019 to TRY1,934.86 million in 2020. This decrease was a direct result of a 17.63 per cent. decrease in transaction volume size and a 45.42 per cent. decrease in profit share rates.

Profit share expenses on funds borrowed increased by 45.88 per cent. from TRY272.10 million in 2019 to TRY396.95 million in 2020. This increase was due to a 74.30 per cent. increase in transaction volume size and a 16.30 per cent. decrease in profit share rates on funds borrowed.

Profit share expense on securities issued decreased by 37.12 per cent., from TRY581.09 million in 2019 to TRY365.39 million in 2020. This decrease was due to a 17.14 per cent. decrease in transaction volume size and a 24.12 per cent. decrease in profit share rates on securities issued.

Net fees and commission income

Kuveyt Türk generates fees and commission income from both its cash and non-cash businesses.

Kuveyt Türk's fees and commission income is principally derived from: (a) commissions earned on loans (both cash and non-cash); (b) commission income from commitments including but not limited to letters of credit; (c) communication expense charges; (d) non- Kuveyt Türk credit cards used each time on Kuveyt Türk's credit card point-of-sale (POS) terminals; and (e) the use of Kuveyt Türk's credit cards in the form of commission received.

Kuveyt Türk's principal fees and commission expenses relate to the payment of fees and expenses relating to credit card machines and brokerage fees on borrowing by Kuveyt Türk's customers.

2020 and 2019 compared

Net fees and commissions received decreased by 29.0 per cent. in 2020 from TRY368.93 million in 2019 to TRY261.84 million in 2020. This decrease was a direct result of an increase in fees and commissions paid during the period.

Fees and commissions received increased by 5.3 per cent. in 2020 TRY818.97 million in 2019 to TRY862.34 million in 2020. This increase was due to the increase in early closing and expertise commissions of loans, transfer and agency commissions.

The increase in fees and commissions was offset in part by an increase in fees and commissions which also increased by 12.7 per cent. in 2020 from TRY643.87 million in 2019 to TRY725.54 million in 2020. This increase was a result of the increase in early closing and expertise commissions of loans, transfer and agency commissions.

Net trading income/loss

Kuveyt Türk generates net trading income from its ordinary course trading activities, comprising gains from capital markets transactions, derivative financial instruments and foreign exchange profit, offset by losses from the same.

2020 and 2019 compared

Net trading income received decreased by 36.16 per cent. in 2020 from TRY1,328.16 million in 2019 to TRY847.84 million in 2020. This decrease was a direct result of a decrease in trading income received during the period and reduced trading losses.

Trading income received increased by 65.29 per cent. in 2020 from TRY37,499.39 million in 2019 to TRY61,984.44 million in 2020. This increase was a direct result of an increase in customer currency and derivative transaction volumes due to volatility.

Trading losses incurred increased by 69.02 per cent. in 2020 from TRY 36,171.23 million in 2019 to TRY61,136.60 million in 2020. This increase was a direct result of an increase in customer currency and derivative transaction volumes due to volatility.

Other operating income

Kuveyt Türk's other operating income is principally derived from: (a) any reversal of prior period provisions; (b) income from sales of assets; and (c) other income.

2020 and 2019 compared

Other operating income received decreased by 5.75 per cent. in 2020 from TRY 1,930.38 million in 2019 to TRY1,819.36 million in 2020. This decrease was a direct result of a significant decrease in other income.

Provision for Loan Losses

Kuveyt Türk's makes provisions for its expected loan losses in the ordinary course.

2020 and 2019 compared

Kuveyt Türk's provisions for loan losses increased by 22.73 per cent. from TRY2,640.41 million in 2019 to TRY3,240.52 million in 2020, primarily due to an increase in Kuveyt Türk's loan portfolio.

Other operating expenses

Kuveyt Türk's other operating expenses include rent expense, depreciation and amortisation expense and other expenses.

2020 and 2019 compared

Kuveyt Türk's other operating expenses increased by 16.06 per cent. from TRY1,992.01 million in 2019 to TRY2,312.02 million in 2020, primarily due to, as a result of certain accounting changes in 2020, vehicle and branch rents were capitalised and depreciated. A large number of vehicles were purchased and depreciated. In addition, rent increases and new branch openings played a role in the increase in operating expenses.

Personnel expenses

Kuveyt Türk's other operating expenses include comprise its staff costs.

2020 and 2019 compared

Kuveyt Türk's personnel expenses increased by 18.61 per cent. from TRY1,132.23 million in 2019 to TRY1,342.91 million in 2020, primarily due to an increase in inflation rate. At the end of 2019, the inflation rate was over 20 per cent. due to increases in wages and the promotion of a number of employees.

Tax provisions for continued operations

Kuveyt Türk and its subsidiaries are subject to taxation in accordance with the tax rules and legislation effective in the countries in which Kuveyt Türk operates.

In Turkey, Kuveyt Türk is subject to Turkish corporate taxes. Corporate tax is applied on taxable corporate income which is determined from the statutory accounting profit by adding non-deductible expenses and by deducting dividends received from resident companies, other exempt income and investment incentives.

The statutory corporate tax rate in Turkey for the years ended 2020 and 2019 was 22 per cent. Pursuant to Law No. 7316 amending the Law on Collection Procedure of Public Receivables and Certain Laws, published in the Official Gazette on 22 April 2021, the corporate income tax rate in Turkey was increased from 20 per cent. for the year 2021 to 25 per cent. for the year 2021 and to 23 per cent. for the year 2022. Advance tax returns are filed on a quarterly basis in Turkey.

Dividends paid to non-resident corporations, with no place of business in Turkey are subject to withholding tax at the rate of 15 per cent.

2020 and 2019 compared

Kuveyt Türk's tax provisions for continued operations increased from TRY348.16 million in 2019 to TRY551.62 million in 2020, reflecting an increase of 58.44 per cent. This increase was primarily due to Kuveyt Türk's tax provisions changing depending on an increase in income before taxation.

Net profit/loss

Reflecting the various factors discussed above, Kuveyt Türk's net profit for 2020 was TRY1,712.87 million compared to TRY1,276.39 million in 2019, reflecting an increase of 34.20 per cent.

Financial Condition

Total Assets

Kuveyt Türk's total assets grew in 2020 by 45.13 per cent. from TRY109,001.58 million in 2019 to TRY158,197.11 million in 2020.

Financial assets (net)

As at 31 December 2020, financial assets (net) accounted for 38.83 per cent. of Kuveyt Türk's total assets compared to 40.86 per cent. as at 31 December 2019. Financial assets (net) increased from TRY44,542.15 million as at 31 December 2019 to TRY61,428.64 million as at 31 December 2020, representing an increase of 37.91 per cent. These increases were primarily as a result of increased deposits, increased volumes of Sukuk held by Kuveyt Türk and an increased volume in financings extended by Kuveyt Türk, in conjunction with Kuveyt Türk's branch growth.

Cash and balances with the CBT

As at 31 December 2020, cash and balances with the CBT was TRY25,110.97 million compared to TRY19,216.29 million as at 31 December 2019, representing an increase of 30.68 per cent., primarily as a result of an increase in funds placed as reserve balances with the CBT.

Minimum finance lease payments receivable, net

As at 31 December 2020, minimum finance lease payments receivables, net contributed 3.17 per cent. of Kuveyt Türk's total assets compared to 2.48 per cent. of total assets as at 31 December 2019. Net minimum finance lease payments receivables increased by 85.08 per cent. to TRY5,010.99 million as at 31 December 2020 from TRY2,707.52 million as at 31 December 2019. The increase was as a result of the volume of Kuveyt Türk's finance lease transactions as well as an increase in the number of branches.

Financial assets

Kuveyt Türk classifies its financial assets in the following categories: (i) at fair value through profit or loss; (ii) at fair value through another comprehensive income; and (iii) valued at amortised cost.

Financial assets at fair value through profit or loss

Certain financial assets are recognised at fair value through profit or loss, comprising: (i) government debt securities; and (iii) other financial assets.

Financial assets at fair value through profit or loss increased by 82.25 per cent. from TRY4,259.67 million as at 31 December 2019 to TRY7,763.20 million as at 31 December 2020.

Government debt securities attributable to financial assets at fair value through profit or loss increased by 78.89 per cent. in 2020 from TRY3,941.59 million in 2019 to TRY7,051.00 million in 2020. This increase was a result of Sukuk purchases to comply with the regulation of asset ratios.

Other financial assets attributable to financial assets at fair value through profit or loss increased by 123.91 per cent. in 2020 from TRY318.08 million in 2019 to TRY712.20 million in 2020. This increase was a result of Sukuk investment in the portfolio of Neova (a subsidiary of Kuveyt Türk).

Financial assets at fair value through comprehensive income

Certain other financial assets are recognised at fair value through comprehensive income, comprising: (i) government debt securities; (ii) equity instruments; and (iii) other financial assets.

Financial assets at fair value through comprehensive income increased by 66.38 per cent. from TRY12,455.25 million as at 31 December 2019 to TRY20,723.09 million as at 31 December 2020.

Government debt securities attributable to financial assets at fair value through comprehensive income increased by 69.24 per cent. in 2020 from TRY12,106.52 million as at 31 December 2019 to TRY20,489.64 million as at 31 December 2020. This increase was a result of compliance with the BRSA's regulation of asset ratios.

Equity instruments attributable to financial assets at fair value through comprehensive income increased by 48.58 cent. in 2020 from TRY33.08 million in 2019 to TRY49.15 million in 2020. This increase was a result of an increase in Kuveyt Türk's shareholdings in other entities, including Visa Inc.

Other financial assets attributable to financial assets at fair value through comprehensive income decreased by 41.61 per cent. in 2020 from TRY315.66 million in 2019 to TRY184.30 million in 2020. This decrease was a result of a decrease in the foreign currency private sector Sukuk investment balance.

Financial assets measured at amortised cost (net)

Financial assets measured at amortised cost (net), which consist of Sukuk, increased by 39.71 per cent. in 2020 to TRY84,016.93 million from TRY60,136.02 in 2019.

Funding and Liquidity

Kuveyt Türk's principal sources of funding are described under "*Risk Management - Funding*". The table below summarises Kuveyt Türk's cash flows for each of 2020 and 2019.

	For the year ending 31 December	
	2020	**2019 (restated)**
	(TRY in millions)	
Net cash provided from banking operations	(3,211.86)	17,605.25
Net cash used in investing activities	(8,613.02)	(4,071.56)
Net cash provided from / (used in) financing activities	966.76	(2,039.74)
Net foreign exchange difference on cash and cash equivalents	5,637.26	1,704.24
Cash and cash equivalents at 1 January	19,216.29	7,214.01
Cash and cash equivalents at period end	13,995.43	20,412.20

The principal factor impacting Kuveyt Türk's operating cash flows between 2019 and 2020 was changes in cash provided from banking operations, which was due to Kuveyt Türk's lending process.

The principal factor impacting Kuveyt Türk's investing cash flows between 2019 and 2020 was cash paid for the purchase of financial assets at fair value through other comprehensive income.

Kuveyt Türk's cash flow from financing activities reflects the fact that net cash inflows were higher than cash outflows, primarily as a result of funds collected, which resulted in an increase of TRY966,76 million in cash and cash equivalents in 2020.

Off-balance sheet commitments

Kuveyt Türk's off-balance sheet commitments principally comprise letters of guarantee, letters of credit and commitments to extend credit.

The following table analyses Kuveyt Türk's significant contingencies and commitments as at 31 December 2020.

	31 December 2020
	(TRY in thousands)
Letters of Guarantee issued by Kuveyt Turk	9,588,633
Bills of Exchange and Bank Acceptances	40,996
Letters of Credit	1,685,022
Other Guarantees	546,682
Pre-Financings Given as Guarantees	-
Total	**11,861,333**

Related Party Transactions

Kuveyt Türk entered into various banking transactions with related parties in its normal course of business including balances with financial institutions due from financing activities, due to other financial institutions and banks and profit/loss sharing investors' and current accounts.

Acquisition of Neova Sigorta A.Ş.

On 5 May 2020, Kuveyt Türk completed the acquisition of Neova by way of a share transfer. As a result of this acquisition, Kuveyt Türk increased its previous minority stake ownership in Neova from 7 per cent. to 100 per cent. On account of BRSA Principles, and due to the acquisition of Neova, Kuveyt Türk has been required to restate substantially all of its financial information as at and for the year ended 31 December 2019. The effect of the restatement of such financial information is presented in further detail below.

The effect of the restatement on Kuveyt Türk's balance sheet as of 31 December 2019 is as follows:

Assets	Reported as at 31 December 2019	Restatement Effects, Including Elimination Effects	Restated as at 31 December 2019
Financial Assets (Net)	**43,374,329**	**1,167,817**	**44,542,146**
Cash And Cash Equivalents	**26,730,059**	**915,156**	**27,645,215**
Banks	7,516,772	915,156	8,431,928
Financial Assets At Fair Value Through Profit Or Loss	**4,001,504**	**258,167**	**4,259,671**
Other Financial Assets	59,910	258,167	318,077
Financial Assets At Fair Value Through Other Comprehensive Income	**12,460,760**	**(5,506)**	**12,455,254**
Equity Instruments	38,583	(5,506)	33,077
Financial Assets Measured With Amortised Costs (Net)	**59,782,476**	**353,543**	**60,136,019**
Other Financial Assets Measured At Amortized Cost	**2,859,381**	**353,543**	**3,212,924**
Government Debt Securities	2,725,997	176,942	2,902,939
Other Financial Assets	133,384	176,601	309,985
Tangible Assets (Net)	**834,101**	**12,242**	**846,343**
Intangible Assets (Net)	**198,760**	**3,239**	**201,999**
Other	198,760	3,239	201,999
Deferred Tax Assets	**401,782**	**15,071**	**416,853**
Other Assets	**1,698,669**	**584,516**	**2,283,185**
Total Assets	**106,865,150**	**2,136,428**	**109,001,578**

Liabilities	Reported as at 31 December 2019	Restatement Effects, Including Elimination Effects	Restated as at 31 December 2019
Funds Collected	**88,249,772**	**(253,637)**	**87,996,135**
Securities Issued (Net)	**350,955**	**3,096**	**354,051**
Provisions	**1,099,254**	**1,710,118**	**2,809,372**
Reserves For Employee Benefits	302,820	14,502	317,322
Insurance For Technical Provision (Net)	-	1,693,153	1,693,153
Other Provisions	796,434	2,463	798,897
Current Tax Liabilities	**226,221**	**29,176**	**255,397**
Other Liabilities	**1,257,502**	**241,738**	**1,499,240**
Equity	**6,786,936**	**405,937**	**7,192,873**
Profit Reserves	1,472,776	21,283	1,494,059
Legal Reserves	231,728	21,428	253,156
Other Profit Reserves	**70,251**	**(145)**	**70,106**
Profit Or Loss	**1,028,480**	**384,654**	**1,413,134**
Retained Earnings	(89,157)	228,350	139,193
Net Profit Of The Period	**1,117,637**	**156,304**	**1,273,941**
Total Liabilities	**106,865,150**	**2,136,428**	**109,001,578**

The effect of the restatement on Kuveyt Türk's consolidated statement of offsetting accounts as of 31 December 2019 is as follows:

	Reported as at 31 December 2019	Restatement Effects, Including Elimination Effects	Restated as at 31 December 2019
A. Commitments And Contingencies	**123,656,675**	**(299,101)**	**123,357,574**
Guarantees And Warranties	**11,902,354**	**(299,101)**	**11,603,253**
Letters Of Guarantee	10,007,571	(299,101)	9,708,470
Other Letters Of Guarantee	9,272,139	(299,101)	8,973,038
Total Off-Balance Sheet Accounts	**670,736,952**	**(299,101)**	**670,437,851**

The effect of the restatement on Kuveyt Türk's consolidated statement of income for the year ended 31 December 2019 is as follows:

	Reported as at 31 December 2019	Restatement Effects, Including Elimination Effects	Restated as at 31 December 2019
Profit Share Income	**7,558,226**	**187,630**	**7,745,856**
Profit Share on Loans	6,077,584	0	6,077,584
Profit Share on Reserve Deposits	86,722	0	86,722
Profit Share On Banks	257,954	90,055	348,009
Profit Share On Marketable Securities Portfolio	810,359	97,575	907,934
Finance Lease Income	259,612	0	259,612
Other Profit Share Income	65,995	0	65,995
Profit Share Expense (-)	**3,991,466**	**59,329**	**3,932,137**
Expense on Profit Sharing Accounts	3,050,658	(36,995)	3,013,663
Profit Share Expense on Funds Borrowed	272,103	0	272,103
Profit Share Expense on Money Market Borrowings	2,514	0	2,514
Expense on Securities Issued	604,045	(22,951)	581,094
Profit Share Expense on Lease	62,146	617	62,763
Net Profit Share Income (I - II)	**3,566,760**	**246,959**	**3,813,719**
Net Fees And Commissions Income/Expense	**490,868**	**(121,936)**	**368,932**
Fees And Commissions Received	**800,292**	**18,674**	**818,966**
Non-Cash Loans	175,096	0	175,096
Other	625,196	18,674	643,870
Fees And Commissions Paid	**309,424**	**140,610**	**450,034**
Non-Cash Loans	8,633	0	8,633
Other	300,791	140,610	441,401
Dividend Income	**2,841**	**0**	**2,841**
Net Trading Income / Loss	**1,324,855**	**3,304**	**1,328,159**
Capital Market Transaction Gains/Losses	32,116	0	32,116
Gains/Losses From Derivative Financial Instruments	464,803	0	464,803
Foreign Exchange Gains/Losses	827,936	3,304	831,240
Other Operating Income	**789,578**	**1,140,799**	**1,930,377**
Gross Operating Income / Loss	**6,174,902**	**1,269,126**	**7,444,028**
Expected Loss Provisions (-)	**2,640,410**	**0**	**2,640,410**
Other Provisions (-)	**59,711**	**8,851**	**68,562**
Personnel Expenses (-)	**1,086,890**	**45,336**	**1,132,226**
Other Operating Expenses (-)	**979,920**	**1,012,088**	**1,992,008**
Net Operating Income/(Loss)	**1,407,971**	**202,851**	**1,610,822**
Income / (Loss) From Investments In Subsidiaries Consolidated Based On Equity Method	**13,727**	**0**	**13,727**
Profit/(Loss) From Continued Operations Before Taxes	**1,421,698**	**202,851**	**1,624,549**
Tax Provision For Continued Operations (±)	**(300,733)**	**(47,423)**	**(348,156)**
Current Tax Provision	(401,579)	(50,055)	(451,634)
Deferred Tax Income Effect (+)	205,627	0	205,627
Deferred Tax Expense Effect (-)	306,473	2,632	309,105
Current Period Profit/(Loss) From Continued Operations	**1,120,965**	**155,428**	**1,276,393**
Net Profit/Loss	**1,120,965**	**155,428**	**1,276,393**
Group's Income/Loss	1,117,637	156,304	1,273,941
Minority Interest Income/Loss (-)	3,328	(876)	2,452

Recent Developments

Notwithstanding the on-going COVID-19 pandemic (see "*Risk Factors—The outbreak of COVID-19 has negatively affected the global and Turkish economy and financial markets and might continue to disrupt and/or otherwise negatively impact the operations of Kuveyt Türk and/or its clients*") and other macroeconomic conditions, Kuveyt Türk's financial performance in the six months ended 30 June 2021 was not materially adversely affected as a result; its profit share income increased by 42.64 per cent. in the six months ended 30 June 2021 from TRY4,196.93 million in the six months ended 30 June 2020 to TRY5,986.67 million in the six months ended 30 June 2021, which was the result of a 18.11 per cent. increase in transaction volume size. Conversely, its profit share expense increased by 62.27 per cent. in the six months ended 30 June 2021 from TRY1,437.94 million in the six months ended 30 June 2020 to TRY2,333.39 million in the six months ended 30 June 2021, which was principally the result of a 0.71 per cent. increase in profit share rates (notwithstanding a 20.07 per cent. increase in volume size in the six months ended 30 June 2021 compared to the corresponding period in the previous year). This led to Kuveyt

Türk's net profit share income increasing by 32.41 per cent. in the six months ended 30 June 2021 compared to the corresponding period in the previous year. Kuveyt Türk's net profit from continued operations also increased by 45.45 per cent. in the six months ended 30 June 2021 compared to the corresponding period in the previous year, principally on account of the increase in its net profit share income, as well as an increase in its net trading income.

From a balance sheet perspective, Kuveyt Türk's net financial assets also grew by 39.78 per cent. in the six months ended 30 June 2021 from TRY61,428.64 million as at 31 December 2020 to TRY85,863.30 million as at 30 June 2021. In addition, Kuveyt Türk's deposits grew by 20.08 per cent. in the six months ended 30 June 2021 from TRY126,694.56 million as at 31 December 2020 to TRY152,128.71 million as at 30 June 2021.

As at 30 June 2021, Kuveyt Türk's NPL ratio and liquidity coverage ratio were 3.26 per cent. and 390.37 per cent., respectively, compared with 3.58 per cent. and 320.25 per cent., respectively, as at 31 December 2020.

From a regulatory capital perspective, as at 30 June 2021, Kuveyt Türk's Tier 1 capital ratio and total capital ratio were 15.03 per cent. and 19.9 per cent., respectively, whilst the required Tier 1 capital ratio and required total capital ratio was 6.00 per cent. and 12.00 per cent, respectively. By comparison, as at 30 June 2020, Kuveyt Türk's Tier 1 capital ratio and total capital ratio were 15.90 per cent. and 20.97 per cent., respectively, whilst the required Tier 1 capital ratio and required total capital ratio was 6.00 per cent. and 12.00 per cent, respectively.

OVERVIEW OF THE TURKISH BANKING SECTOR AND REGULATIONS

Summary

The Turkish financial sector has gone through major structural changes as a result of the financial liberalisation programme that started in the early 1980s. The abolition of directed credit policies, the liberalisation of deposit and credit interest rates and liberal exchange rate policies as well as the adoption of international best standard banking regulations have accelerated the structural transformation of the Turkish banking sector. Since the 1980s, the Turkish banking sector has experienced a significant expansion and development in the number of banks, employment in the sector, diversification of services and technological infrastructure. The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. In 2001 this resulted in the collapse of several institutions, including a participation bank. The banking sector also experienced a sharp reduction in shareholders' equity in 2001, with the capital of the 22 private sector banks declining to U.S.$4,916 million at the end of 2001 from U.S.$8,056 million for 28 banks at the end of 2000, according to the Banks Association of Turkey.

The Turkish money markets and foreign exchange markets have stabilised since 2001, in large part due to regulatory reform and other governmental actions (including a three-part audit undertaken in 2001 and the first half of 2002, after which all private commercial banks were either found to be in compliance with the 8.0 per cent. minimum capital requirement, transferred to the SDIF, or asked to increase their capital level). The transparency of the system was improved along with the establishment of an independent supervisory and regulatory framework and new disclosure requirements. Unfair competition from state banks was reduced while the efficiency of the banking system increased in general as a result of consolidation. According to the SDIF's official data, since 1994, 20 private banks have been transferred to SDIF and 5 private banks have been subjected to bankruptcy processes (which banks' licenses have been terminated) due to, among other things, weakened financial stability and liquidity and efforts are continuing on the resolution of the SDIF banks while restructuring and privatisation of the state banks is progressing.

In August 2004, in an attempt to reduce the regulatory costs inherent in the Turkish banking system, the government reduced the rate of the Resource Utilisation Support Fund ("RUSF") applicable on short-term foreign currency commercial loans lent by banks domiciled in Turkey to zero. However, the 3.0 per cent. RUSF charge for some types of loans provided by banks outside of Turkey with an average repayment term of less than one year remains valid. Pursuant to recent changes in the RUSF charges in accordance with the Council of Ministers decision numbered 2012/4116 (published on 1 January 2013), loans provided by banks outside of Turkey with an average repayment term of one year (including one year) to two years are subject to a 1.0 per cent. RUSF charge, those with an average repayment term of two years (including two years) to three years are subject to a 0.5 per cent. RUSF charge and those with an average repayment term of above 3 years (including 3 years) are subject to a 0 per cent. RUSF charge. In 2010, the government also increased the RUSF charge on interest on foreign currency-denominated retail loans from 10 per cent. to 15 per cent. in order to curb domestic demand fuelled by credit, which was in turn perceived to be adversely affecting Turkey's current account balance. The RUSF charge applied to consumer credits to be utilised by real persons (for non-commercial utilisation) is 15 per cent. in accordance with the Council of Ministers' decision numbered 2010/974 (published on 28 October 2010).

In addition, there have been significant changes to Turkish banking legislation over the last few years.

The Banks Act No. 4389 (as amended by Laws No. 4491, 4672, 4684, 4743, 4842, 5020, 5189 and 5228) was replaced by the Banking Law No. 5411 on 1 November 2005 (the "Banking Law"). The Banking Law (as amended by Laws No. 5472, 5667, 5754, 5766, 6111, 6300, 6327, 6352, 6362, 6456, 6462, 6487, 6493 and 6495, 7071, 7074, 7076, 7186, 7192, 7222, 7247, 7292, 7319 and Decree No. 662, 678, 684 and 687) governs the activities conducted by, among others, commercial banks as well as participation banks. The Banking Law permits commercial banks to engage in all fields of financial activities including deposit taking, corporate and consumer lending, foreign exchange transactions, certain capital markets activities,

securities trading and investment banking (except collecting participation funds) and financial leasing activities. For further details please see "Types of Banks in Turkey" below.

Regulatory Environment

Regulatory responsibility in the Turkish banking sector is split between the BRSA, the CBT, CMB, the Ministry of Treasury and Finance and the SDIF. The BRSA regulates and monitors the application of the Banking Law and other relevant regulations to ensure a disciplined and efficient banking sector within Turkey. The CBT is the entity responsible for the Government's fiscal and monetary policies. The SDIF's role is to insure the savings deposits and participation funds held with banks. In the event of financial instability within a bank, the SDIF may take measures to restructure such a bank to strengthen its fiscal structure.

The Role of the BRSA

The BRSA is an independent body authorised under Articles 82 to 105 of the Banking Law and has the status of a public legal entity with administrative and financial autonomy. It is the sole regulatory and supervisory authority for the Turkish banking sector. The BRSA's role is to protect the rights and benefits of depositors and to establish a competitive, disciplined and efficient banking and financial sector within Turkey. Accordingly, the BRSA is authorised to undertake all necessary steps, within the limits of the autonomy granted to it by the Banking Law, to ensure it effectively monitors and regulates the Turkish banking sector.

The BRSA is responsible for all banks operating in Turkey, including development and investment banks, foreign banks and participation banks. The BRSA sets various mandatory ratios such as reserve levels, capital adequacy and liquidity ratios. In addition, all banks operating in Turkey must provide the BRSA, on a regular and timely basis, with information adequate to permit off-site analysis by the BRSA of such bank's financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditors' reports. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending upon the nature of the information to be reported.

The BRSA conducts both on-site and off-site audits and supervises implementation of the provisions of the Banking Law and other legislation, examines all banking operations and analyses the relationship and balance between assets, receivables, equity capital, liabilities, profit and loss accounts and all other factors affecting a bank's financial structure. The BRSA's on-site supervision is conducted through a team of sworn bank auditors and other experts who are employed by the BRSA. In addition, the chairman of the BRSA has the authority to commission independent audit teams to examine specific matters within any bank that the chairman deems appropriate.

In addition to the above-mentioned requirements, pursuant to the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks (as issued by the BRSA and published in the Official Gazette dated 11 July 2014 and numbered 29057) (the "Internal Systems Regulation"), banks in Turkey are obligated to establish, manage and develop (for themselves and consolidated affiliates) internal audit and risk management systems commensurate with the scope and structure of their activities, including all of their branches, regional directorates and units and all of their consolidated affiliates, in compliance with the provisions of the Internal Systems Regulation. Pursuant to the Internal Systems Regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. To achieve this, according to the Internal Systems Regulation, the internal system personnel cannot also be appointed to work in a role conflicting with their internal system duties. The Internal Systems Regulation also requires banks to internally calculate the amount of capital required to cover the risks to which they are or may be exposed on a consolidated basis and with a forward-looking perspective, taking into account the bank's near- and medium-term business and strategic plans.

The Participation Banks Association of Turkey

The Participation Banks Association of Turkey ("**PBAT**"), established in accordance with the Banking Law, acts as an organisation with limited supervision and coordination in respect of participation banks. All participation banks in Turkey are obliged to become members of this association. As the representative body of the participation banking sector, the association aims to examine, protect and promote its members' professional interests.

Pursuant to Article 79 of the Banking Law, deposit banks and investment banks are obliged to become members of the Banks Association of Turkey and participation banks are obliged to become members of the PBAT within one month of obtaining their operation permit. Both of the Banks Association of Turkey and the PBAT are professional organisations which have the same status. As the representative bodies of the banking sector, the associations aim to examine, protect and promote its members' professional interests.

However, despite its regulatory and disciplinary functions, it does not possess any of the powers to regulate banking as the BRSA does.

The Role of the CBT

The CBT was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, provision of price stability and its continuity, regulation of the money supply, management of official gold and foreign exchange reserves, monitoring of the financial system and advising the government on financial matters. The CBT exercises its powers independently of the Government and is responsible for its affairs within the boundaries of the Government's defined policies. The CBT is entitled to determine the inflation target together with the Government and to adopt a monetary policy in compliance with such target. The CBT is the only authorised and responsible institution for the implementation of such monetary policy.

Currently, the CBT is the sole regulator of the volume and circulation of the national currency. It has responsibility for developing and implementing the Government's monetary policy, as well as managing and controlling official gold and foreign exchange reserves. The CBT also acts as the Government's treasurer, financial agent and economic adviser. The CBT uses various monetary tools to implement its functions, including open market operations, setting reserve and liquidity ratios, determining discount rates and controlling short term interest rates. The CBT monitors a centralised risk valuation system in an effort to better supervise the banking system in collaboration with the Undersecretariat of Treasury for Turkey (the "**Treasury**").

Pursuant to the recent amendments introduced to the Banking Law, the Central Bank has been empowered to determine maximum interest rates for lending and deposit taking activities of banks, as well as fees, expenses and commissions charged by banks to their clients for any sort of activities. Furthermore, effective from 1 January 2020, the Central Bank has been designated as the new payment and e-money services watchdog of Turkey, replacing the BRSA by way of stripping it of its powers under the Law on the Payment Systems and Securities Settlement Systems, Payment Services and Electronic Money Institutions No. 6493.

The Role of the SDIF

The SDIF is a public legal entity, set up to insure savings deposits and participation funds held with banks. The SDIF is responsible for, and authorised to take measures in relation to restructuring, transfer of title to third parties and strengthening the fiscal structures of banks **provided that** the management and control of the bank have been transferred to the SDIF in accordance with Article 71 of the Banking Law.

Pursuant to Article 63 of the Banking Law, the savings deposits and participation funds belonging to natural persons in credit institutions are insured by the SDIF. The coverage and amount of the savings deposits and participation funds belonging to natural persons which will be subject to insurance is set by the SDIF upon the approval of the CBT, the BRSA and the Treasury. According to the Banking Law, the risk-based insurance premium rate cannot exceed 20/1000 of the deposits and participation funds subject to insurance on an annual basis. The tariff, collection time, method and other conditions of the risk-based insurance premium is set by the SDIF after consultation with the BRSA. Pursuant to the Regulation on Saving Deposits and Participation Funds subject to Insurance and Premiums to be collected by the SDIF, the insurance premium rate to be paid by Kuveyt Türk as of the date of this Prospectus is 5.2/1000 per cent. of the deposits and participation funds subject to insurance. The SDIF may borrow with the authorisation of the Treasury and/or if necessary, the Treasury can issue government securities, the proceeds of which shall be allocated to the SDIF. The principles and procedures regarding government securities including their interest rates and terms and conditions of repayments to the Treasury are determined collectively by the Treasury and the SDIF.

In extraordinary circumstances, where the resources of the SDIF do not match its needs, the CBT may advance funds to the SDIF upon a request by the SDIF. The maturity, amounts, repayment conditions,

interest rates and other conditions of the advance will be determined by the CBT upon consultation with the SDIF.

If the assets of the SDIF do not meet the demands on it and the resources of the SDIF are insufficient, then banks may be required to make advances of up to the total insurance premiums paid by them in the previous year to be set-off against their future premium obligations.

Deposits held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers, auditors and by the parents, spouses and children of the above, and deposits, participation funds and other accounts within the scope of criminally-related assets set forth in Article 282 of the Turkish Criminal Code and other deposits, participation funds and accounts as determined by the BRSA are not covered by the SDIF's insurance.

Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Act (1932), exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration with the exception of certain provisions under the Code of Execution of Bankruptcy specifically referred to in the Banking Law (such as the call to the creditors to lodge their receivables and how the bankruptcy estate will operate). Also in such event, holders of savings deposits will have a first-degree privileged claim in respect of the part of their deposit that is not covered by the SDIF.

Following financial crises in 2001 and 2002, 19 private commercial banks were taken under the control the SDIF. These banks have either been liquidated or sold to other domestic and international banks. As of the date of this Prospectus, Adabank A.Ş. and Birleşik Fon Bankası A.Ş. ("**BFB**") and Bank Asya are the only banks which are under the supervision and administration of the SDIF. BFB has been incorporated by the SDIF by merging the assets of Etibank A.S., Iktisat Bankası T.A.S., Interbank A.S., Esbank A.S., EGSBank A.S., Kentbank A.S. and Toprakbank A.S. into Bayindirbank A.S. and by converting the latter into BFB. In February 2015, Bank Asya came under the supervision of the SDIF as a result of a determination by the BRSA that Bank Asya had failed to submit information and documents concerning 132 of 185 of its privileged shareholders.

On 29 May 2015, the BRSA announced that shareholding rights (except dividends), management and audit of Bank Asya is to be transferred to the SDIF for partial or full transfer, sale or merger of the bank pursuant to Article 71 of the Banking Law; provided that the loss shall be deducted from the shares of the existing shareholders. In May 2016, the Chairman of the BRSA announced that the SDIF will sell Bank Asya. Pursuant to the BRSA's resolution dated 22 July 2016 and numbered 6947, the operating permit of Bank Asya was revoked. On 16 November 2017, the Istanbul First Commercial Court of First Instance ruled on the bankruptcy of Bank Asya, and, in accordance with the Banking Law, the SDIF is responsible for taking the necessary steps to consummate the on-going bankruptcy process.

The Banks Association of Turkey

The Banks Association of Turkey is an organisation that provides limited supervision of and coordination amongst banks (excluding the participation banks) operating in Turkey. All banks (excluding the participation banks) in Turkey are obligated to become members of the Banks Association of Turkey. As the representative body of the banking sector, the Banks Association of Turkey aims to examine, protect and promote its members' professional interests; however, despite its supervisory and disciplinary functions, it does not possess any powers to regulate banking.

Types of Banks in Turkey

Banks in Turkey are classified as: public sector commercial banks; private sector commercial banks; foreign commercial banks; development and investment banks; participation banks and banks under the control of the SDIF. According to the BRSA and the Banks Association of Turkey, as at the date of this Prospectus, the number of banks operating in the Turkish banking sector was 55 (including banks controlled by the SDIF), 34 of which are deposit banks, 15 are development and investment banks and 6 are participation banks; of the deposit banks, 3 are state-owned banks, 8 are private banks, 21 are foreign banks and 2 are

banks under the control of the SDIF. Moreover, Golden Global Yatırım Bankası AŞ was allowed to operate and the bank began its operations on 1 June 2020 with BRSA's decision dated 30 January 2020.

The following table sets out certain statistical information for the Turkish banking sector as at 31 December 2020 under BRSA accounting principles.

	Public Sector Banks	Private Sector Banks	Foreign Banks	Development and Investment Bank	Participation Banks*
	(TRY in millions, where applicable)				
Total assets	2,765,937	1,810,777	1,509,701	387,823	229,175
Total loans	1,692,286	1,020,999	858,089	262,979	123,731
Total deposits	1,496,414	1,018,293	940,608	0	156,077
Total shareholders' equity	235,126	207,328	157,137	52,964	18,707
Net income	21,479	20,033	15,634	6,100	498
Number of domestic branches	3,668	3,615	2,519	61	1,128
Number of domestic employees	61,390	67,085	52,025	5,131	15,667
Number of banks	3	8	21	14	6

*The data regarding Participation Banks is only available as at 31 March 2019.

Source: *BRSA; the Banks Association of Turkey; the Participation Banks Association of Turkey.*

Note: *Banks controlled by the SDIF are not included in these figures.*

The public and private sector commercial banks form the majority of the Turkish banking sector in terms of assets and operations. T.C. Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş. and Türkiye Vakiflar Bankası T.A.O., which all have large branch networks, were originally established with social rather than profit objectives, principally to provide services to certain sectors of the working population. Private sector commercial banks are comprised of full-service banks and corporate/trade finance-orientated banks. The four largest private commercial banks are Türkiye İş Bankası A.Ş., Türkiye Garanti Bankası A.Ş. ("**Garanti Bankası**"), Akbank T.A.Ş. ("**Akbank**") and Yapı ve Kredi Bankası A.Ş. These banks provide a large proportion of retail banking services and related financial products to the Turkish population in addition to providing large Turkish corporations and Turkish subsidiaries of large foreign companies with corporate and foreign trade related banking services.

In recent years, the liberalisation of the Turkish economy has resulted in an increase in the number of foreign-banks operating in Turkey, either as locally incorporated banks, branches or joint ventures with domestic banks. The following are examples of notable merger and acquisition activities by foreign banks in recent years. In February 2005, BNP Paribas acquired 50.0 per cent. of the shares of TEB Mali Yatırımlar A.Ş. which owns 84.3 per cent. of the shares of TEB A.Ş. In October 2006, Denizbank was acquired from the Zorlu Group by Dexia for U.S.$2.4 billion. In September 2012, Sberbank acquired 99.85 per cent. of Denizbank from Dexia for U.S.$3.6 billion (subject to post-closing adjustments). However, in May 2018, Emirates NBD Bank P.J.S.C. entered into a definitive agreement to buy 99.85% of Denizbank from its parent Sberbank and, on 27 June 2019, the BRSA granted its permission to the acquisition. In January 2007, Citigroup acquired a 20 per cent. stake in Akbank and later in the same year ING acquired 100 per cent. of Oyakbank for U.S.$2.7 billion. More recently, in March 2011, General Electric Co. and Doğuş Holding A.Ş. sold their 18.6 per cent. and 6.3 per cent. stakes, respectively, in Garanti Bankası to Banco Bilbao Vizcaya Argentaria S.A. ("**BBVA**") for U.S.$3.8 billion and U.S.$2 billion, respectively. In July 2015, BBVA purchased 14.8 per cent. of Garanti Bankası, A.Ş. eventually rendering BBVA the majority shareholder by holding a total of 39.9 per cent. of the shares. By purchasing 10 per cent. more shares in Garanti Bankası for U.S.$917 million, BBVA has increased its holding to 49.9 per cent. in February 2017. In December 2012, Burgan Bank SAK purchased 99.3 per cent. of Eurobank Tekfen A.Ş. for US $355 million. The Commercial Bank of Qatar (Q.S.C.) acquired 70.84 per cent of Alternatif Bank A.Ş. in July 2013 by paying two times book value at 30 June 2013. In July 2016, Q.S.C. acquired another 25.0 per cent of Alternatif Bank A.Ş. by paying U.S.$224.9 million. The Abraaj Group of BAE purchased 9.95 per cent. of Fibabanka in June 2016. Another notable acquisition in the Turkish Banking sector over the past few years was the transfer of the shares in Finansbank A.Ş., which bank was previously owned by the Özyeğin Family, by the National Bank of Greece (NBG) to Qatar National Bank in June 2016. As a result of this transfer, the trading name of the bank was changed to QNB Finansbank A.Ş.

In October 2011, the BRSA approved the application of Bank Audi s.a.l-Audi Saradar Group to establish a new deposit bank in Turkey, Odea Bank A.Ş., which was later granted an operation permit in September

2012. This was the BRSA's first authorisation to establish a deposit bank in Turkey since 1997. Later in 2012, the BRSA also approved The Bank of Tokyo-Mitsubishi UFJ's application to establish a deposit bank and The Bank of Tokyo-Mitsubishi UFJ was granted an operation permit in September 2013. The deposit bank hence established later changed its trading name to MUFG Bank Turkey A.Ş. on 8 April, 2018. In August 2013, Rabobank International Holding B.V. was granted an authorisation to establish a deposit bank in Turkey. In April 2014 Industrial and Commercial Bank of China Ltd. announced that it had signed an agreement to acquire 75.5 per cent. of Tekstilbank from GSD Holding A.Ş. On 22 May 2015, the contemplated transfer of shares was completed rendering the Industrial and Commercial Bank of China Ltd. the majority shareholder by holding a total of 92.812 per cent. of the shares. Most recently, Bank of China Turkey A.Ş. was granted a banking licence on 1 December, 2017.

Development banks are funded by international banks and institutions such as the World Bank. Their objective is to provide medium and long-term financing to Turkish companies that cannot raise such funding easily through the market. These banks do not accept customer deposits.

In October 2014, one of Turkey's largest state-owned banks, T.C. Ziraat Bankası, was given permission by the BRSA to establish a participation bank with U.S.$300 million capital. T.C. Ziraat Bankası received approval on 12 May 2015 and launched its participation bank in May 2015. Additionally, Türkiye Halk Bankası, another state-owned bank, received approval in January 2015 to establish a participation bank. Furthermore on 27 February 2015, Vakıflar Bankası T.A.O. received regulatory approval to establish a participation bank – Vakıf Katılım Bankası A.Ş. became a legal entity following its registration at the trade registry on 25 June 2015 and is owned by the Republic of Turkey General Directorate of Foundations. Vakıf Katılım Bankası A.Ş. obtained official authorisation from the BRSA to operate as a participation bank on 11 February 2016 and started its participation banking activities as of 24 February 2016. Emlak Bank obtained official authorisation from the BRSA to operate as a participation bank and changed its name as Türkiye Emlak Katılım Bankası A.Ş. in February 2019. It began to operate in March 2019 after expiration of control by the SDIF. Finally, Golden Global Investment Bank was given permission by the BRSA to establish an investment and development bank with TRY 150 million on 15 May 2019 and D Yatırım Bankası A.Ş. was given permission with the BRSB decision dated 21 May 2021 and numbered 9568 to establish an investment and development bank with TRY 200 million.

The Banking Law permits commercial banks to engage in all areas of financial activities including deposit taking, corporate and consumer financing, foreign exchange transactions, certain capital markets activities, securities trading and investment banking (except collecting participation funds and financial leasing activities). The Banking Law permits participation banks to engage in all areas of financial activities (other than accepting deposits).

Public Sector Commercial Banks

As of the date of this Prospectus, there are three public sector commercial banks within Turkey, all or a majority of which are owned or controlled by state entities. They generally have large branch networks and were originally established for development purposes, such as for agriculture, housing or foundations, rather than for profit motives.

Through their broad branch networks and ownership structures, these banks have traditionally been able to collect a substantial amount of deposits and thereby access cost-efficient funding sources.

The following table sets out the three state-owned commercial banks in Turkey, ranked for size of assets (non-consolidated basis) under Turkish GAAP accounting principles as at the dates presented.

Bank	Total assets as at 31 December 2020	Number of branches as at 31 December 2020
	(TRY in thousand)	
Türkiye Cumhuriyeti Ziraat Bankası A.Ş	942,601,264	1,752
Türkiye Halk Bankası A.Ş.	680,026,095	1,013
Türkiye Vakıflar Bankası T.A.O.	698,897,118	936

Source: The Banks Association of Turkey.

According to the Banks Association of Turkey, total loans provided by these banks as of 31 December 2020 were TRY1,410,536 million. Through their broad branch networks and ownership structures, these banks have traditionally been able to collect deposits and thereby access cost efficient funding sources.

Private Sector Commercial Banks

Private sector commercial banks comprise full-service banks and corporate/trade finance-oriented banks. Private sector commercial banks can be divided into large and small branch network commercial banks. Most private sector banks belong to large industrial groups, which may provide additional support to the banks.

The following table ranks the larger branch network private sector commercial banks by asset size (non-consolidated basis) under BRSA accounting principles as at the dates presented.

Bank	Ownership	Total assets as at 31 December 2020	Number of branches as at 31 December 2020
		(TRY in thousands)	
Türkiye İş Bankası A.Ş.	Bank Pension Fund and Republican People's Party	593,902,432	1227
Akbank T.A.Ş.	Sabanci Group	446,100,801	716
Yapi ve Kredı Bankası A.Ş.	Koç Financial Services	459,694,058	835
Türk Ekonomi Bankası A.Ş.....	BNP Yatirimlar Holding A.Ş. and BNP Paribas	140,048,042	455
Şekerbank T.A.Ş.	Şekerbank T.A.Ş. Voluntary Pension Fund (31.01%), Samruk - Kazyna Invest LLP (12.06%), Şekerbank T.A.Ş. Personnel Supplementary Social Security and. Solidarity Fund (6.44%) and others (50.49%)	37,504,455	238

Source: The Banks Association of Turkey.

The following table ranks the small branch network private sector commercial banks by asset size (non-consolidated basis) as at the dates presented.

Bank	Ownership	Total assets as at 31 December 2020	Number of branches as at 31 December 2020
		(TRY in thousands)	
Fibabanka A.Ş.....	Fiba Holding A.Ş. and Özyol	27,224,995	50
Anadolubank A.Ş.	Habas Group	25,394,073	114
Turkish Bank A.Ş.....	Mehmet Tanju Özyol	1,632,933	8
Adabank A.Ş.	Transferred to SDIF	59,425	1

Source: The Banks Association of Turkey.

Despite significant growth in the number of small commercial banks, larger commercial banks (both private and public) continue to dominate the banking sector. As at the date of this Prospectus, out of 8 privately owned commercial banks, apart from the three largest banks, there are two medium sized privately owned commercial banks. Two private sector commercial banks are smaller banks, which have, in aggregate, relatively negligible banking market shares (i.e. having less than U.S.$ 1 billion in total assets).

Foreign Commercial Banks

The strengthening of regulations and the transparency of the Turkish economy over the past decade has resulted in an increase in the number of foreign commercial banks operating in Turkey. As at the date of this Prospectus, there are 21 foreign banks in total, 15 of which are locally incorporated banks and 6 of which are Turkish branches of foreign banks.

The table below indicates certain information regarding foreign commercial banks in Turkey, together with their asset size (non-consolidated basis), under Turkish GAAP accounting principles as at the dates presented.

Locally Incorporated Banks	Ownership	Total assets as at 31 December 2020	Number of branches as at 31 December 2020
		(TRY in thousands)	
Türkiye Garanti Bankası A.Ş. ..	Doğuş Group and BBVA	492,797,820	892
QNB Finansbank A.Ş.	The Commercial Bank (Q.S.C.)	227,253,348	475
Denizbank A.Ş.	Emirates NBD Bank PJSC	199,255,736	696
ING Bank A.Ş.	ING Bank N.V.	61,225,050	191
Odea Bank A.Ş.....	Bank Audi Sal and Audi Saradar Private Bank	40,035,829	48
HSBC Bank A.Ş.....	HSBC Bank plc	43,481,768	77
Alternatif Bank A.Ş.....	Comm. Bank of Qatar & Anadolu End. Group	35,598,490	44
Burgan Bank A.Ş.	Burgan Bank S.A.K	23,123,647	38
Citibank A.Ş.....	Citi Group	18,997,809	3
ICBC Turkey Bank A.Ş.....	ICBC	24,862,623	39
Türkland Bank A.Ş.....	Arab Bank Suisse, Arab Bank and BankMed	3,067,706	14
Arap Türk Bankası A.Ş.	Libyan Arab Foreign Bank Tripoli Libya	5,576,326	7
Deutsche Bank A.Ş.	Deutsche Bank AG	4,406,582	1
Rabobank A.Ş.	Rabobank NV	1,835,148	1
MUFG Bank Turkey A.Ş.	MUFJ Bank, Ltd.	13,805,176	1

Branches of Foreign Bank Incorporation	Country of Incorporation	Total assets as at 31 December 2020	Number of branches as at 31 December 2020
		(TRY in thousands)	
Intesa Sanpaolo S.p.A.	Italy	20,142,354	1
Bank of China Turkey A.Ş.	Bank of China	2,004,474	1
JP Morgan Chase Bank N.A.....	United States	832,932	1
Bank Mellat.....	Iran	1,236,935	3
Société Générale.....	France	104,553	1
Habib Bank Limited.....	Pakistan	343,298	1

Source: The Banks Association of Turkey.

Development and Investment Banks

Development banks are funded by the CBT, international banks and institutions such as the World Bank, the European Investment Bank and various export credit agencies. Their objective is to provide medium and long-term financing to large and medium sized companies on a project basis. Development banks do not accept deposits and are also active in foreign exchange and securities transactions. Development and investment banks are subject to certain provisions of the Banking Law (including Article 77 and excluding Articles 54, 55, 56, 57, 61, 63, 64, 106 – 129, 130(a), 131 and 142).

As at 30 June 2021, there were 3 state-owned, 9 privately-owned and 3 foreign development and investment banks in Turkey. The following table sets out these banks and their assets (non-consolidated basis) and number of branches as at the dates presented.

Bank	Total assets as at 31 December 2020	Number of branches as at 31 December 2020
	(TRY in thousands)	
State-owned Development Banks		
Türk Eximbank	204,227,274	20
Iller Bankası A.Ş.	46,879,330	19
Türkiye Kalkınma Bankası A.Ş.	28,073,370	1
Privately-owned Development and Investment Banks		
Türkiye Sinayi Kalkınma Bankası A.Ş.	51,466,359	2
Istanbul Takas ve Saklama Bankası A.Ş.	25,388,236	1
Nurol Yatırım Bankası A.Ş.	4,405,522	1
GSD Yatırım Bankası A.Ş.	533,002	2
Diler Yatırım Bankası A.Ş.	211,842	1
Bank of America Yatırım Bank A.Ş.	1,272,328	1
Golden Global Yatırım Bankası A.Ş.	219,456	1
Aktif Yatırım Bankası A.Ş	21,182,781	12
Foreign Development and Investment Banks		
Pasha Yatırım Bankası A.Ş(1).	2,179,409	1
Bank Pozitif Kredi ve Kalkınma Bankası	922,429	1
Standard Chartered Yatırım Bankası Türk A.Ş.	124,320	1

(1) On 26 December 2014, the BRSA approved the transfer of majority stake in Taib Yatırım Bankası to Azeri Pasha Bank OJSC, the trade name of the bank was changed into Pasha Yatırım Bankası A.Ş. following the transfer.

Source: *The Banks Association of Turkey*.

Participation Banks

Participation banks structure their products and provide services on an interest-free basis. Participation banks are subject to the Banking Law and are permitted to engage in financial activities other than accepting deposits. As at the date of this Prospectus, there are six participation banks operating in Turkey. Türkiye Emlak Katılım Bankası A.Ş. re-started its operations on 21 March 2019. Each of the participation banks is a member of PBAT.

The table below sets out the remaining six participation banks in Turkey, ranked by size of assets (non-consolidated basis) under Turkish GAAP accounting principles as at the dates presented.

Bank	Total assets as at 31 December 2020	Number of branches as at 31 December 2020
	(TRY in thousand)	
Kuveyt Türk Katılım Bankası A.Ş.	152,290,315	435
Türkiye Finans Katılım Bankası A.Ş.	81,370,822	316
Al Baraka Türk Katılım Bankası A.Ş.	69,315,799	230
Ziraat Katılım Bankası A.Ş.	60,186,996	109
Vakıf Katılım Bankası A.Ş.	53,157,628	118
Türkiye Emlak Katılım Bankası A.Ş.	20,390,177	316

Source: Participation Banks Association of Turkey.

Key Regulatory Characteristics of the Turkish Banking System

Collection of Funds and Financing Activities of Participating Banks

Participation banks may collect funds in two ways:

(i) *special current accounts* - an account that consists of funds that can be partially or fully withdrawn by a depositor. No payment of interest or income is made to the account holder; and

(ii) *participation accounts* - an account that consists of funds that yield a participation in the loss or profit arising from their investment by the relevant financial institutions. Such accounts do not require payments of pre-determined return.

Participation banks may designate special fund pools exclusively for the financing of predetermined projects and other investments. Such funds are utilised in separate pools as per their maturities and are segregated from other pools of accounts. The BRSA must be informed within 15 days of the formation of special fund pools and must be updated as to the status of such pools at three-month intervals. Such special fund pools must remain open for a minimum of one month and must be liquidated at the end of the financing period.

Shareholding

The direct or indirect acquisition by a person of shares that represent 10 per cent. or more of the share capital of any bank, or the direct or indirect acquisition or disposal of such shares by a person if the total number of shares held by such shareholder increases above or falls below 10 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital in that bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the above thresholds, an issuance, assignment and transfer of: (i) preference shares attached with the right to nominate a member to the board of directors or audit committee; or (ii) an issuance of new shares with such preferences is also subject to the authorisation of the BRSA. In the absence of such authorisation, a holder of such thresholds of shares cannot be registered in the share register, which effectively deprives such shareholder of the ability to participate in shareholder meetings or to exercise voting or other shareholders' rights with respect to the shares, but not of the right to collect dividends declared on such shares. Registrations made in the share register in the absence of such authorisation are invalid. Additionally, the direct and indirect acquisition or the transfer of the shares of a legal entity owning more than 10 per cent. of a bank is also subject to BRSA approval if such transfer directly or indirectly results in the total number of the shares held by a shareholder increasing above or falling below 10 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital of such legal entity. If such approval is not sought, then the relevant shares would merely entitle its owner to the dividend rights. In such case, the voting and other shareholder rights are exercised by the SDIF.

The board of directors of a bank is responsible for ensuring that shareholders attending general assemblies have obtained the applicable authorisations from the BRSA. If the BRSA determines that a shareholder has exercised voting or other shareholder's rights (other than the right to collect dividends) without due authorisation as described in the preceding paragraph, then it is authorised to direct the board of directors of a bank to cancel any applicable general assembly resolutions (including by way of taking any necessary precautions concerning such banks within its authority under the Banking Law if such procedure has not been started yet). If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without BRSA authorisation. Unless and until a shareholder obtains the necessary share transfer approvals from the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

Lending Limits

The Banking Law sets out certain limits on the asset profile of banks and other financial institutions which are designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties). In particular:

- Cash credits and non-cash credits such as letters of guarantee, counter-guarantees, sureties, avals, endorsements and acceptances extended by a bank and undertakings having the same quality, bonds and similar capital market instruments purchased by it, loans (whether deposits or otherwise), receivables arising from the future sales of assets, overdue cash receivables, accrued but uncollected interest, amounts of non-cash credits converted into cash, receivables arising from reverse repo transactions and risks undertaken due to the futures and options contracts and other similar contracts, partnership interests and shareholding interests are considered as a credit irrespective of the account through which they are traced. Credits directly or indirectly extended to, a individual or legal entity in excess of 10 per cent. of the bank's equity capital are to be

considered major credits and the total of such major credits, cannot exceed eight times its equity capital.

- The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group, directly or indirectly, to 25 per cent. of its equity capital. In calculating such limit, a credit extended to an unincorporated partnership is deemed to be extended to the partners in proportion to their liabilities. A risk group is defined as an individual, his or her spouse and children and partnership(s) in which any one of such persons is a director or general manager, as well as partnerships that are directly or indirectly controlled by any one of such persons, either individually or jointly with third parties, or in which anyone of such persons participate with unlimited liability. Furthermore, a bank, its shareholders holding 10 per cent. or more of the bank's voting rights or the right to nominate board members, its board members, its general manager and partnerships directly or indirectly, individually or jointly, controlled by any of these persons or a partnership in which these persons participate with unlimited liability, constitute a risk group, for which the lending limits are reduced to 20 per cent. of a bank's equity capital, subject to the BRSA's discretion to increase such lending limits up to 25 per cent or to lower it to the legal limit. Individuals and legal entities having surety, guarantee or similar relationships where the insolvency of one is likely to lead to the insolvency of the other are included in the applicable risk groups. Lending limits shall be applied as 20 per cent. for the risk group consisting of a bank together with its qualified shareholders (as defined in the Banking Law), members of board of directors and general managers as well as the partnerships controlled by the same individually or jointly, directly or indirectly.

- Loans made available to a bank's or other registered shareholders holding more than 1 per cent. of the share capital of the bank irrespective of whether these are controlling shareholders or qualified shareholders and their risk groups may not exceed 50 per cent. of the bank's equity capital.

Banks are obliged to regularly report to the BRSA any loans extended to persons who are in their risk groups. The banks are obliged to liquidate loans that are made in violation of applicable regulations by no later than six months after being so requested by the BRSA.

The BRSA determines the permissible ratio of non-cash loans, futures and options, other similar transactions, avals, guarantees and sureties accepted, transactions entered into with credit institutions and financial institutions, transactions entered into with, or bills of exchange, bonds and other similar capital markets instruments issued or guaranteed by, and transactions entered into in return for other guarantees with, governments, central banks and banks of the countries accredited by the BRSA for the purpose of calculation of loan limits.

The BRSA has taken certain decisions to mitigate the adverse effects of the COVID-19 outbreak on the Turkish economy. In this regard, on 5 May 2020 pursuant to its decision numbered 9010, the BRSA announced that the total amount of Turkish Lira placements, deposits, repos and loans of Turkish banks entered into with financial institutions abroad cannot exceed 0.5 per cent. of their latest regulatory equity capital, so long as the extraordinary circumstances due to COVID-19 outbreak continue.

Pursuant to Article 55 of the Banking Law, the following transactions are exempt from the above-mentioned lending limits:

- transactions collateralised with cash, cash-like assets and accounts and precious metals;

- transactions carried out with the Treasury, the CBT, the Privatisation Administration and the Mass Housing Administration, Türkiye Varlık Fonu Yönetimi Anonim Şirketi or Turkey Wealth Fund, as well as the transactions carried out against bills, bonds and similar securities issued or guaranteed by these institutions;

- transactions carried out in the markets before the CBT and in other legally organised money markets;

- in case of new credit allocations to the same person or risk group, increases prompted by the changes in currency rates in credits denominated or indexed to foreign currencies (other than credit card and cheque extensions), and interests, profit shares and other such issues accrued on overdue

credits **provided that** subsequently allocated credits in a foreign currency are taken into consideration at the exchange rate applied on the date of utilisation thereof;

- bonus shares (scrip issues) received as a result of capital increases, and any increase in the value of shares not requiring any fund outflow;
- interbank operations within the framework of the principles set out by the BRSA;
- shares acquired within the framework of underwriting services for public offering activities **provided that** such shares are disposed of in the time and manner determined by the BRSA;
- transactions between the banks under the principles set out by BRSA;
- transactions considered as "deductibles" when calculating the shareholders' equity; and
- other transactions to be determined by the board of the BRSA (the "**BRSB**").

Loan Loss Reserves

Pursuant to Article 53 of the Banking Law, banks must formulate, implement and regularly review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and other receivables and to reserve an adequate level of provisions against impairment in the value of other assets, for qualification and classification of assets, receipt of guarantees and securities and measurement of their value and reliability In addition, such policies must address issues such as monitoring the loans, follow-up procedures and the repayment of overdue loans. Banks must also establish and operate systems to perform these functions. All special provisions set aside for loans and other receivables in accordance with Article 53 are considered as expenditures deductible from the corporate tax base in the year they are set aside.

Procedures relating to loan loss reserves for non-performing loans are set out in Article 53 of the Banking Law and in regulations issued by the BRSA.

On 22 June 2016, the BRSA has published the Regulation on the Principles and Procedures Related to the Determination of Qualifications of the Loans and other Receivables by Banks and the Reserves to be Set Aside (as amended from time to time) (the "**2016 Provisioning Regulation**") which entered into force on 1 January 2018 in lieu of the Regulation on Provisions and Classification of Loans and Receivables published in the Official Gazette dated 1 November 2006 and No. 26333. The Regulation aims at ensuring compliance with the requirements of IFRS and the Financial Sector Assessment Programme, which is a joint programme by the International Monetary Fund and the World Bank. The 2016 Provisioning Regulation requires banks to have adopted Turkish Financial Reporting Standards 9, which is the IFRS 9 compliant financial reporting standards of Turkey ("**TFRS 9**") principles, (unless an exemption is granted by the BRSA) related to the assessment of credit risk by the end of 2017 and to set aside general provisions in line with such principles. According to the 2016 Provisioning Regulation, the banks are still required to classify their loans and receivables in groups, but there are certain changes in the content of the groups compared to the Regulation on Provisions and Classification of Loans and Receivables. It should be noted that group classification and provision levels for periods before and after 1 January 2018 are not directly comparable. Pursuant to the 2016 Provisioning Regulation, banks are required to classify their loans and receivables into one of the following five groups:

1. *Standard Loans and Other Receivables:* this group involves loans and other receivables:

   (a) that have been disbursed to natural persons and legal entities with financial creditworthiness;

   (b) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor;

   (c) the reimbursement of which has been made within due dates or have not been overdue for more than 30 days, for which no reimbursement problems are expected in the future and which can be fully collected without recourse to any security; or

   (d) for which no weakening of the creditworthiness of the debtor concerned has been found.

(e) that are subject to 12-month expected credit loss provisioning according to TFRS 9.

On 27 March 2020 (with retroactive effect from 17 March 2020), the BRSA announced, as part of the measures taken to combat the impact of the COVID-19 pandemic, a temporary rule (which was initially announced to be effective until 31 December 2020) providing that the 30 days referred to in clause (c) is replaced with 90 days, resulting in loans remaining categorised as Group I loans longer and then moving into Group II loans at 90 days. As per the BRSA's resolution numbered 9624 and dated 17 June 2021, the effective date of this temporary measure was extended until 30 September 2021.

The terms of a bank's loans and receivables which have been classified into this group may be modified provided they continue to meet the classification requirements for this group. However, in the event that such modification relates to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than five times the sum of 1 per cent. of the cash loan portfolio plus 0.2 per cent. of the non-cash loan portfolio (for example, letters of guarantee, acceptance credits, letters of credit undertakings and endorsements) (these rates may be applied by banks for loans relating to transit trade, export sales and deliveries and services and activities resulting in gains of foreign currency as 0 per cent., for cash loan portfolio extended to small and medium sized enterprises as 0.5 per cent. and for non-cash loan portfolio of small and medium sized enterprises as 0.1 per cent.) is required to be set aside and such modifications are required to be disclosed in the financial reports which are disclosed to the public. This ratio is required to be at least 2.5 times the applicable consumer loans provisions for amended consumer loan agreements (other than auto and housing loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short term and the interest payments thereof are made in a timely manner and **provided that** the principal amount of such loan or receivable must be repaid within a year, at the latest, if the term of the loan or receivable is renewed without causing any additional cost to a bank.

2. *Closely Monitored Loans and Other Receivables:* This group involves loans and other receivables:

(a) that have been disbursed to natural persons and legal entities with financial creditworthiness and for the principal and interest payments of which there is no problem at present, but which need to be monitored closely due to reasons such as negative changes in the solvency or cash flow of the debtor, probable materialisation of the latter or significant financial risk carried by the person utilising the loan;

(b) whose principal and interest payments according to the conditions of the loan agreement are not likely to be repaid according to the terms of the loan agreement and where the persistence of such problems might result in partial or full non- reimbursement risk;

The following loans belong to this sub-group:

(i) extended to natural persons and legal entities with a credible financing structure, but for which negative signs are observed or forecasted in the debtor's solvency or cash flows due to unfavourable developments in macroeconomic conditions or in the sectors in which the debtor operates, or, independent of the aforementioned factors, due to adverse developments specific to the debtor;

(ii) requiring close monitoring due to reasons such as the debtor facing a substantial financial risk at the granting stage of the loan;

(iii) likely suffers from problems regarding timely payments of principal or interest in accordance with the contract and full repayment of principal and interest without realization of collateral is unlikely if such problems are not solved;

(iv) where the creditworthiness of the debtor has not weakened since the date the loan was granted but is likely to weaken due to an irregular and unmanageable cash flow structure;

(v) where delinquency in principal and/or interest payments lasts for a period of time (starting on the maturity date) more than 30 days but not more than 90 days due to reasons that cannot be interpreted as credit deterioration;

(vi) subject to expected credit loss provisioning required for financial assets with a significant increase in credit risk according to TFRS 9;

(vii) where net realizable value of collateral is below the book value of receivables, in the case of repayment being solely dependent upon realisation of collateral;

(viii) subject to forbearance measures if the loan were to be classified under Stage 1 (*Standard Loans and Other Receivables*) or Stage 2 (*Closely Monitored Loans and Other Receivables*) and it does not satisfy the criteria for "non-performing loans"; or

(ix) subject to forbearance measures if the loan were to be classified as "non-performing" and classified as "performing" upon the realization of conditions stated in Article 7 of the Regulation.

(c) which are very likely to be repaid but where the collection of principal and interest have not been made for justifiable reasons and are delayed for more than 30 days but do not fall within the scope of loans or other receivables with limited recovery as grouped in the Stage 3 below; or

(d) although the credit standing of the debtor has not weakened, there is a high likelihood of it weakening due to the debtor's irregular cash flow which is difficult to control.

On 27 March 2020 (with retroactive effect from 17 March 2020), the BRSA announced, as part of the measures taken to combat the impact of the COVID-19 pandemic, a temporary rule (which was initially announced to be effective until 31 December 2020) providing that the 30 days referred to in clause (b)(v) is replaced with 90 days, resulting in loans remaining categorised as Stage 1 loans longer and then moving into Stage 2 loans at 90 days. As per the BRSA's resolution numbered 9624 and dated 17 June 2021, the effective date of this temporary measure was extended until 30 September 2021.

If a loan customer has multiple loans and any of these loans is classified in Stage 2 and others are classified in Stage 1, then all of such customer's loans are required to be classified in Stage 2. The terms of a bank's loans and receivables which fall within the classification requirements of this stage may be modified provided they continue to meet the classification requirements for this group. However, in the event that such modification relates to the extension of the initial payment plan under the loan or receivable, a general loan provision, not being less than 2.5 times the sum of 2 per cent. of the cash loan portfolio plus 0.4 per cent. of the non-cash loan portfolio for closely-monitored loans will be set aside and such modifications are required to be disclosed in the financial reports which are disclosed to the public. This ratio is required to be at least 1.25 times the applicable consumer loans provisions for amended consumer loan agreements (other than auto and housing loans). The modified loan or receivable may not be subject to this additional general loan provision if such loan or receivable has low risk, is extended with a short term and the interest payments thereof are made in a timely manner and **provided that** the principal amount of such loan or receivable must be repaid within a year, at the latest, if the term of the loan or receivable is renewed without causing any additional cost to a bank.

3. *Loans and Other Receivables with Limited Collection Ability*: This group involves loans and other receivables:

(a) with limited collectability due to the resources of, or the securities furnished by, the debtor being found insufficient to meet the debt on the due date, and where if the problems observed are not eliminated, they are likely to give rise to loss;

(b) the credibility of whose debtor has weakened and where the loan is deemed to have weakened;

(c) collection of whose principal and interest or both has been delayed for more than 90 days but not more than 180 days from the due date;

The following loans and other receivables belong to this sub-group:

(i) where the debtor's creditworthiness has deteriorated;

(ii) where full collection is unlikely without realizing collateral since net realizable value of collateral or debtor's own funds are inadequate to pay the debt on its maturity and loss is likely unless observed problems are resolved;

(iii) where principal and/or interest payments are overdue for a period of time more than 90 days but not more than 180 days;

(iv) where the bank is of the opinion that collection of principal and /or interest will occur more than 90 days from the maturity date or the due date due to reasons such as the debtor having problems in raising capital for its operating activities or in accessing additional liquidity due to unfavourable developments in macroeconomic conditions or in the sectors in which the debtor operates or, independent of the aforementioned factors, due to adverse developments specific to the debtor; or

(v) if it has been classified as performing loans following the application of forbearance measures but principal and/or interest payments are overdue for more than 30 days within the one-year probation period or the loan is subject to forbearance measures within the one year probation period; or

(d) in connection with which the bank is of the opinion the principal or interest of the loan or both will be delayed for more than 90 days from the due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity.

On 17 March 2020, as part of the measures taken to combat the impact of the COVID-19 pandemic, the BRSA implemented a temporary rule (which was initially announced to be effective until 31 December 2020) providing that the 90 days referred to in clauses (c)(iii) and (iv) are replaced with 180 days, resulting in loans remaining categorised as Stage 2 loans longer. As per the BRSA's resolution numbered 9624 and dated 17 June 2021, the effective date of this temporary measure was extended until 30 September 2021.

4. *Loans and Other Receivables with Remote Collection Ability*: This stage involves loans and other receivables:

(a) that seem unlikely to be repaid or liquidated under existing conditions;

(b) in connection with which there is a strong likelihood that the bank will not be able to collect the full loan amount that has become due or payable under the terms stated in the loan agreement;

(c) where the debtor's creditworthiness is deemed to have significantly weakened but which are not considered as an actual loss, yet due to such factors as a merger, the possibility of finding new financing or a capital increase; or

(d) "Doubtful Loans": The following loans belong to this sub-group:

(i) where full collection of principal and/or interest in accordance with the contract is unlikely without realizing collateral;

(ii) where the debtor's creditworthiness has deteriorated seriously but the loan is not considered a complete loss due to the potential interventions available such as a new merger, new financings and new capital contributions for the debtor and recoverability of the loan;

(iii) where principal and/or interest payments are overdue for a period of time between 181 days and one year from the due date; or

(iv) where delinquency in the payments of principal and /or interest is expected for more than 180 days from the maturity date or the due date due to unfavourable developments in macroeconomic conditions or in the sectors in which the debtor operates, or, independent of the aforementioned factors, due to adverse developments specific to the debtor.

(e) there is a delay of more than 180 days but not more than one year from the date on which credit amount has become due or payable in the collection of the principal or interest or both.

5. *Loans and Other Receivables Considered as Losses:* This stage involves loans and other receivables:

(a) that are deemed to be uncollectable;

(b) collection of whose principal or interest or both has been delayed by one year or more from the date on which they have become due or payable; or

(c) for which, although carrying the characteristics stated in Groups 3 or 4 above, the bank is of the opinion that they have become weakened and that the debtor has lost his creditworthiness due to the strong possibility that it will not be possible to fully collect the amounts that have become due and payable within a period of over one year.

(d) "Loans classified as a Loss": The following loans belong to this category:

(i) where nil or negligible collection is expected since the creditworthiness of the debtor has completely deteriorated;

(ii) where despite otherwise meeting the criteria for being classified under Stage 3 (*Loans and Other Receivables with Limited Collection Ability*) or Stage 4 (*Loans and Other Receivables with Remote Collection Ability*), delinquency in payments is expected for more than a year; or

(iii) where principal and/or interest payments are overdue for a period of time more than one year from the due date.

Exchange Rate Exposure

According to the Calculation of the Standard Ratio of the Net Short Foreign Currency Position to the Capital Base on a Consolidated and an Unconsolidated Basis by the Banks and its Implementation, banks are obliged to calculate the standard ratio of their net short foreign currency position to their capital base daily in accordance with the criteria on the declaration forms to be sent to the BRSA by the banks. The weekly average of the absolute values of the standard ratios of a bank's net short foreign currency position to its capital base, calculated over the working days in that week, cannot exceed 20 per cent., based on both consolidated and non-consolidated financials.

Capital Adequacy

Article 45 of the Banking Law defines "**Capital Adequacy**" as having adequate equity against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, maintain and report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8.0 per cent. Despite the statutory 8.0 per cent. minimum capital adequacy ratio requirement, the BRSA has declared in the press that its approach is, and will continue to be, to prohibit banks with a capital adequacy ratio less than 12.0 per cent. from opening new branches.

The BRSA is authorised to increase the minimum capital adequacy ratio and the minimum consolidated capital adequacy ratio, to set different ratios for each bank and to revise the calculation and notification periods, but must consider each bank's internal systems as well as its asset and financial structures. Both the minimum total capital adequacy ratio and the minimum consolidated capital adequacy ratio for the group as required by the BRSA is currently 8.0 per cent. In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4.0 per cent. higher than the legal capital ratio of 8.0 per cent (in each case, excluding capital buffers).

In order to implement the rules of the report entitled "A Global Regulatory Framework for More Resilient Banks and Banking Systems" published by the Basel Committee in December 2010 and revised in June 2011 (i.e., Basel III) into Turkish law, the Equity Regulation and amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks (which was later replaced by the Capital Adequacy Regulation, effective as of 31 March 2016, (the "Capital Adequacy Regulation")), entered into effect on 1 January 2014. The BRSA published several new regulations,communiqués and amendments to its existing regulations and communiqués (including No. 29511 published in the Official Gazette dated 23 October 2015 and No. 29599 published in the Official Gazette dated 20 January 2016) in accordance with the Basel Committee's RCAP, which is conducted by Kuveyt Türk's for BIS and reviews Turkey's compliance with Basel regulations.

Under the Equity Regulation, subordinated loans are included under "additional Tier I capital" and "Tier II capital", subject to certain conditions; however, their amounts are required to be reduced by the amount of any cash credit extended to creditors holding 10 per cent. or more of such loans of a bank (or to any person within such creditor's risk group).

Pursuant to Article 44/3 of the Banking Law and Article 14 of the BRSA Regulation, the net worth of a bank (i.e., the bank's equity) consists of main capital and supplementary capital minus capital deductions. The Equity Regulation defines the capital of a bank as the sum of: (a) principal capital (*i.e.,* Tier I capital), which is composed of core capital and additional principal capital (i*.e.,* additional Tier I capital) and (b) supplementary capital (*i.e.,* Tier II capital) *minus* capital deductions. The Equity Regulation was amended on 11 July 2017, to remove certain capital deduction items such as real estate and goods held by the banks in specific circumstances.

The Capital Adequacy Regulation replaced the former regulation, namely the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, which was published in the Official Gazette dated 28 June 2012 and numbered 28337. Pursuant to the Capital Adequacy Regulation: (i) both the minimum core capital adequacy ratio and the minimum consolidated core capital adequacy ratio are 4.5 per cent., and (ii) both the minimum Tier I capital adequacy ratio and the minimum consolidated Tier I capital ratio are 6.0 per cent. The Capital Adequacy Regulation maintained the capital adequacy ratios introduced by the former regulation, but changed the risk weights of certain items.

Accordingly, pursuant to the Capital Adequacy Regulation, the risk weights of certain assets are decreased such as:

(a) the risk weights of exposures secured by residential real estate from 50 per cent. to 35 per cent.,

(b) the risk weights of consumer loans (excluding residential mortgage loans and credit cards) qualifying as retail loans in accordance with the Capital Adequacy Regulation and instalment payments of credit cards from a range of 100 per cent. to 250 per cent. (depending upon their outstanding tenor) to 75 per cent. (irrespective of their tenor); provided that such receivables are not re-classified as non-performing loans, and

(c) the credit conversion factors of commitments for credit cards and overdrafts from 20 per cent. to 0 per cent..

On 7 February 2017, the BRSA published a decision that enables banks to use 0 per cent. risk weightings for Turkish Lira-denominated exposures guaranteed by the Credit Guarantee Fund and supported by the Turkish Treasury. On 12 June 2018, the BRSA announced its decision (dated 7 June 2018 and numbered 7841) to amend the per customer total risk limit for loans described in clause (b) above, which is the upper limit for such loans subjected to the 75 per cent. risk weight, from TRY 4,200,000 to TRY 5,500,000, which was then increased to TRY 7,000,000 on 18 January 2019.

While the previous rules provided a 0 per cent. risk weight for exposures to the Turkish sovereign and the Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which currently results in a 50 per cent. risk weighting for Turkey; however, the Turkish rules implementing the Basel principles in Turkey revised this general rule by providing that all Turkish Lira-denominated claims on sovereign entities in Turkey and the Central Bank shall have a 0 per cent. risk weight. According to the Capital Adequacy Regulation, only Turkish Lira-denominated claims on the Central Bank will continue to be subject to a preferential treatment of a 0 per cent. risk weight, whereas the risk weights of foreign currency-denominated claims on the Central Bank in

the form of required reserves will be increased from 0 per cent. to 50 per cent.. According to the guidance published by the BRSA on 24 February 2017, foreign exchange-required reserves held with the Central Bank and with further guidance published by the BRSA on 16 April 2020 with its decision numbered 8999, all exposures to the Central Government of Turkey regardless of the denomination will now also be subject to a 0 per cent. risk weight. In response to the COVID-19 pandemic, on 23 March 2020, the BRSA announced temporary regulatory forbearance measures (the "**Temporary Forbearances**") (which were applicable until 31 December 2020) that allow banks to: (i) in their financial statements from 31 March 2020 through 31 December 2020, use the foreign exchange buying rates that are used in their 2019 year-end financial statements for TL conversion of FX denominated risk weighted assets, and (ii) if the net valuation differences of the securities classified in the "fair value through other comprehensive income" portfolio as of 23 March 2020 are negative, exclude these differences through 31 December 2020 when calculating a bank's legal equity in accordance with the Equity Regulation and its capital adequacy ratio. According to the BRSA decision dated 8 December 2020 and numbered 9312; the BRSA has provided the temporary possibility (effective until 30 June 2021, which was later extended to 30 September 2021) to the banks to use the simple arithmetic average of the Central Bank F/X buying rates for the last 252 business days before the calculation date, in the calculation of amount subject to credit risk in accordance with the Capital Adequacy Regulation, when calculating the value of monetary assets and non-monetary assets (excluding the F/X-denominated items valued at the historical cost) in accordance with the TAS and the relevant special provision amounts.

In addition, the Regulation on the Capital Maintenance and Cyclical Capital Buffer and the Regulation on the Measurement and Evaluation of Leverage Levels of Banks were published in the Official Gazette dated 5 November 2013 and numbered 28812, which regulations entered into force on 1 January 2014 (with the exception of certain provisions of the latter regulation that entered into effect on 1 January 2015). The Regulation on the Capital Maintenance and Cyclical Capital Buffer provides additional core capital requirements both on a consolidated and bank-only basis. Pursuant to this regulation, the additional core capital requirements are to be calculated by the multiplication of the amount of risk-weighted assets by the sum of a capital maintenance buffer ratio and bank-specific countercyclical buffer ratio. The Regulation on the Measurement and Evaluation of the Leverage Level of Banks seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and bank-only basis against leverage risks. In this context, the BRSA further published: (a) its decision dated 18 December 2015 and numbered 6602 regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (b) its decision dated 24 December 2015 and numbered 6602 regarding the determination of such countercyclical capital buffer. Pursuant to these decisions, the countercyclical capital buffer for Turkish banks' exposures in Turkey was initially set at 0 per cent. of a bank's risk-weighted assets in Turkey (effective as of 1 January 2016); however, such ratio might fluctuate between 0 per cent. and 2.5 per cent. as announced from time to time by the BRSA. Any increase to the countercyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as of the date of the relevant public announcement.

Equity

Under the Equity Regulation, the bank's own funds consist of main capital (consisting of common capital and additional main capital) (i.e., Tier I capital) and supplementary capital (i.e., Tier II capital) minus capital deductions. Subordinated debts of a bank are grouped as "primary subordinated debts" (including utilisations in loan and bond format) and "secondary subordinated debts" (including utilisations in loan and bond format) and are listed as one of the items that constitute Tier I and Tier II capital, respectively.

Pursuant to the BRSA's decisions on cyclical capital buffer, the cyclical buffer for Turkish banks' exposures in Turkey was initially set at 0 per cent. of a bank's risk-weighted assets in Turkey (effective as at 1 January 2016); however, such ratio might fluctuate between 0 per cent. and 2.5 per cent. as announced from time to time by the BRSA. Any increase to the cyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as at the date of the relevant public announcement.

Under the Equity Regulation debt instruments and their issuance premia could be included either in additional Tier I capital or in Tier 2 capital subject to certain conditions; however in accordance with the amendment published in the Official Gazette dated 23 October 2015 and numbered 29511, as at 31 March 2016, such amount is required to be reduced (for the purpose of calculating capital) by any investment by a Turkish bank in additional Tier 1 or Tier 2 capital of another bank or financial institution holding such Turkish bank's additional Tier 1 or Tier 2 capital, as applicable.

According to the amendments to the Equity Regulation and the Capital Adequacy Regulation that will become effective as at 1 January 2022, general provisions will, from the effective date, no longer be allowed to be included in the supplementary capital (i.e. Tier 2 capital) of Turkish banks and will be deducted from their risk-weighted assets.

Tier II Rules under Turkish Law

Previous Tier II Rules. Secondary subordinated debts were, through 31 December 2013, regulated under the 2006 Equity Regulation. The following describes the rules previously applicable to Kuveyt Türk's secondary subordinated debts that were issued before 1 January 2014, which rules continue to apply to such subordinated debts notwithstanding the Equity Regulation.

According to the 2006 Equity Regulation, the net worth of a bank (*i.e.,* the bank's own funds) consists of main capital and supplementary capital *minus* capital deductions. In the relevant definition, "secondary subordinated loans" (which as defined can also include bonds) are listed as one of the items that constitute a bank's supplementary capital (*i.e.,* "Tier II" capital); *however,* loans provided to the banks by their affiliates or debt instruments issued to their affiliates do not fall within the scope of such "secondary subordinated loans. " Unless temporarily permitted by the BRSA in exceptional cases, the portion of primary subordinated debts that is not included in the calculation of "Tier I" capital *plus* the total secondary subordinated debts that, in aggregate, exceeds 50 per cent. of "Tier I" capital is not taken into consideration in the calculation of "Tier II" capital. During the final five years of a secondary subordinated debt, the amount thereof to be taken into account in the calculation of the "Tier II" capital would be reduced by 20 per cent. per year. In addition, any secondary subordinated debt with a remaining maturity of less than one year is not included in the calculation of "Tier II" capital. A secondary subordinated debt is taken into account in the calculation of "Tier II" capital on the date of the accounting of such secondary subordinated debt on the books of the relevant bank.

The 2006 Equity Regulation requires banks to obtain the prior permission of the BRSA for a debt to be classified as a "secondary subordinated loan." In order to obtain such permission, the bank must submit to the BRSA the original copy or a notarized copy of the applicable agreement(s), and if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original to be made after receipt of the BRSA's consent). The BRSA would, in considering any such request for its permission, determine if the credit in question meets the following criteria:

- the debt must have an initial maturity of at least five years and the agreement must contain express provisions that prepayment of the principal cannot be made before the expiry of the five-year period and the creditors waive their rights to make any set-offs against the bank with respect to such debt; *it being understood* that interest and other charges may be payable during such five year period;

- there may be no more than one repayment option before the maturity of the debt and, if there is a repayment option before maturity, the date of exercising the option must be clearly defined;

- the creditors must have agreed expressly in the agreement that in the event of dissolution and liquidation of the bank, such debt will be repaid before any payment to shareholders for their capital return and payments on primary subordinated debts but after all other debts;

- it must be stated in the agreement that the debt is not related to any derivative operation or contract violating the condition stated in clause (c) or tied to any guarantee or security, in one way or another, directly or indirectly, and the debts cannot be assigned to any affiliates of the bank;

- it must be utilized as one single drawdown if utilized in the form of a loan and it must be wholly collected in cash if in the form of a debt instrument; and

- payment before maturity is subject to approval of the BRSA.

If the interest rate applied to a secondary subordinated debt is not explicitly indicated in the loan agreement or the text of the debt instrument or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorize the inclusion of the loan or debt instrument in the calculation of "Tier II" capital.

In cases where the parties subsequently agree that a secondary subordinated debt be prepaid prior to its stated maturity (but in any event after the fifth anniversary of its utilization), they would be required to apply for the BRSA's permission. Upon any such application, the BRSA would, in its sole discretion, determine if any such prepayment would adversely affect the bank's credit lines and limits or its compliance with the applicable standard ratios and give or decline to give its consent accordingly.

In connection with secondary subordinated debts pursuant to which it has been agreed that a prepayment option shall be available and the remaining maturity is calculated by way of taking into account the originally agreed maturity date (*i.e.,* not on the basis of the prepayment option date), such prepayment option can only be exercised with the consent of the BRSA, which would apply the criteria stated above.

Subordinated debt instruments that do not meet the New Tier II Conditions described below as of 1 January 2014 are not required to meet such conditions or otherwise become subject to such conditions (*e.g.,* they are not subject to the new loss absorbency rules); *however,* the issuing bank will be permitted to take them into account for equity calculation only after reducing their nominal amount over the total amount of the Tier II instruments by 10 per cent. each year effective from 1 January 2015. Additionally, debt instruments that provide for an increase in interest rate after 1 January 2015 shall not be taken into account in equity calculations as of the date of increase.

New Tier II Conditions. According to the Equity Regulation (including provisional articles relating to the transition period to the New Tier II Rules), which came into force on 1 January 2014, Tier II capital shall be calculated by subtracting capital deductions from general provisions that are set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts for receivables (as the case may be, depending upon the method used by the bank to calculate the credit risk amounts of the applicable receivables) and the debt instruments that have been approved by the BRSA upon the application of the board of directors of the applicable bank along with a written statement confirming compliance of the debt instruments with the conditions set forth below and their issuance premia (the "**New Tier II Conditions**"):

- the debt instrument shall have been issued by the bank and approved by the CMB and shall have been fully collected in cash;

- in the event of dissolution of the bank, the debt instrument shall have priority over debt instruments that are included in additional Tier I capital and shall be subordinated with respect to rights of deposit holders and all other creditors;

- the debt instrument shall not be related to any derivative operation or contract violating the condition stated in clause (b) nor shall it be tied to any guarantee or security, in one way or another, directly or indirectly;

- the debt instrument must have an initial maturity of at least five years and shall not include any provision that may incentivize prepayment, such as dividends and increase of interest rate;

- if the debt instrument includes a prepayment option, such option shall be exercisable no earlier than five years after issuance and only with the approval of the BRSA; approval of the BRSA is subject to the following conditions:

  (a) the bank should not create any market expectation that the option *will* be exercised by the bank;

  (b) the debt instrument shall be replaced by another debt instrument either of the same quality or higher quality, and such replacement shall not have a restrictive effect on the bank's ability to sustain its operations; or

  (c) following the exercise of the option, the equity of the bank shall exceed the higher of: (1) the capital adequacy requirement that is to be calculated pursuant to the regulation on the measurement and evaluation of capital adequacy of banks along with the procedures and principles on capital buffers that are to be set by the BRSA, (2) the capital requirement derived as a result of an internal capital adequacy evaluation process of the bank and (3) the higher capital requirement set by the BRSA (if any);

however, if tax legislation or other regulations are materially amended, a prepayment option may be exercised; **provided that** the above conditions are met and the BRSA provides its approval;

- the debt instrument shall not provide investors with the right to demand early amortization except for during a bankruptcy or dissolution process relating to the issuer;
- the debt instrument's dividend or interest payments shall not be linked to the creditworthiness of the issuer;
- the debt instrument shall not be: (i) purchased by the issuer or by corporations controlled by the issuer or significantly under the influence of the issuer or (ii) assigned to such entities, and its purchase shall not be directly or indirectly financed by the issuer itself;
- if there is a possibility that the bank's operating license would be cancelled or the probability of transfer of management of the bank to the SDIF arises pursuant to Article 71 of the Banking Law, removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates would be possible if the BRSA so decides; and
- in the event that the debt instrument has not been issued by the bank itself or one of its consolidated entities, the amounts obtained from the issuance shall be immediately transferred without any restriction to the bank or its consolidated entity (as the case may be) in accordance with the rules listed above.

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of the New Tier II Conditions (except the issuance and approval by the CMB) are met also can be included in Tier II capital calculations.

In addition to the conditions that need to be met before including debt instruments and loans in the calculation of Tier II capital, the Equity Regulation also provides a limit for inclusion of general provisions to be set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts of receivables (as the case may be, depending upon the method used by Kuveyt Türk to calculate the credit risk amount of such receivables) in Tier II capital such that: (a) the portion of general provisions that exceeds 1.25 per cent. of the risk-weighted sum of the receivables and/or (b) the portion of surplus of provisions and capital deductions that exceeds 6 parts per 1,000 of the receivables to which they relate is not taken into consideration in calculating the Tier II capital.

Furthermore, in addition to the New Tier II Conditions stated above, the BRSA may require new conditions for each debt instrument and the procedure and principles regarding the removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates are determined by the BRSA.

Applications to include debt instruments or loans into Tier II capital are required to be accompanied with the original copy or a notarized copy of the applicable agreement(s) or, if an applicable agreement is not yet signed, a draft of such agreement (with submission of its original or a notarized copy to BRSA within five business days of the signing of the agreement). If the interest rate is not explicitly indicated in the loan agreement or the prospectus of the debt instrument (*borçlanma aracı izahnamesi*), or if the interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorize the inclusion of the loan or debt instrument in the calculation of Tier II capital.

Debt instruments and loans that are approved by the BRSA are included in accounts as Tier II capital as of the date of transfer to the relevant accounts in the applicable bank's records. Loan agreements and debt instruments that have been included in Tier II capital calculations, and that have less than five years to maturity, shall be included in Tier II capital calculations after being reduced by 20 per cent. each year.

Basel Committee

Basel II. The most significant difference between the capital adequacy regulations in place before 1 July 2012 and the Basel II regulations is the calculation of risk-weighted assets related to credit risk. The current regulations seek to align more closely the minimum capital requirement of a bank with its customers' credit risk profile. The impact of the new regulations on capital adequacy levels of Turkish banks largely stems

from exposure to the Turkish government, principally through the holding of Turkish government bonds. While the previous rules provided a 0 per cent. risk weight for exposures to the Turkish sovereign and the Turkish Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which currently results in a 50 per cent. risk weighting for Turkey; *however,* the Turkish rules implementing the Basel principles in Turkey (*i.e.,* the "**Turkish National Discretion**") revises this general rule by providing that all Turkish lira-denominated claims on sovereign entities in Turkey and all foreign currency-denominated claims on the Turkish Central Bank will have a 0 per cent. risk weight. As a result of these implementation rules, the impact of the new regulations has been fairly limited when compared to the previous regime. The BRSA announced that the migration from the previous regime to Basel II regulations had an effect of an approximately 0.20 per cent. decline in the capital adequacy levels of the Turkish banking system as of 31 July 2012. This figure is consistent with Kuveyt Türk's own experience (with its capital adequacy actually increasing slightly due to its diversified portfolio of retail loans, which benefit from certain preferential capital treatments) and thus no additional capital needs are projected for Kuveyt Türk in the short term due to this change in the regulatory capital adequacy framework.

Basel III. Turkish banks' capital adequacy requirements have been and might continue to be further affected by Basel III, as implemented by the Equity Regulations, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements. In 2013, the BRSA announced its intention to adopt the Basel III requirements and, as published in the Official Gazette dated 5 September 2013 and numbered 28756, adopted the Equity Regulation and amendments to the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, both of which entered into effect on 1 January 2014. The Equity Regulation introduced core Tier I capital and additional Tier I capital as components of Tier I capital, whereas the amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks: (a) introduced a minimum core capital adequacy standard ratio (4.5 per cent.) and a minimum Tier I capital adequacy standard ratio (6.0 per cent.) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0 per cent.) and (b) changed the risk weights of certain items that are categorized under "*other assets.*" The Equity Regulation also introduced new Tier II rules and determined new criteria for debt instruments to be included in the Tier II capital. Furthermore, The Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks was revised in the Official Gazette dated 23 October 2015 (numbered 29511) and entered into force on 31 March 2016. The Regulatory Consistency Assessment Programme ("**RCAP**") of Basel Committee assessed Turkey as compliant with the Basel risk-based capital standards and the minimum Basel liquidity coverage ratio standard in March 2016. According to amendments to the Equity Regulation and the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, from 1 January 2022, general provisions will no longer be allowed to be included in the supplementary capital (i.e., Tier 2 capital) of Turkish banks and be deducted from their risk-weighted assets.

In addition to these implementations: (a) the Regulation on the Capital Maintenance and Cyclical Capital Buffer, which regulates the procedures and principles regarding the calculation of additional core capital amount, and (b) the Regulation on the Measurement and Evaluation of Leverage Levels of Banks, through which regulation the BRSA seeks to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and non-consolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach), were published in the Official Gazette dated 5 November 2013 and numbered 28812 and entered into effect on 1 January 2014 with the exception of certain provisions of the Regulation on the Measurement and Evaluation of Leverage Levels of Banks that entered into effect on *5* January 2015. Lastly, the BRSA issued the Regulation on Liquidity Coverage Ratios seeking to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, both on a consolidated and unconsolidated basis, which entered into effect immediately with the provisions thereof becoming applicable as of 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance, which entered into effect on 1 January 2015, pursuant to the BRSA Decision on Liquidity Ratios).

On 23 October 2015, the BRSA issued certain amendments to regulatory capital regulations with a view to aligning the Turkish regulatory capital regime with Basel III requirements, which are all published in the Official Gazette numbered 29511. Briefly, these new regulations foresee (i) certain amendments to the Equity Regulation, introducing certain clarifications to the eligibility requirements of Additional Tier I and Tier II instruments and also amending the regulatory treatment of certain capital items that are taken into account for the purposes of calculating regulatory capital of the banks; (ii) certain amendments to the

Internal Systems Regulation imposing new regulatory requirements to enhance the effectiveness of the internal risk management and internal capital adequacy assessment including amongst others, introduction of new stress test requirements; and (iii) the introduction of a new Regulation on the Measurement and Evaluation of Capital Adequacy of Banks to replace the existing regulation.

The BRSA issued amendments to the Equity Regulation in the Official Gazette dated 20 January 2016 and numbered 29599. These amendments introduced certain limitations to the items that are included in the capital calculations of banks that have issued old-style Additional Tier 1 and old-style Tier 2 instruments prior to 1 January 2014 and some adjustments in capital deduction items. Accordingly, the old-style Tier 2 instruments treated under the Bank's Tier 2 capital is now subject to greater deduction in such capital treatment. The amortisation of the grandfathering treatment for old-style Tier 2 instruments increased with the deduction for such capital treatment increasing from 20 per cent. to 40 per cent. for 2016.

On 23 February 2016, the BRSA issued the domestic systemically important banks ("**D-SIBs**") regulation (the "**D-SIBs Regulation"**) introducing a methodology for assessing the degree to which banks are systemically important in the domestic market. The contemplated methodology requires the identification of the Turkish DSIBs under four different categories based on their 2014 year-end consolidated financial statements, and requires the banks falling within these categories to hold 1 to 3 per cent. of additional core capital (*ilave çekirdek sermaye*) of their total risk-weighted assets.

The Basel Committee has also proposed that the risk sensitive capital framework should be supplemented with a non-risk based measure, the leverage ratio. The leverage ratio will be calculated as the Tier I capital divided by the exposure (on and off-balance sheet exposures, with certain adjustments for selected items such as derivatives). A minimum leverage ratio of 3 per cent. will be evaluated during a parallel run period. Another new key component of the Basel III framework is the introduction of increased regulations for liquidity risks. The objective of the liquidity reform is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. The Basel Committee has developed two new quantitative liquidity standards as part of the Basel III framework, which are the liquidity coverage ratio ("**LCR**") and the net stable funding ratio ("**NSFR**"). The LCR aims to ensure that a bank maintains an adequate level of unencumbered, high quality assets that can be converted into cash to meet its liquidity needs for a 30-day time horizon under an acute liquidity stress scenario. The NSFR, on the other hand, establishes a minimum acceptable amount of stable funding, based on the liquidity characteristics of an institution's assets and activities over a one-year horizon. These standards aim to set the minimum levels of liquidity for internationally active banks.

Reserves and Liquidity Reserve Requirement

Article 46 of the Banking Law requires Turkish banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures to be set out by the BRSA. Within this framework, a comprehensive liquidity arrangement was put into force by the BRSA, following the consent of the CBT.

Pursuant to the amendments made to the Communiqué Regarding Reserve Requirements, published in the Official Gazette dated 1 July 2021 and numbered 31528 (the "**Communiqué Regarding Reserve Requirements**"), the reserve requirements regarding foreign currency liabilities vary by category. Foreign currency liabilities as at the date of this Prospectus, are as set out below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts, deposits/participation accounts (excluding foreign bank deposit/participation funds and precious metal deposit accounts) up to 1-month, up to 3-month, up to 6-month and up to 1-year maturities	21%
Deposits/participation accounts (excluding foreign bank deposit/participation funds and precious metal deposit accounts), with 1-year and longer maturity and cumulative deposits/participation accounts	15%
Precious metal deposit accounts with 1-month, up to 3-month, up to 6-month and up to 1-year maturities	22%
Precious metal deposit accounts with 1-year and longer maturity	18
Other Liabilities up to 1-year maturity (including 1-year)	21%
Other Liabilities up to 2-year maturity (including 2-year)	16%
Other Liabilities up to 3-year maturity (including 3 -year)	11%
Other Liabilities up to 5-year maturity (including 5 -year)	7%
Other Liabilities more than 5-year maturity	5%

The reserve requirements regarding Turkish lira liabilities vary by category, as set out below.

Turkish Lira Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts	8%
Deposits/participation accounts up to 1-month maturity (including 1-month)	8%
Deposits/participation accounts up to 3-month maturity (including 3-month)	8%
Deposits/participation accounts up to 6-month maturity (including 6-month)	6%
Deposits/participation accounts up to 1-year maturity	4%
Deposits/participation accounts up to 1-year and longer maturity and cumulative deposits/participation accounts	3%
Liabilities other than deposits/participation funds up to 1-year maturity (including 1-year)	8%
Liabilities other than deposits/participation funds up to 3-year maturity (including 3-year)	5.5%
Liabilities other than deposits/participation funds with longer than 3-year maturity	3%

The reserve requirements also apply to gold deposit accounts. Furthermore, pursuant to the amendments made to the Communiqué Regarding Reserve Requirements on 1 July 2021, banks are permitted to maintain:

(a) up to 0 per cent of the Turkish Lira reserve requirements in U.S. dollars (at 1.0 times the reserve requirement) and up to 15 per cent. of the Turkish Lira reserve requirements in standard gold (at 1.6 times the reserve requirement); and (b) up to the total amount of the foreign currency reserve requirements applicable to precious metal deposit accounts should be maintained in the form of standard gold in blocked accounts. In addition, pursuant to the Communiqué Regarding Reserve Requirements banks are required to maintain their required reserves against their U.S. dollar-denominated liabilities in U.S. dollars only. Furthermore, pursuant to the Communiqué Regarding Reserve Requirements, a bank must establish additional mandatory reserves if its financial leverage ratio falls within certain intervals. The financial leverage ratio is calculated according to the division of a bank's capital into the sum of the following items:

- its total liabilities;
- its total non-cash loans and obligations;
- its revocable commitments multiplied by 0.1;
- the total sum of each of its derivatives commitments multiplied by its respective loan conversion rate; and
- its irrevocable commitments.

This additional mandatory reserve amount is calculated quarterly according to the arithmetic mean of the monthly leverage ratio.

Starting in September 2010, reserve accounts kept in Turkish lira became non-interest-bearing (reserve accounts in foreign currencies had not been interest-bearing since 2008). However, as of 24 October 2014, interest has been paid by the CBT on Turkish lira liquidity reserve accounts. Pursuant to the announcement made by the Turkish Central Bank on 2 May 2015, reserve accounts in U.S. dollars became interest bearing as of 5 May 2015.

Pursuant to the Communiqué regarding Reserve Requirements numbered 2013/15, there is a new reserve requirement to be calculated based upon the financial leverage ratio of banks. The leverage ratio of a bank is determined as the ratio of the main capital of the bank to the sum of: (a) the total of its liabilities; (b) its non-cash loans and liabilities; (c) 10 per cent. of its revocable commitments; (d) the total amount to be calculated by the multiplication of each undertaking arising from derivative instruments with their own loan conversion ratio; and (e) the total amount of irrevocable undertakings. The reserve requirement based on the financial leverage ratio of banks is required to be determined for three-month periods by calculating the arithmetic average of monthly leverage ratios. The additional reserve requirements to be set aside in the

following quarter of the calculation period (calculated separately for each category of Turkish lira and foreign currency liabilities) vary by leverage ratios, as set forth below:

Calculation Period for the Leverage Ratio	Leverage Ratio	Additional Reserve Requirement
From the 4th quarter of 2013 through the 3rd quarter of 2014	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.25%	1.5%
	From 3.25% (inclusive) to 3.5%	1.0%
From the 4th quarter of 2014 through the 3rd quarter of 2015 (inclusive)	Below 3.0%	2.0%
	From 3.0% (inclusive) to 3.50%	1.5%
	From 3.5% (inclusive) to 4.0%	1.0%
Following the 4th quarter of 2015 (inclusive)	Below 3.0%	2.0%
	From 3.0% (inclusive) to 4.0%	1.5%
	From 4.0% (inclusive) to 5.0%	1.0%

Banks have been required to notify the CBT of their leverage ratios starting from 31 December 2012, and the above-described additional reserve requirements were first implemented in 2014 in respect of the 2013 year-end financial statements.

The Central Bank amended the Communiqué Regarding Reserve Requirements and limited the mandatory reserve ratios to 2 per cent. for banks that attained a loan growth (i.e., the sum of foreign exchange loans and Turkish lira denominated loans (excluding loans extended to banks) that are under close monitoring) between 10 per cent. and 20 per cent. With its amendment dated 9 December 2019, the Central Bank categorised banks into two groups as (i) banks with a real annual loan growth rate above 15 per cent. and an adjusted real loan growth rate below 15 per cent. ("**Stage 1**") and (ii) banks with a real annual loan growth rate not exceeding 15 per cent. and an adjusted real loan growth rate above 5 per cent. ("**Stage 2**") and imposed different calculation methods applicable to each category in order to determine their required reserve ratio. The Central Bank set the required reserve ratio at 2 per cent. for both categories in order to incentivise long-term commercial loans and long-term housing loans. Pursuant to the amendment, the adjusted annual rates of banks (which are calculated by deducting certain loans from the real annual growth rate) are taken as a reference point while determining banks which will be subject to the 2 per cent. required reserve ratio. However, the 2 per cent. incentive will not be applicable to Turkish Lira liabilities for deposits/participation accounts that have 1-year and longer maturities.

In 17 March 2020 (with retroactive effect from 6 March 2020), the Central Bank issued a press release announcing a temporary rule (effective until 31 December 2020) that foreign currency reserve requirement ratios were reduced by 500 basis points for all types of liabilities and maturities for banks that are in Stage 1 and Stage 2. In order to support short-term interest rates and to enhance resilience in the economy, the Central Bank amended the Communiqué Regarding Reserve Requirements on 20 June 2020. Pursuant to the amendment, until 25 December 2020, banks with a real annual loan growth rate above 15 per cent. and an adjusted real annual growth rate above 15 per cent. will also be considered in Stage 1.

Foreign Exchange Requirements

The ratio of a bank's foreign exchange net position to its capital base should not exceed 20 per cent., such calculation being required on a weekly basis. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank and its foreign branches, its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the ratio of a bank's net foreign exchange position to its capital base exceeds 20 per cent., then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year.

Savings Deposit Insurance Fund

Article 111 of the Banking Law relates to the SDIF and its principles. The SDIF is a public legal entity established to develop trust and stability in the banking sector by strengthening the financial structures of Turkish banks, restructuring Turkish banks as needed and insuring the savings deposits and participation funds of Turkish banks. The SDIF is responsible for and authorised to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

Insurance of Deposits

Pursuant to Article 63 of the Banking Law, savings deposits and individuals' participation funds held with banks are insured by the SDIF. The scope and amount of savings deposits and individuals' participation funds subject to the insurance, the tariff of the insurance premium, the time and method of collection of this premium, and other relevant matters are determined by the SDIF upon consultation with the Treasury, the BRSA and the CBT.

Borrowings of the SDIF

The SDIF may borrow in extraordinary situations upon an authorisation from the Treasury by borrowing Government debt securities which are issued by the Treasury where it is deemed necessary. Principles and procedures regarding the borrowing of Government debt securities, including their interest rates and terms and conditions of repayment to the Treasury, are to be determined together by the Treasury and the SDIF.

Power to Require Advances from Banks

If the assets of the SDIF do not meet the demands on it and the resources of the SDIF are insufficient, then banks may be required to make advances of up to the total insurance premiums paid by them in the previous year to be set off against their future premium obligations.

Contribution of the CBT

If the SDIF's resources prove insufficient due to extraordinary circumstances, then the CBT will, on request, provide the SDIF with an advance. The terms, amount, repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

Savings Deposits that are not subject to Insurance

Deposits held in a bank by controlling shareholders, the chairman and members of the board of directors or board of managers, general manager and assistant general managers, auditors and by the parents, spouses and children of the above, and deposits, participation funds and other accounts within the scope of criminally-related assets set forth in Article 282 of the Turkish Criminal Code and other deposits, participation funds and accounts as determined by the BRSA are not covered by the SDIF's insurance.

Premiums as an Expense Item

Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.

Liquidation

In the event of the bankruptcy of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Act, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.

Claims

In the event of the bankruptcy of a bank, holders of savings deposits will have a first-degree privileged claim in respect of the part of their deposit that is not covered by the SDIF.

Since 25 September 2019, deposit accounts (Turkish Lira, foreign exchange currency accounts or other accounts linked to precious metals) opened by natural persons in domestic branches are insured by the SDIF up to an amount of TL 150,000 per person, in each deposit bank.

Audit of Banks

Under Article 24 of the Banking Law, banks' boards of directors are required to establish audit committees for the execution of audit and monitoring functions. Audit committees must consist of a minimum of two members and be appointed from among the members of the board of directors who do not have executive duties. The duties and responsibilities of the audit committee include, among others: (i) the supervision of the efficiency and adequacy of the banks' internal control, risk management and internal audit systems; (ii) the functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation; (iii) the integrity of the information produced; (iv) conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors; (v) regularly monitoring the activities of independent audit firms selected by the board of directors; and (vi) in the case of holding companies covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidation and operate in a coordinated manner, on behalf of the board of directors.

The BRSA, as the principal regulatory authority in the Turkish banking sector, has the right to monitor compliance by banks with the requirements relating to audit committees. As part of exercising this right, the BRSA reviews audit reports prepared for banks by their independent auditing firms. Banks are required to select an independent audit firm in accordance with the Regulation on Independent Audit of Banks, published in the Official Gazette dated 2 April 2015 and numbered 29314. Professional liability insurance is required for: (a) independent auditors; and (b) if requested by the service-acquiring bank or required by the BRSA, evaluators, rating agencies and certain other support services. Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with the Turkish Accounting Standards. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a limited review by independent audit firms.

The reports prepared by independent audit firms are also filed with the CMB if the bank's shares are quoted on Borsa Istanbul and published on the Public Disclosure Platform. The CMB has the right to inspect the accounts and transaction records of any publicly traded company. In addition, quarterly reports that are subject to limited review must also be filed with the CMB and published on the Public Disclosure Platform.

All banks (public and private) undergo an annual audit by certified bank auditors who have the authority to audit banks on behalf of the BRSA. Audits by certified bank auditors encompass all aspects of a bank's operations, its financial statements and other matters affecting the bank's financial position, including its domestic banking activities, foreign exchange transactions and tax liabilities. Additionally, such audits seek to ensure compliance with applicable laws and the constitutional documents of the bank. The CBT has the right to monitor compliance by banks with the CBT's regulations through off-site examinations.

Pursuant to the Regulation on the Internal Systems of Banks, banks are obligated to establish, manage and develop (for themselves and all of their consolidated affiliates) internal audit and risk management systems in line with the scope and structure of their activities, in compliance with the provisions of such regulation. Pursuant to such regulation, the internal audit and risk management systems are required to be vested in a department of the bank that has the necessary independence to accomplish its purpose and such department must report to the bank's board of directors. To achieve this, according to the regulation, the internal audit and risk management systems personnel cannot also be appointed to work in another role. This prohibition is not applicable to the banks that are established by law with the purpose of development of the country or financing a specific sector or field, and which do not accept deposit funds or participation funds.

Anti-Money Laundering and Combating the Finance of Terrorism (AML/CFT) Policies

The AML/CFT policies applicable to banks are defined under the Law No. 5549 on Prevention of Laundering Proceeds of Crime, the Turkish Criminal Code No. 5237 and the Regulation on Program of Compliance with Obligations of Anti-Money Laundering and Combating the Finance of Terrorism, the Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism and related Financial Crime Investigation Board Communiqués and a new law on Combating the Finance of Terrorism number 6415 published in the Official Gazette on 16 February 2013 (together the "**Anti-Money Laundering Laws**").

Pursuant to the Anti-Money Laundering Laws, banks are required to identify their customers and the persons carrying out transactions on behalf of, or on account of, their customers. In the event there is any information or concern that a transaction concluded by a customer is a suspicious transaction or there are reasonable grounds to suspect that the asset which is the subject of the transaction, carried out or attempted to be carried out within or through a bank, is acquired through illegal means or used for illegal purposes, such a transaction must be reported by the relevant bank to the Turkish Financial Crimes Investigation Board. The notifying bank cannot disclose such notification to third parties, including the parties to the suspicious transaction, other than to the investigators assigned to inspect the transaction and the competent courts during legal proceedings.

When requested by the Financial Crimes Investigation Board or the investigators thereof, banks are required to provide information relating to their customers and their transactions. Furthermore, banks are required to maintain all the documents, books and records of identification documents regarding all transactions for eight years starting from the transaction date, the last record date and the last transaction date. The eight year period for identification documents relating bank accounts will commence on the closing date of the account. In addition to these, banks are required to provide them to the officials when requested.

Banks breaching any of the obligations set out in the Anti-Money Laundering Laws may, as at the date of this Prospectus, be subject to an administrative fine of approximately TRY 20,450. Furthermore, individuals who breach their duty of confidentiality with respect to the notification that they made regarding the suspicious transactions to the Financial Crimes Investigation Board and who fail to provide all necessary, information, documents, records, passwords, etc. to the public authorities, the Financial Crimes Investigation Board and inspection officials, when requested and keep all relevant documents, records, books etc., in relation to their duties and transaction within the scope of Anti-Money Laundering Laws for eight years starting from the transaction date, the last record date and the last transaction date may be subject to imprisonment with terms ranging from one year to three years.

The Law on Prevention of Financing of Terrorism number 6415 and dated 7 February 2013 has been enacted by the Republic of Turkey and it has been published in the Official Gazette No. 28561 dated 16 February 2013. This law sets out procedure and principles applicable to the freezing of assets in connection with decisions relating to the prevention of financing of terrorism within the framework of the International Convention for Suppression of the Financing of Terrorism (as adopted by the General Assembly of the United Nations on 9 December 1999). Financing of terrorism is defined as an offence committed by a legal entity or an individual by providing or collecting funds, directly or indirectly, unlawfully and wilfully, with the intention that such funds would be used, in full or in part, in order to carry out an act which constitutes an offence within the scope of and as defined, as applicable, in the:

- Law on Fighting with Terrorism (Law No. 3713);
- Convention for the Suppression of Unlawful Seizure of Aircraft, done at The Hague on 16 December 1970;
- Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, done at Montreal on 23 September 1971;
- Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents, adopted by the General Assembly of the United Nations on 14 December 1973;
- International Convention against the Taking of Hostages, adopted by the General Assembly of the United Nations on 17 December 1979;
- Convention on the Physical Protection of Nuclear Material, adopted at Vienna on 3 March 1980;
- Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, done at Montreal on 24 February 1988;
- Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation, done at Rome on 10 March 1988;

- Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms located on the Continental Shelf, done at Rome on 10 March 1988; and

- International Convention for the Suppression of Terrorist Bombings, adopted by the General Assembly of the United Nations on 15 December 1997.

Freezing of assets is defined as deprivation or restriction of disposal capacity over the relevant assets in order to prevent disappearance, consummation, conversion, transfer, assignment of such assets. Assets, which are disposal of persons listed in United Nations Security Council resolutions 1267 (1999), 1988 (2011) and 1989 (2011), shall be frozen upon promulgation of Council of Ministers Decree in the Official Gazette. Apart from funds of these persons, findings of investigations on funds conducted by the Financial Crimes Investigation Board must be submitted to the Inspection Commission. Decisions of the Inspection Commission shall enter into force upon its publication in the Official Gazette.

Banks are obliged to comply with the decisions of the Inspection Commission once they are published in the Official Gazette. Accordingly, funds and assets of individuals or legal entities against whom the Inspection Commission imposed a freeze order must be blocked and any disposal of such assets by such persons must be prevented by the bank within which such assets or funds are maintained. A responsible officer of a bank who fails to do so or delay the implementation of a freezing order shall be subject to imprisonment of a minimum of six (6) months and a maximum of two (2) years and a fine corresponding to his or her imprisonment. Additionally, legal entities, such as banks, where such responsible officer, shall be subject to a fine at the minimum amount of TRY 10,000 up to maximum amount of TRY 100,000.

Moreover, the Law on Preventing the Financing of the Proliferation of Weapons of Mass Destruction (Law No. 7262) for regulating the procedures and principles regarding the implementation of the sanctions decisions of the United Nations Security Council and preventing the financing of the proliferation of weapons of mass destruction entered into force as of 31 December 2020 pursuant to the Official Gazette dated 31 December 2020 and numbered 31351/5

These regulations include requirements to have written policies and procedures on anti-money laundering and "know your customer" principles such as assigning a compliance officer and an audit and review function to test the robustness of anti-money laundering policies and procedures.

Manipulation and Misleading Transactions in Financial Markets

On 20 February 2020, a new market manipulation concept was introduced into Turkish law by way of amendments made to the Banking Law. According to Article 76/A of the Banking Law, manipulation in financial markets will be deemed to occur, where a bank within the remit of the Banking Law, by way of undertaking banking activities as set forth under Article 4 of the Banking Law, (i) engages in activities with a view to making or creating artificial, false or misleading demand, supply or foreign exchange rate, (ii) disseminates false or misleading information through various media, including the internet, or (iii) engages in such other activities that would create misleading information for, or otherwise mislead, investors.

On 7 May 2020, the Regulation on Manipulative and Misleading Transactions in the Financial Markets (the "**Manipulation Regulation**") was published in the Official Gazette. The Manipulation Regulation aims to clarify, which activities fall within the ambit of the recently introduced manipulation offence, thereby aiming at curbing manipulative transactions that could worsen the current volatility of the Turkish Lira or, otherwise, harm the Turkish economy at large.

Turkish banks that engage in manipulative and misleading transactions may have a fine imposed of up to 5 per cent. of the sum of interest, profit share income, fees and commissions and other income of banking operations specified in the bank's most recent year-end financial statements, with such fine being no less than twice the benefit that such bank has derived from the concerned transaction.

Cancellation of Banking Licence

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's board of directors to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event the BRSA in its sole discretion determines that:

- the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due;

- the bank is not complying with liquidity requirements;
- the bank's profitability is not sufficient to conduct its business in a secure manner due to disturbances in the relation and balance between the expenses and profit;
- the regulatory equity capital of such bank is not sufficient or is to likely to become insufficient;
- the quality of assets of such bank have been impaired in a manner potentially weakening its financial structure, the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA;
- such bank fails to establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems or any factor impedes the supervision of such systems, or any factor impedes the audit;
- there has been a material increase in risks defined in the Banking Law and relevant legislation which weakens the bank's financial structure due to the imprudent acts of such bank's managers; or
- for D-SIBs, the precautions under the precaution plan are not implemented promptly, such precautions are unable to cure the applicable weakness or it is determined that such weakness cannot be cured even if such precautions were implemented,

then the BRSA may require the board of directors of such bank to take one or some of the following measures depending on the situation for a period determined by the BRSA and in accordance with a plan approved by the BRSA:

- to increase its equity capital;
- not to distribute dividends for a period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund;
- to increase its loan provisions;
- to stop extension of loans to its shareholders;
- to dispose of its assets in order to strengthen its liquidity;
- to limit or stop its new investments;
- to restrict payment of fees and other types of payments;
- to cease its long term investments;
- to cure the breach and comply with the relevant banking legislation;
- to cease its risky transactions, by re-evaluating its credit policy;
- to take all actions to decrease any maturity foreign exchange and interest rate risks; and/or
- to exercise other necessary actions to be determined by the BRSA,

In the event the aforementioned actions are not taken (in whole or in part) by that bank or its financial structure cannot be strengthened despite its having taken such actions, or its financial structure has become so weak that it could not be strengthened, then the BRSA may require such bank:

- to strengthen its financial structure, to increase its liquidity and/or capital adequacy;
- to dispose of its fixed assets and long-term assets within a reasonable time determined by the BRSA;
- to decrease its operational and management costs;

- to suspend its payments under any name whatsoever, excluding the regular payments to be made to its members;
- to limit or prohibit extension of any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors;
- to convene an extraordinary general assembly in order to change the members of the board of directors or assign new member(s) to the board of directors, in the event any board member is responsible for non-compliance with relevant legislation, a failure to establish efficient and sufficient operation of internal audit, internal control and risk management systems or non-operation of these systems efficiently or there is a factor that impedes supervision or such member(s) of the board of directors cause(s) to increase risks as stipulated above;
- to implement short-, medium- or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank or to take written undertakings from members of board of directors or qualified shareholders (as defined in the Banking Law) regarding such plans and projections; and/or
- to exercise other necessary actions to be determined by the BRSA.

In the event the aforementioned actions are not (in whole or in part) taken by that bank or are not sufficient to cause such bank to continue its business in a secure manner, then the BRSA may require such bank:

- to limit or cease its business or its whole organisation by its field of activity for a temporary period (to include its relations with its local or foreign branches and correspondents);
- to apply various restrictions, including restrictions on interest rate and maturity with respect to resource collection and utilisation;
- to remove from office (in whole or in part) its members of the board of directors, general manager and deputy general managers and department and branch managers from their offices and obtain approval from the BRSA as to the persons to be appointed to replace these individuals;
- to make available long-term loans, **provided that** these will not exceed the amount of deposit or participation funds subject to insurance, and be secured sufficiently by the shares or other assets of the controlling shareholders;
- to limit or cease its non-performing operations and to dispose of its non-performing assets;
- to merge with one or more other banks;
- to provide new shareholders in order to increase its equity capital;
- to cover its losses with its equity capital; and/or
- to exercise other necessary actions to be determined by the BRSA.

In the event: (a) the aforementioned actions are not (in whole or in part) taken by that bank within a period of time set forth by the BRSB or in any case within twelve months; (b) the financial structure of such bank cannot be strengthened despite its having taken such actions or the financial structure of such bank has become so weak that it could not be strengthened even if the actions were taken; (c) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation fund owners and the security and stability of the financial system; (d) such bank cannot cover its liabilities as they become due; (e) the total amount of the liabilities of such bank exceeds the total amount of its assets; or (f) the controlling shareholders or directors of such bank are found to have made use of that bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the licence of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the privileges of shareholders (excluding dividends) of such bank to the SDIF for the purpose of the whole or

partial transfer or sale of such bank to third persons or merger thereof, **provided that** the loss is deducted from the share capital of current shareholders.

In the event that the licence of a bank to engage in banking operations and/or to accept deposits is revoked, then that bank's management and audit will be taken over by the SDIF. Any and all execution and bankruptcy proceedings (including preliminary injunctions) against such bank would be discontinued as from the date on which the BRSA's decision to revoke such bank's licence is published in the Official Gazette. From the date of revocation of such bank's licence, the creditors of such bank may not assign their rights or take any action that could lead to assignment of their rights. The SDIF must take measures for the protection of the rights of depositors, participation fund owners and other creditors of such bank.

The SDIF is required to pay the insured deposits and insured participation funds of such bank either by itself or through another bank it may designate. In practice, the SDIF may designate another bank that is under its control. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking licence is revoked.

Annual Reporting

The Banking Law stipulates that banks are required to prepare an annual activity report that includes information about their status, management and organisation structures, human resources, activities, financial situations and assessment of the management and expectations, together with financial statements, summary of board of directors' report and independent audit report.

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (which are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual reports. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation. Turkish listed companies must also comply with the Communiqué on Principles of Financial Reporting in Capital Markets issued by the CMB.

Furthermore, Turkish companies (including banks) are required to comply with the Regulation regarding Determination of the Minimum Content of the Companies' Annual Reports published by the Ministry of Customs and Trade, as well as the Corporate Governance Communiqué, when preparing their annual reports. These reports are required to include the following information: management and organization structures, human resources, activities, financial situation, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorised to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

When the BRSA requests a bank's financial reports, the chairman of the board, members of the audit committee, general manager, deputy general manager responsible for financial reporting and the relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial report complies with relevant legislation and accounting records. In addition, foreign banks must have the members of the board of managers of their Turkish branches sign the annual reports.

All annual reports that banks present to their general assemblies must be approved by independent auditing firms.

Banks are required to submit their financial reports to related authorities and publish them in accordance with the BRSA's principles and procedures.

Further, banks are required to submit and publish activity reports that comply with the BRSA's established guidelines.

The Regulation on the Preparation and Publication of Annual Reports regulates the procedures and principles regarding the annual reports of banks to be published at the end of each fiscal year. According

to the regulation, a bank's financial performance and the risks that it faces need to be assessed in the annual report. The annual report is subject to the approval of the board of directors and must be submitted to the review of shareholders at least 15 days before the annual general assembly of the bank together with the assent of the independent auditing firm regarding such report. Each bank must: (i) submit electronically a copy of its annual report to the BRSA within 7 days following its publication; (ii) keep a copy of it in its headquarters; (iii) keep an electronic copy of it at each branch to provide it as printed, if requested, until the annual report for next year will be published; and (iv) publish it on its website by the end of May.

Disclosure of Financial Statements

With the Communiqué on Financial Statements to be Disclosed to the Public published in the Official Gazette No. 28337 dated 28 June 2012, new principles of disclosure of annotated financial statements of banks were promulgated. The amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios are reflected in the requirements relating to information to be disclosed to the public and new standards of disclosure of operational, market, currency and credit risk were determined. In addition, new principles were determined with respect to the disclosure of position risks relating from (*inter alia*) securitisation transactions and investments in quoted stocks.

The BRSA published amendments, which entered into force on 31 March 2016, to the Communiqué on Financial Statements to be Disclosed to the Public setting forth principles of disclosure of annotated financial statements of banks in accordance with the Communiqué on Public Disclosure regarding Risk Management of Banks and the Equity Regulation. The amendments reflect the updated requirements relating to information to be disclosed to the public in line with the amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios, liquidity coverage ratios and leverage ratios. Rules relating to equity items presented in the financial statements were also amended in line with the amendments to the Equity Regulation. Furthermore, the changes require publication of a loan agreement of the bank or a prospectus relating to a loan or debt instrument, which will be taken into account in the calculation of the capital of a (parent company) bank as an element for additional principal capital (i.e., additional Tier I capital) and supplementary capital (i.e., Tier II capital), on the bank's website. Additionally, banks are required to make necessary disclosures on their websites immediately upon repayment of a debt instrument, depreciation or conversion of a share certificate or occurrence of any other material change.

In addition, the BRSA published the Communiqué on Public Disclosure regarding Risk Management of Banks (which entered into force on 31 March 2016), which expands the scope of public disclosure to be made in relation to risk management in line with the disclosure requirements of the Basel Committee. According to this regulation, each bank is required to announce information regarding their consolidated and/or unconsolidated risk management related to risks arising from or in connection with securitisation, counterparty, credit, market and its operations in line with the standards and procedures specified in this regulation. Each bank is also required to form policies approved by its board of directors regarding internal audit and control processes relating to risk management.

New Consumer Loan and Credit Card Regulations

On 8 October 2013, the BRSA introduced new regulations that aim to limit the expansion of individual loans (especially credit card installments). The rules (as amended from time to time): (a) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements, (b) set a limit of TRY1,000 for credit cards issued to consumers who apply for a credit card for the first time if their income cannot be determined by the bank, (c) require credit card issuers to monitor cardholders' income levels before each limit increase of the credit card, (d) set the risk weight for installment payments of credit cards to 75 per cent. and (e) increase the minimum monthly payment required to be made by cardholders. Before increasing the credit card limit, a bank should monitor the income level of the consumer. A bank should not increase the limit of the credit card if the aggregate card limit exceeds four times the consumer's monthly income.

The Law on the Protection of Consumers (Law No: 6502), published in the Official Gazette No. 28835 dated 28 November 2013 which entered into force six months after its publication date, imposes new rules applicable to Turkish banks, such as requiring banks to offer to its customers at least one credit card type for which no annual subscription fee (or other similar fee) is payable. Furthermore, while a bank is generally permitted to charge its customers fees for accounts held with it, no such fees may be payable on certain specific accounts (such as fixed term loan accounts and mortgage accounts).

The Regulation Amending the Regulation on Bank Cards and Credit Cards published in the Official Gazette dated 31 December 2013 and numbered 28868 (which entered into force on 1 February 2014) introduced some changes on the credit limits for credit cards and income verification so that: (a) the total credit card limit of a cardholder from all banks will not exceed four times his/her monthly income in the second and subsequent years (two times for the first year) and (b) banks will have to verify the monthly income of the cardholders in the limit increase procedures and will not be able to increase the limit if the total credit card limit of the cardholder from all banks exceeds four times his/her monthly income. The following additional changes regarding minimum payment amounts and credit card usage were included in the amended regulation: (i) minimum payment amounts differentiated for first time cardholders in the sector, new cardholders, existing cardholders and existing cardholders' second card by customer limits, (ii) if the cardholder does not pay at least three times the minimum payment amount on his/her credit card statement in a year, then his/her credit card cannot be used for cash advance and also will not allow limit upgrade until the total statement amount is paid, and (iii) if the cardholder does not pay the minimum payment amount on three consecutive occasions, then his/her credit card cannot be used for cash advances or shopping, and such card will not be available for a limit upgrade, until the total amount in the statements is paid.

The BRSA, by the Regulation Amending the Regulation on Bank Cards and Credit Cards published in the Official Gazette dated 31 December 2013 and numbered 28868 (which entered into force on 1 February 2014), has adopted limitations on instalments of credit cards. Pursuant to such limitations (which limitations were amended as of 12 June 2019), the instalments for purchase of goods and services and cash withdrawals are not permitted to exceed a period of time between 6 and 18 months, depending on the type of expenditure incurred. In addition, in respect of telecommunication and jewellery expenditures and food, nutriment and fuel oil purchases, credit cards may not provide for instalment payments.

On 31 December 2013, the BRSA adopted new rules on loan to value ratios and maturities of certain types of loans. The minimum loan to value ratio requirement for housing loans extended to consumers, for other loans secured by houses and for finance lease transactions in respect of houses is 80 per cent. In respect of housing loans where the respective house has an energy performance rating of Class A or Class B, the loan to value ratio requirement is set at 90 and 85 per cent respectively, according to the amendment of 25 January 2019. In addition, for auto loans extended to consumers, for loans secured by autos and for finance lease transactions in respect of autos, the loan to value ratio requirement is set at 70 per cent., **provided that** in each case the sale price of the respective auto is not higher than TRY 120,000. On the other hand, if the sale price of the respective auto is above this TRY 120,000 threshold, then for such portion of the loan equal in amount to such threshold amount the loan to value ratio requirement is set at 70 per cent. and for the remainder of such loan amount, the loan to value ratio requirement is set at 50 per cent. There are limitations concerning the maturity of specific loans. For consumer loans (other than loans extended for housing finance, other real estate finance loans and education loans) and auto loans where the respective auto has a sale price of TRY 120,000 or lower, the maturity is limited to 60 months. For auto loans and loans secured by autos where the respective auto has a sale price in excess of TRY 120,000, the maturity is limited to 48 months. In respect of loans for the purchase of personal computers, the maturity is limited to 12 months. In respect of loans for the purchase of tablet computers, the maturity is limited to 6 months. In respect of loans for the purchase of mobile phones where the respective mobile phone has a sale price of TRY 3,500 or lower, the maturity is limited to 12 months and, where the respective mobile phone has a sale price in excess of TRY 3,500, the maturity is limited to 6 months. Provisions regarding the minimum loan-to-value requirement for auto loans entered into force on 1 February 2014 and the other provisions of this amendment entered into force on 31 December 2013. Values and thresholds have been amended as of 25 January 2019.

In addition, pursuant to the amendment published in the Official Gazette dated 28 March 2020 and numbered 31082, minimum payment ratios for credit cards will be determined by the BRSA at a rate between 20 per cent. and 40 per cent. The amendment also entitles the BRSA to set a minimum limit of credit cards. Accordingly, with its decision dated 30 March 2020 and numbered 8975, the BRSA decided that the minimum payment ratio may not be lower than 20 per cent. of the credit card term debt. The decision numbered 8975 also provides that banks may not request any payments from cardholders, including the minimum amount, and define non-payment periods until 31 December 2020 due to economic impacts of COVID-19 pandemic. For other coronavirus-related measures, see "*Overview of the Turkish Banking Sector and Regulations—Recent Coronavirus-related Measures*".

Provisioning and Impairment

Definitions of the methods used when determining the provision amount

TFRS 9 requires a 12-month expected credit loss provision for all financial assets in Stage 1 (please see below for the section entitled "Impairment") and the expected credit loss provision for all other financial assets. "12-month expected credit loss" represents the portion of the expected credit loss from probable default events within 12 months after the reporting date. "Lifetime expected credit losses" are losses from all possible default events during the expected life of the financial instrument after the reporting date. "Lifetime" refers to the maturity of the financial instrument. In non-maturity financial instruments, the bank calculates the behavioural maturity and uses this to calculate the expected loan loss. The expected credit losses (the "**ECLs**") are calculated at each instrument level by taking into account the projected cash flows, the probability of default, the default on loss, the credit conversion rate and the discount rate. In small, very unimportant and unrated portfolios, the ECL can be estimated on a collective basis.

The scope and definitions of "overdue" and "provision allocated" receivables for accounting purposes are as follows. "Overdue receivables" and "provision allocated receivables" are determined according to the Communique on Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves. Provision for receivables applies to all financial instruments other than those covered by TFRS 9 and whose fair value is reflected in the profit / loss.

The part of the overdue receivables (more than 90 days past the due date) for which provision is not allocated will receive different accounting treatment. This part, as defined in the "Regulation On The Procedures and Principles For Determining Loan Qualifications By Banks and Provisions To Be Set Aside" (as published in the Official Gazette dated 22 June 2016 and numbered 29750), is based on minimum, legal compulsory consideration of collateral except for the amount calculated by using ECLs in the calculation of lost in defaults. This portion corresponds to the rate determined by the Bank's past collection experience regarding the unsecured credit risk amount.

Disclosure of TFRS 9 Financial Instruments

TFRS 9 "Financial Instruments", which became effective as of 1 January 2018, was published by the Public Oversight Accounting and Auditing Standards Authority in the Official Gazette numbered 29953 dated 19 January 2017. TFRS 9 replaced TAS 39 (Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments). TFRS 9 also includes new principles for hedge accounting which aim to harmonize hedge accounting with risk management applications. In terms of permitted accounting policies, TFRS 9 presents the option of postponing the adoption of TFRS 9 hedge accounting and continuing to apply the hedge accounting provisions of TAS 39. Within this context, the Group elected to continue to apply the hedge accounting provisions of TAS 39. All recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and profit share on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("**FVTOCI**"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss. Dividends obtained from such investments are accounted for in the financial statements as profit or loss unless they are evidently part of the recoverable cost of investment.

Impairment

As of 1 January 2018, Kuveyt Türk recognized provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation On The Procedures and Principles For Determining Loan Qualifications By Banks and Provisions To Be Set Aside" (as published in the Official Gazette dated 22 June 2016 and numbered 29750). In this framework, as of 31 December 2017, the method of provisions for impairment as set out in the related legislation of BRSA as mentioned in the Section 3 Part VII-c of

Explanation on Accounting Policies changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include reliable information about past events, current conditions, and forecasts of future economic conditions. Certain modelling works were made in relation to the basic components of expected credit loss in advance of the adoption of TFRS 9, and models for probability of default ("**PD**") were developed on the basis of various credit portfolios. Credit portfolios are determined in accordance with customer segments constituting the basis of banking activities. Through the cycle probability of default made with these models, which were developed for use in the internal ratings-based approach, are converted into point in time probability of default, and these instant probabilities of default are used to calculate expected credit loss in the scope of TFRS 9. Loss given default ("**LGD**") calculation reflects the state withholding rates and the bank's prior collection performance in unsecured loans. Default amount ("**DA**") corresponds to the used balance on the reporting date for money loans, and to the balance after the application of the credit conversion rate for non-cash loans and commitment risks. Macroeconomic scenarios impact on the values of POD (probability on default) and LGD (loss given default). Three scenarios as "Base", "Good" and "Bad" and their expected credit loss are calculated. The default probabilities of borrowers and the loss given default ratios are changing for each scenario.

Kuveyt Türk has created a 3-stage impairment model based on a change in credit quality after initial recognition.

Stage 1: includes financial assets not having a significant increase in their credit risk from initial recognition till the following reporting date or financial assets having a low credit risk at the reporting date. 12-month expected credit losses are recognized for such financial assets. TFRS 9 replaces the 'realized loss' model in TAS 39 with the 'expected credit loss' model.

Stage 2: includes financial assets having a significant increase in their credit risk subsequent to the initial recognition, without Kuveyt Türk having objective evidence about impairment. Lifetime expected credit loss is recognised for such financial assets. In this context, the main considerations that are taken into account in determining whether there has occurred a significant increase in the credit risk of a financial asset and transferring the relevant financial asset to Stage 2 include without limitation:

(a) default outstanding for 30 days or more as of the reporting date;

(b) being in the scope of restructuring;

(c) close monitoring performed by the bank; or

(d) assessment of rating impairment.

The "rating impairment" or "rating note distortion" is determined by Kuveyt Türk undertaking a comparison of the rating note at reporting date and the rating note at credit opening date by using credit rating models on the basis of Bank's models of credit rating models depending on internal ratings. A rating note distortion is deemed to occur when a credit note that is calculated for the credit at reporting date exceeds the determined threshold.

Stage 3: includes financial assets where Kuveyt Türk has objective evidence about impairment at the reporting date. Lifetime expected credit losses are recognised for such financial assets. The impact of the adoption of TFRS 9 on the financial statements as of 1 January 2018, is recorded. Furthermore, Kuveyt Türk calculated deferred tax on the expected credit losses calculated on Stage 1 and Stage 2 loans and the impact regarding the tax deferred asset was accounted for under equity during transition.

The Group allocates impairment for expected loss on financial assets measured at amortised cost and measured at fair value through other comprehensive income. As of 1 January 2018, the Group has started to recognize provisions for classification of loans in accordance with the terms of TFRS 9 according to the "Regulation On The Procedures and Principles For Determining Loan Qualifications By Banks and Provisions To Be Set Aside" (as published in the Official Gazette dated 22 June 2016 and numbered 29750). In this framework, as of 31 December 2017, the method of provisions for impairment as set out in the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1: includes financial assets not having a significant increase in their credit risk from initial recognition till the following reporting date or financial assets having a low credit risk at the reporting date. 12-month expected credit losses are recognized for such financial assets.

Stage 2: includes financial assets having a significant increase in their credit risk subsequent to the initial recognition, without Kuveyt Türk having objective evidence about impairment. Lifetime expected credit losses are recognized for such financial assets.

Stage 3: includes financial assets where Kuveyt Türk has objective evidence about impairment at the reporting date. Lifetime expected credit losses are recognized for such financial assets.

Financial Services Fees

Pursuant to Heading XI of Tariffs Chart numbered 8 of the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

Banks' Information Systems

The BRSA enacted the Regulation on Banks' Information Systems and Electronic Banking Services (the "**IT Systems Regulation**") which was published in the Official Gazette No. 31069 dated 15 March 2020. The IT Systems Regulation was initially going to enter into force on 1 July 2020. However, the BRSA amended the IT Systems Regulation on 22 June 2020 and postponed the effective date from 1 July 2020 to 1 January 2021, except for certain provisions including those relating to track record mechanism, management of the outsourcing of services, reverse transaction in electronic banking, transaction security in mobile banking, electronic and mobile banking in authentication mechanism, transfer of sensitive and/or confidential information to customers via electronic banking, telephone banking and ATM banking.

As per the IT Systems Regulation, a bank's board of directors is liable for conducting effective supervision to manage any risks arising from the use of information systems. Accordingly, the IT Systems Regulation sets out that the board of directors must approve and establish a strategic plan, a strategy committee and a guidance committee related to information systems.

The IT Systems Regulation also sets forth the standards regarding the following points to control information systems:

- Establishment of authentication mechanisms;
- Establishment of track record mechanism for transactions related to information systems;
- Establishment of network security control systems;
- Security configuration management;
- Security vulnerability management;
- Cyber-attack management and cyber information sharing; and
- Creation of an information security awareness training programme.

Banks' Primary and Secondary Systems

The IT Systems Regulation clarifies the scope of primary and secondary systems, while requiring banks to keep these systems in Turkey. In this regard, except for banking transactions such as payments, and messaging systems that require interaction abroad by nature, the IT Systems Regulation requires banks to carry out their banking transactions without an approval procedure through a system abroad, and to continue providing banking services in Turkey through their primary and secondary systems even in cases of any disconnection with the networks abroad.

Continuity of Information Systems

As per the IT Systems Regulation, banks are required to set up back-up or hibernation schemes for critical hardware and systems, as well as, to create appropriate alternative communication channels should any interruptions to the network and communication infrastructure occur. Banks are obliged to keep records regarding the frequency, the method and the location of back-ups. Further, banks are required to procure the data requested by (i) the judicial authorities conducting an investigation or prosecution; or (ii) the BRSA, and to retain the original copies of the data and back up the data.

Electronic Banking Services

Pursuant to the IT Systems Regulation, banks must apply an authentication mechanism consisting of at least two independent components and to take measures to ensure the confidentiality of the authentication data. Further, banks are required to establish tracking mechanisms to detect and prevent unusual or fraudulent transactions under the scope of electronic banking services. Clients using the electronic banking services provided by banks will be explicitly informed of the terms, risks and exceptional circumstances regarding such services. The IT Systems Regulation provides for authentication and transaction security provisions related to online banking, mobile banking, telephone banking, open banking services and ATM banking.

Personal Data Protection

The Law on Protection of Personal Data (the "**Law No. 6698**") was accepted on 24 March 2016 and published in the Official Gazette dated 7 April 2016 and numbered 29677. A majority of the provisions of Law No. 6698 became effective from 7 April 2016.

Under Law No. 6698, the main requirement to collect and process personal data is to obtain explicit consent of the person whose data will be collected and processed ("**Data Subject**"). However, personal data can also be collected and processed without the Data Subject's consent in any of the conditions stated below:

- if collection and processing is permitted by any specific law provision,
- if the Data Subject is under a circumstance that prevents him/her from providing consent (due to an actual impossibility or lack of legal capacity) and processing is necessary for protection of the Data Subject's or third parties' life or physical integrity,
- if processing is necessary for the formation or performance of a contract to which the Data Subject is a party,
- if processing is mandatory for a data controller to perform his/her legal duties,
- if personal data has been made available to the public by the Data Subject himself/herself,
- if processing is mandatory for assigning, using or protecting a right,
- if processing is necessary for purposes within the scope of work and services provided by the data controller, which are considered by Turkish Law its "legitimate interest, " provided that the fundamental rights and freedoms of the Data Subject are protected.

Any personal data that is related to a Data Subject's race, ethnicity, political views, philosophical beliefs, religion, sect or other beliefs, appearance and way of dressing, association, foundation or union memberships, information related to health, sex life, past criminal convictions and biometric data are considered sensitive personal data. Under Law No. 6698, sensitive personal data may only be processed upon the Data Subject's explicit consent. The conditions to legally process sensitive personal data are as follows:

- obtaining explicit consent of the Data Subject and,
- taking necessary precautions determined by the data protection board of the Republic of Turkey ("**Data Protection Board**").

However, explicit consent of the Data Subject is not required to legally process the above noted sensitive data under any of the conditions set out below:

- sensitive data, except for data concerning health and sexual life, can be processed if explicitly permitted by law,
- data concerning health or sexual life can only be processed for the purposes of protection of public health and planning or sustaining health-care services by an authorised body or persons who are under an obligation of confidentiality,
- collection and processing are permitted by any specific law provision, and
- collection and processing are mandatory for assigning, using or protecting a right.

According to Law No. 6698, personal data may only be transferred to third parties with the Data Subject's explicit consent. In the absence of such consent, personal data may still be transferred to third parties if the conditions mentioned above for the processing of personal and sensitive data are met.

Personal data can also be transferred to third countries with the explicit consent of the Data Subject. In the absence of such consent, personal data may still be transferred to third countries if the conditions mentioned above for the processing of personal and sensitive data are met and the laws of the country to which the personal data will be transferred adequately protect personal and sensitive data.

In case there is no adequate legal protection for personal and sensitive data in the third country, the data controllers in Turkey and in the relevant country must undertake in writing to adequately protect such data and the Data Protection Board must also approve such transfer. The Data Protection Board will determine the list of countries which adequately protect and to which personal data may be transferred without the explicit consent of the Data Subject.

All personal data, processed or collected before the enactment of the Law No. 6698, is required to be brought in conformity with the articles of Law No. 6698 within two years.

In addition, the Banking Law provides a stricter protection regime applicable to banks in respect of customer secrets, defined under the Banking Law as "information collected related to an individual or entity's banking related activities after the customer relationship is established". Accordingly, if any personal data also falls within the scope of such definition, a specific instruction (in addition to the explicit consent requirement set out under the Law No. 6698) from the relevant client will be necessary for the bank to be able to share the customer secret with any third party. The Banking Law also grants vast authorities to the BRSA such as the power to prevent information sharing by banks with offshore entities at its own discretion in respect of specific data categories to be determined by the BRSA.

Caps on Fees Applicable to Financial Consumers

The Central Bank published the Communiqué on Rules and Procedures for Fees Applicable to Financial Consumers on the Official Gazette dated 7 March 2020 and numbered 31061 (the "**Financial Consumers Communiqué**"), which regulates the types and maximum amounts of the fees and commissions applicable to financial consumers with respect to the products and services offered by institutions (i.e., banks, financial institutions extending consumer loans and card issuers). Products and services chargeable by these institutions are classified under five categories: "Personal Loans", "Deposit/Participation Fund", "Money and Precious Metals Transfer", "Credit Cards" and "Others". The relevant institutions are prohibited from charging any kind of fees to financial consumers that are not listed under the Financial Consumer Communiqué; however, the amounts paid to third parties can be charged to the financial consumers. Further, in order to determine a new product or service or a new fee that are not listed under the Financial Consumer Communiqué, the institutions must obtain the Central Bank's approval. The Central Bank is authorised to amend the categories of the fees thereunder.

Recent Amendments to the Turkish Insolvency and Restructuring Regime

The Enforcement and Bankruptcy Law No. 2004 prevents a contractual arrangement by which a contractual event of default clause is stipulated to be triggered in case any application is made by a Turkish company for debt restructuring upon settlement (*uzlaşma yoluyla yeniden yapılandırma*) within the scope of this law. In addition, changes were introduced to this law on 15 March 2018 that (*inter alia*) states that the contractual

termination, default and acceleration clauses of an agreement cannot be triggered in case the debtor makes a concordat application and such application shall not constitute a breach of such agreement.

On 15 August 2018, the BRSA published the Regulation on Restructuring of Debts in the Financial Sector (the "**Restructuring Regulation**") pursuant to which a framework agreement was drafted by the Banks Association of Turkey (as amended, novated or supplemented from time to time and as reissued on 9 October 2019, the "**Framework Agreement**"). The main aim of the Restructuring Regulation is to enhance the repayment ability of debtors in repaying their debts to the financial sector in order for these companies to sustain their operations and contribute to the employment in Turkey. The Framework Agreement determined: (a) the scope of debts to be restructured, (b) the minimum qualifications of the eligible debtors, (c) the minimum debt amount to be restructured, (d) the content of the restructuring agreements and (e) the procedure to determine a debtor's eligibility, which is the capacity of a debtor to repay its debts following the restructuring process in line with the repayment schedule. According to the Framework Agreement, there are two main restructuring schemes: (a) a large scale restructuring for debtors that have a principal debt equal to or more than TL 25 million (including cash and non-cash debt) and (b) a small scale restructuring for debtors that have a principal debt less than TL 25 million, in each case, including cash and non-cash debt. According to the Framework Agreement, the eligible debtor(s) and the applicable credit institutions may sign a restructuring agreement at any time through 19 September 2020. As such, certain borrowers of Kuveyt Türk might apply for restructuring of their debt.

In respect of the large scale restructurings large scale restructurings (i.e. with an amount of principal equal to or above TL 25 million), eligible Turkish or foreign creditors (the "**Eligible Creditors**") that have signed or will be signing the Framework Agreement will constitute a creditors consortium and, to the extent that a debtor is able to meet certain eligibility conditions set out in the Restructuring Regulation and the Framework Agreement (together the "**New Restructuring Framework**"), it will have the right to apply to one of the three Eligible Creditors carrying the highest three exposures to initiate the restructuring process. Pursuant to the Framework Agreement applicable for large scale restructurings (i.e. with an amount of principal equal to or above TL 25 million), when a debtor makes an application for restructuring, there is a minimum 90 day standstill period, which can be extended up to 180 days. If the restructuring agreement is signed, then, during the standstill period, all enforcement actions by the respective Eligible Creditors that sign the Framework Agreement are suspended and no new enforcement action can be initiated by such Eligible Creditors against such debtor. The debtor and any related party (including such debtor's subsidiaries, other affiliates and their respective shareholders) are under the "*equal treatment*" principle during the standstill period, which requires them not to favour any Eligible Creditor over any other Eligible Creditor. Following the negotiations, if a restructuring protocol is entered into between such number of Eligible Creditors representing at least two-thirds of the outstanding debt of the debtor that has been agreed to be restructured under the Framework Agreement, then all Eligible Creditors that have signed the Framework Agreement must restructure their loans to such debtor. According to the New Restructuring Framework, a restructuring protocol may (*inter alia*) provide for a reduction of restructured debt, extension of maturities of the restructured debt, extension of new loans, introduction of new framework for the governance of the debtor, injection of shareholder equity contribution, disposal of certain parts of the business of the debtor and the provision of additional collaterals.

According to the Restructuring Regulation, only debtors that are expected to gain the financial ability to repay their obligations in a reasonable period of time are allowed to benefit from financial restructuring. To this end, the solvency of such debtors that would like to benefit from a restructuring scheme is to be determined by the entities specified in the Framework Agreement. Furthermore, the Banking Law has been amended on 17 July 2019 to incorporate, among others, a provisional article which forms the legislative basis of the Restructuring Regulation. Such amendments contemplate certain tax exemptions for, and suspension of execution proceedings against, debtors subject to restructuring, as well as a provision which states that reduction of collateral pool, write-off of principal or other receivables or such other actions taken by banks to effectuate the restructuring of loans shall not constitute embezzlement offence set out under Article 160 of the Banking Law.

On 15 September 2018, the Ministry of Commerce issued a communiqué that sets forth the procedures and principles relating to the application of Article 376 of the Turkish Commercial Code (Law No. 6102), which regulates the measures that Turkish companies (i.e., joint stock companies, limited liability companies and limited partnerships, in which the capital is divided into shares, including financial institutions) are required to adopt in case of loss of capital or insolvency. This new communiqué aims to clarify and complement the remedial actions that can be taken in relation to the treatment of foreign exchange losses in the calculation of the loss of capital or insolvency. As companies in Turkey prepare their financial statements in Turkish

Lira, the value of any foreign currency-denominated asset and liability is converted into Turkish Lira based upon the currency rate applicable as of the date of such financial statements; however, until 1 January 2023, the communiqué allows companies to disregard any losses arising from the exchange rate volatility of any outstanding foreign currency-denominated liability while making any capital loss or insolvency calculations. As such, companies will not be required to apply any measures set forth in Article 376 of the Turkish Commercial Code to maintain their capital if the relevant loss of capital or insolvency arises solely from the currency fluctuations. Most recently on 26 December 2020 with the Communiqué on Amendments to the Communiqué on the Procedures and Principles Regarding the Implementation of Article 376 of the Turkish Commercial Code No. 6102 (the "**Amendment Communiqué**"), the Ministry of Commerce introduced (amongst other things) an additional exemption to the effect that half of the sum of (i) expenses arising from leases, (ii) amortisations and (iii) personnel expenses accrued in 2020 and 2021 may also be disregarded in the calculations to be made under Article 376 of the Turkish Commercial Code, in addition to foreign exchange rate related losses. The Amendment Communiqué provides that these losses and calculations are not required to be included in the financial statements to be prepared under Article 376 of the Turkish Commercial Code (instead, these items will only be indicated on the footnotes for information purposes). The Amendment Communiqué also slightly broadens the scope of available remedies, and provides a number of procedural clarifications in respect of the exercise of such remedial actions that may be taken by Turkish companies (such as capital injection, share capital decrease, etc.).

Credit Guarantee Fund

The Credit Guarantee Fund ("**KGF**") was established pursuant to Decree No. 93/4496 dated 14 July 1993 in order to provide guarantees for SMEs and other enterprises, in particular, to those that are not able to obtain bank loans due to their insufficient collateral. In order to improve financing possibilities and contribute to the effective operation of the credit system, pursuant to provisional Article 20 of the Law regarding the Regulation of Public Financing and Debt Management (Law No. 4749) dated 28 March 2002, resources up to TRY2 billion could be transferred by the Minister in charge of the Turkish Treasury to the credit guarantee institutions. Such amount was increased to TRY25 billion in accordance with the Law No. 6770 dated 18 January 2017 and to TRY50 billion within the scope of the stimulus package introduced against the COVID-19 outbreak. In addition, pursuant to Decree No. 2016/9538 on Treasury Support to be provided to the Credit Guarantee Institutions (published in the Official Gazette No. 29896 and dated 22 November 2016) (as amended from time to time), the KGF guarantees are supported by the Turkish Treasury.

As of 30 October 2020, TRY512.8 billion have been disbursed under the Credit Guarantee Fund. As of November 2020, total payments of approximately TRY2.965 billion for the Credit Guarantee Fund from budget allocations during the 2020 calendar year have been realised. In 2019, annual credit growth was realised as 10.92 per cent. As of 30 November 2020, the credit growth was approximately 39.67 per cent. compared to the same month in 2019.

Pursuant to Presidential Decree No. 162 published in the Official Gazette dated 11 October 2018, loans guaranteed by the Turkish Treasury under the KGF programme may be restructured up to 96 months for working capital loans and up to 156 months for investment loans. Such Presidential Decree also requires lenders to provide an opportunity to borrowers to restructure their KGF-guaranteed loans prior to any recourse to the KGF guarantee.

Foreign Exchange Legislation

Decree No. 32 and the Capital Movements Circular of the Central Bank was amended, effective as of 2 May 2018, in order to introduce new restrictions on Turkish corporates utilising foreign currency loans from Turkey and outside of Turkey. While the new regime continues to maintain the existing prohibition on Turkish individuals utilising foreign exchange loans and foreign exchange indexed loans, it further introduces a strict prohibition on Turkish non-bank corporates ("**Corporate Borrower**") utilising foreign currency indexed loans and also brings in new restrictions on Corporate Borrowers utilising foreign currency loans ("**F/X Loan Restriction**").

Accordingly, a Corporate Borrower shall only be permitted to utilise foreign currency loans if (i) it generates foreign currency-denominated revenue (which is defined as "the revenue derived from export, transit trade, sales and deliveries considered as export and foreign currency generating activities" in the new legislation) (the "**F/X Revenue Exemption**"); (ii) the purpose of the loan is to finance an activity that is exempt from the F/X Loan Restriction (the "**Activity Exemption**"); or (iii) if as of 2 May 2018, the

unpaid outstanding balance of its total foreign currency loans and/or foreign currency indexed loans ("**Loan Balance**") is more than U.S.$15 million.

As far as the F/X Revenue Exemption is concerned, if the Loan Balance of a Corporate Borrower is below U.S.$15 million, the sum of the foreign currency loan to be utilised and the existing Loan Balance must not be more than the combined value of its foreign currency revenues as stated in its financial statements for the last three years. The Turkish-resident financial institutions are obliged to control whether such Corporate Borrower complies with this rule. If not, the Turkish-resident financial institutions are obliged to either cancel or convert into Turkish Lira, the portion of the foreign currency loan that exceeds this value.

In respect of the Activity Exemption, a legal entity must qualify as a public institution, bank, factoring, financial leasing or financing company resident in Turkey in order to utilise foreign currency loans. In the case of Corporate Borrowers, the Activity Exemption must relate to an activity in the context of, among others, (i) a domestic tender with an international element awarded to such Corporate Borrower; (ii) defence industry projects approved by the Directorate of Defence Industry; (iii) public private partnership projects; or (iv) an export, transit trade, sales and related deliveries subject to the relevant Corporate Borrower certifying the scope of its relevant activity and its potential sources of foreign currency revenues (muhtemel döviz geliri). In order for a Corporate Borrower to benefit from the Activity Exemption summarised in item (iv above), it must not have any foreign currency revenue within the last three financial years (which otherwise, would be subject to the F/X Revenue Exemption) and the maximum amount of foreign currency loan such Corporate Borrower can utilise is limited to the amount stated in its certified sources of foreign revenue. The Ministry of Treasury and Finance is entitled to extend the scope of the Activity Exemption, and has exercised such authority and included, among others, privatisation tenders, public tenders awarded with an FX consideration and unlicensed electricity generation projects within this scope.

Furthermore, on 13 September 2018, Decree No. 32 was amended to impose restrictions on the use of, or indexing to, foreign currency in the following contracts executed between Persons residing in Turkey: sale and purchase of movable and immovable property, leasing of all kinds of movable and immovable property (including vehicle and financial leasing), employment, service and construction contracts. According to such amendments, Turkish residents were required to amend any relevant contract so that the contract price and all other payment obligations thereunder were re-determined in Turkish Lira within a 30-day transition period (i.e., by 13 October 2018). On 6 October 2018 and 16 November 2018, the Turkish Treasury issued an amending communiqué that broadened the scope of, but provided certain exemptions to, these restrictions. Among other exemptions, capital market instruments (including any Certificates issued directly to Turkish investors, subject to restrictions applicable to a resident of Turkey on directly investing in Certificates (or beneficial interests therein) issued outside of Turkey) are exempt from these restrictions. Accordingly, the issuance, purchase and sale of capital market instruments in accordance with the Capital Markets Law may be denominated in, or indexed to, foreign currency.

In August 2018, the BRSA capped Turkish banks' exposure under swap, spot and forward transactions with foreign entities to 25 per cent. of a bank's regulatory capital, then reducing this level to 10 per cent. in February 2020. On 12 April 2020, as part of the Government's efforts to contain the possible adverse effects on the Turkish economy of the global uncertainty resulting from the COVID-19 pandemic, the BRSA issued a press release announcing that this level was reduced to 1 per cent. In the case of a bank exceeding this level, new transactions may not be executed or renewed until the 1 per cent. level (which is calculated on a daily basis) is attained. However, as announced by the BRSA on 25 September 2020, the threshold of the exposure of Turkish banks under FX swap, option, future, forward and other similar derivative transactions with non-residents, where the Turkish bank receive Turkish Lira at the maturity date, was revised once again to 10 per cent. of the relevant bank's regulatory capital. Transactions conducted between local banks and their consolidated affiliates located abroad that qualify as a bank or financial institution are exempt from this restriction. In addition, the written approval of the BRSA is required in case there needs to be a cancellation or extension of any of these derivative transactions.

On 18 December 2019, the BRSA announced that the total notional amount of a Turkish bank's currency swaps, forwards, options and other similar products with non-residents with a remaining maturity of seven days or fewer where, at the maturity date, such bank pays Turkish Lira and receives foreign exchange shall not exceed 10 per cent. of such bank's most recently calculated regulatory capital; provided that this restriction does not apply to transactions with a bank's non-Turkish financial subsidiaries and other affiliates that are subject to consolidation. With its press release on 12 April 2020, the BRSA amended this threshold by announcing that transactions with a remaining maturity of seven days or less shall not exceed 1 per cent. of the applicable bank's most recently calculated regulatory capital on any given calendar date. Such

threshold was applied as 2 per cent. for transactions with a remaining maturity of 30 days and 10 per cent. for transactions with a remaining maturity of one year or less. However, upon further assessment of the markets, the BRSA announced on 25 September 2020 that such thresholds were revised once again to 2 per cent., 5 per cent. and 20 per cent., respectively, for transactions with a remaining maturity of seven days or less, 30 days or less and one year or less. The BRSA replaced such thresholds once again to 5 per cent., 10 per cent. and 30 per cent., respectively, in its announcement dated 11 November 2020.

Pursuant to a series of resolutions adopted on and from 12 April 2020, the BRSA has resolved under:

- the BRSA Resolution No. 9010 that as a financial measure against the economic impacts of the COVID-19 outbreak, the size of Turkish banks' TRY denominated placement, deposit, repo and loan transactions to be entered into with offshore banks and financial institutions (including with offshore affiliates, branches and consolidated group entities of Turkish banks) was restricted so as not to exceed 0.5 per cent. (such threshold was later replaced with 2.5 per cent. on 27 November 2020) of the relevant local bank's regulatory capital (the "**TRY Outflow Restriction**");

- the BRSA Resolution No. 9031 that amongst other exemptions, the BRSA granted an exemption to the TRY Outflow Restriction in respect of transactions to be entered into with Clearstream Banking, Euroclear Bank and any other foreign central securities depositories to be approved by the BRSA; and

- the BRSA Resolution No. 9109 that amongst other clarifications, the BRSA granted a limited exemption to the TRY Outflow Restriction in favour of international development banks ("**IDB**"), provided that, amongst other conditions, the relevant IDB must obtain the BRSA's approval and use any TRY proceeds generated from such transactions towards investing in Turkish money/capital markets or lending to Turkish companies.

Upon further assessment of the markets, the BRSA announced new exemptions to the TRY Outflow Restriction in favour of all foreign banks (save for IDBs, which continue to be subject to the broader exemption regime set out under the BRSA Resolution No. 9109), with its resolution dated 6 August 2020 and numbered 9114. Accordingly, foreign banks may enter into the following transactions without being subject to the TRY Outflow Restriction:

- FX swap trades, under which the foreign bank buys TRY in exchange of FX at the initial exchange date (i.e., where the foreign bank will sell TRY at the maturity date);

- swap trades entered into in the BIST FX swap market, where the foreign bank buys TRY in exchange of FX at the initial exchange date;

- repo and reverse repo transactions in the BIST Repo market; and

- TRY denominated deposits with Turkish banks,

provided, in each case, that:

- the foreign bank may only use any TRY received from Turkish banks as a result of such transactions towards investing in TRY denominated securities, and must park any excess TRY liquidity into accounts held with Turkish banks; and

- the relevant foreign bank must give an undertaking to the Turkish counterparty bank with respect to the intended use of TRY proceeds and obtain the BRSA's prior approval in this respect.

Most recently on 27 November 2020, as a part of the financial normalisation steps taken in relation to the COVID-19 pandemic, the BRSA resolved that overdraft TRY loans made available by Turkish banks to foreign banks and financial institutions will not be subject to the TRY Outflow Restriction.

Recent Coronavirus-related Measures

As a result of fluctuations in the financial markets due to the COVID-19 outbreak, Turkish authorities have taken several measures:

On 17 March 2020, the BRSA announced temporary changes in NPL classification for banks until 31 December 2020 which extended the delinquency period after which loans are required to be classified as non-performing from 90 days to 180 days.

On 22 March 2020, presidential decision number 2279 ordered the cessation of enforcement and bankruptcy proceedings across Turkey (excluding proceedings related to alimony receivables) until 30 April 2020.

On 23 March 2020, the BRSA issued a press release announcing three measures, which will remain in effect until 31 December 2020. With the regulation numbered 9624 dated 17 June 2021, the announced measures were extended until 30 September 2021. First, banks may use the foreign exchange buying rates for a bank's financial statements for the year ended 31 December 2019 when calculating (i) amounts valued in accordance with Turkish Accounting Standards and (ii) the bank's relevant specific reserve amounts of monetary and non-monetary assets under the Regulation on Assessment and Evaluation of the Capital Adequacy of Banks. Second, when calculating their capital adequacy ratio, banks may disregard negative net valuation differences of securities held by the bank before 23 March 2020 that fall within the scope of the bank's "Fair Value Through Other Comprehensive Income" portfolio, but not such securities acquired after 23 March 2020. And third, banks may disregard the value loss reserves of the securities they held as of 23 March 2020 when calculating their foreign currency net general position under the Regulation on Calculation and Implementation of Foreign Currency Net General Position/Equity Capital Standard Ratio by Banks on a Consolidated and an Unconsolidated Basis but not for securities they acquired after 23 March 2020.

On 27 March 2020, the BRSB has resolved with its decisions numbered 8970 and 8971 that principal and interest payments of vehicle and consumer loans made available by banks, financial leasing, factoring and financing companies are postponed until 31 December 2020 and the delay will not be taken into account in determining maturity limits, which under normal circumstances range from 48 to 60 months. Further, the 30-day delay resulting in loans to fall from Group I to Group II under the 2016 Monitoring Regulation will, from 17 March 2020 until 31 December 2020, deemed to be 90 days. For loans that continue to be classified in the second category in spite of the 90-day default, banks will be required continue to set aside provisions in compliance with their own risk models used in the calculation of expected loan loss under TFRS 9.

On 12 April 2020, the BRSB has resolved with its decision numbered 8989 that the limits regarding Turkish banks' exposures under swap, spot, forward and other derivative transactions with foreign counterparties under which the Turkish bank will receive Turkish Lira at the maturity date (which was previously capped at 10 per cent.) is reduced to 1 per cent. of such bank's most recently calculated regulatory capital. In this regard, the BRSA has further clarified that the transactions with different terms will no longer be subject to a differential treatment based on the applicable maturity date for the purposes of the daily calculation of the 1% limit. Likewise, in the similar types of derivative trades where the Turkish bank will sell Turkish Lira to a foreign counterparty at the maturity date, the total notional principle amount of local banks' exposure may not exceed (i) 10 per cent. of the bank's regulatory capital for transactions with a maturity of 1 year or less; (ii) 2 per cent. of the bank's regulatory capital for transactions with a maturity of 30 days or less; and (iii) 1 per cent. of the bank's regulatory capital for transactions with a maturity of 7 days or less. Furthermore, a prior written approval of the BRSA will be necessary if, for any reason, these transactions are requested to (i) be terminated earlier than the agreed maturity or (ii) become subject to an extended maturity. On 13 April 2020, the CMB has announced that equivalent restrictions will also be applicable to the capital markets institutions.

On 18 April 2020, the BRSA introduced an asset ratio (the "**Asset Ratio**") concept, which is calculated as follows:

- the sum of: (A) the total amount of loans provided by the bank but excluding NPLs, (B) 0.75 multiplied by the sum of: (1) the total amount of bonds in the bank's portfolio excluding securities issued by issuers resident outside of Turkey and (2) the total amount of all debt instruments, including lease certificates and eurobonds, issued by the Turkish Treasury in the bank's portfolio and (C) 0.50 multiplied by the amount of the bank's swaps with the Central Bank pursuant to which the bank sells foreign currency and receives Turkish Lira, divided by

- the sum of: (A) the total amount of Turkish Lira deposits and participation funds but excluding interbank deposits and (B) 1.25 multiplied by the total amount of foreign currency deposits and participation funds (including in this clause (B) all gold and precious metal accounts);

the monthly average of this ratio should not be lower than 100 per cent. for deposit-taking banks and 80 per cent. for participation banks; any failure to satisfy this minimum level subjects the applicable bank to a fine of up to 5 per cent. of the shortfall, which fine shall not be less that TRY 500,000 in any case.

The BRSA made numerous changes to the Asset Ratio concept and its calculation throughout 2020; however, on 24 November 2020, the BRSA announced that it re-assessed the practicality of the Asset Ratio in the context of its normalisation steps and, accordingly, that the rules governing the Asset Ratio and all prior BRSA decisions adopted in relation thereto have been abolished entirely as of 31 December 2020.

On 5 May 2020, the BRSB has resolved with its decision numbered 9010 that total amount of banks' all Turkish lira placement, Turkish lira deposit, Turkish lira repo, and Turkish lira loan transactions with foreign counterparties, including foreign subsidiaries which are credit or financial institutions subject to consolidation with Turkish banks and foreign branches of Turkish banks, cannot exceed 0.5 per cent. of the banks' most recently calculated regulatory equity, as a way to ensure that Turkish Lira resources are used efficiently and meet the financing needs of the public and private sector.

On 7 May 2020, the Manipulation Regulation was published in the Official Gazette numbered 31120. The Manipulation Regulation aims to clarify, which activities fall within the ambit of the recently introduced manipulation offence, thereby aiming at curbing manipulative transactions that could worsen the current volatility of the Turkish Lira or, otherwise, harm the Turkish economy at large.

On 20 May 2020, the BRSB has resolved with its decision numbered 9031 that in order not to adversely affect the clearing of Turkish lira-denominated bond and lease certificate transactions, Euroclear Bank and Clearstream Banking be exempt from the BRSB decision dated 5 May 2020 and numbered 9010.

On 28 July 2020, the BRSB introduced an exemption to its previous decision dated 12 April 2020 and numbered 8989. Accordingly, the BRSA exempted international development banks from within the scope of its previously adopted restriction in respect of foreign banks' access to Turkish Lira in order to alleviate the financial conditions arising from the COVID-19 pandemic. Pursuant to the restriction, the total Turkish Lira placement, Turkish Lira reserve, Turkish Lira repo, and Turkish Lira credit transactions to be made with foreign financial institutions were limited to 0.5 per cent. of their equity capital.

On 6 August 2020, the BRSB has resolved with its decision numbered 9114 a parallel exemption regarding foreign banks. The exemption covers the following transactions:

- Currency Swaps where the foreign bank buys Turkish Lira and sells FX in the beginning, while sells Turkish Lira and buys FX at forward,
- Currency Swaps with BIST FX Swap Market where the foreign bank buys Turkish Lira and sells FX in the beginning, while sells Turkish Lira and buys FX at forward,
- Repo and Reverse Repo transactions with BIST Repo Market, and
- Turkish Lira deposits at domestic banks.

Foreign banks will be able to carry out the above transactions provided that (i) they give a written declaration and commitment to the domestic banks, in which they have opened accounts, that they will keep Turkish Lira liquidity provided from domestic market and to use this Turkish Lira liquidity to buy Turkish Lira securities and to deposit excess Turkish Lira liquidity to domestic banks, and (ii) their application to BRSA to benefit from the above exemption is accepted.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available both in electronic and physical format, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered office of the Trustee and the specified London office of the Principal Paying Agent. Capitalised terms not defined below have the meaning given to them in the Conditions or in the relevant Transaction Documents..

Purchase Agreement

Pursuant to the Purchase Agreement dated on or about the Closing Date between Kuveyt Türk (in its capacity as seller, the "**Seller**") and KT21 T2 Company Limited (in its capacity as purchaser, the "**Purchaser**"), the Seller will, on or about the Closing Date, sell and transfer to the Purchaser the Seller's interests, rights, benefits and entitlements in, to and under certain assets, each as identified in Schedule 1 (*The Initial Wakala Portfolio*) to the Purchase Agreement (the "**Wakala Assets**") comprised in the Initial Wakala Portfolio.

The Purchaser shall make a payment of the Portfolio Purchase Price to the Seller in U.S. dollars in freely available funds for value on the Closing Date in consideration for the sale and transfer of the Initial Wakala Portfolio by the Seller to the Purchaser.

To the extent that the sale, purchase, transfer and/or assignment of any asset(s) comprised within the Initial Wakala Portfolio is not (or is alleged not to be) effective in any jurisdiction for any reason, the Seller agrees, as independent, severable and separately enforceable obligations, in consideration for the payment to it by the Purchaser of the Portfolio Purchase Price, to make payment of an amount equal to the proportion of the Portfolio Purchase Price payable in respect of such asset(s) by way of restitution to the Purchaser immediately upon request, unless the relevant assets have been effectively substituted.

The Purchase Agreement is governed by, and shall be construed in accordance with, the laws of Turkey.

Service Agency Agreement

Pursuant to the Service Agency Agreement dated on or about the Closing Date between the Trustee and Kuveyt Türk, the Trustee appoints Kuveyt Türk as Service Agent to perform certain services on its behalf.

Pursuant to the terms of the Service Agency Agreement, the Service Agent undertakes to the Trustee that during the period commencing on the Closing Date and ending on the date on which all the Certificates are redeemed in full (the "**Asset Ownership Period**"):

(a) it shall service the Wakala Portfolio on behalf of the Trustee in accordance with the relevant provisions of the Service Agency Agreement;

(b) it shall:

  (i) ensure that, on at all times after the Closing Date, the Value of the Wakala Assets is greater than 50 per cent. of the Wakala Portfolio Value (the "**Tangibility Requirement**"); and

  (ii) in the event that, at any time, the Value of the Wakala Assets is equal to or below 50 per cent. of the Wakala Portfolio Value, the Service Agent shall, as soon as reasonably practicable thereafter take any and all steps (through the reinvestment of Portfolio Principal Revenues) to increase the Value of the Wakala Assets to a level that is equal to or greater than the Tangibility Requirement;

(c) it shall do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) that it reasonably considers necessary to ensure the assumption of, and compliance by each Asset Obligor with, its covenants, undertakings or other obligations under the Asset Contracts in accordance with applicable law and the terms of the Asset Contracts;

(d) it shall perform all obligations and satisfy all liabilities in respect of any Wakala Assets comprised in the Wakala Portfolio that were otherwise to be performed and satisfied by Kuveyt Türk prior to

the transfer and assignment of such Wakala Assets to the Trustee and use all reasonable endeavours to pay on behalf of the Trustee any actual costs, expenses, actual losses and taxes which would otherwise be payable by the Trustee as a result of the Trustee's ownership of the Wakala Portfolio;

(e) it shall ensure the timely receipt of all Sukuk Asset Revenues, investigate non-payment of Sukuk Asset Revenues and generally make all reasonable efforts to collect or enforce the collection of all Sukuk Asset Revenues payable under the Asset Contracts or in respect of any Shari'a Compliant Deposits as and when the same shall become due;

(f) it shall not agree to any reduction in any amount payable under any Asset Contract or any postponement or other rescheduling of the due date for such payment;

(g) it shall obtain all necessary authorisations in connection with any of the Wakala Assets and its obligations under or in connection with the Service Agency Agreement;

(h) it shall ensure that (A) each obligor of each Tangible Investment Sukuk, and (ii) each lessor under the Ijara Financing Contracts relating to those Ijara Assets (in its relevant capacity other than as lessor and/or on behalf of the Trustee, whether directly or through an agent):

(i) maintains industry standard insurances, on a *Shari'a*-compliant basis where applicable; and

(ii) fulfils all structural repair and major maintenance obligations,

in relation to assets underlying the Tangible Investment Sukuk and/or the Ijara Assets in accordance with the terms of the Ijara Financing Contracts (as applicable); and

(i) it shall carry out any incidental matters relating to any of the above.

Pursuant to the Service Agency Agreement, the Service Agent agrees that it may, after payment to the Transaction Account of the amounts credited to the Reserve Collection Account, either:

(a) provide non-interest bearing (or otherwise *Shari'a* compliant) funding itself; or

(b) procure non-interest bearing (or otherwise *Shari'a* compliant) funding from a third party,

in each case, to the extent necessary, by payment of the same in U.S. dollars into the Transaction Account, on terms that such funding is repayable: (i) from Portfolio Revenues; or (ii) on the Scheduled Dissolution Date (or any earlier Dissolution Date on which all of the Certificates are to be redeemed), to ensure that the Trustee receives on each Periodic Distribution Determination Date the Required Amount payable by it in accordance with the Conditions on the immediately following Periodic Distribution Date, by payment of the same into the Transaction Account and on terms that such funding will be settled: (i) from Portfolio Revenues; or (ii) from the relevant Exercise Price payable pursuant to the terms of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be on the relevant Dissolution Date (such funding, a "**Liquidity Facility**").

Pursuant to the Service Agency Agreement, the Service Agent will maintain three separate ledger accounts ("**Principal Collection Account**", the "**Income Collection Account**" and the "**Reserve Collection Account**") in its books each of which shall be denominated in U.S. dollars and be non-profit bearing. All monies received by the Service Agent will be credited on each Periodic Distribution Determination Date and prior to any reinvestment, to: (i) in the case of Portfolio Principal Revenues or Shari'a Compliant Deposit Principal, the Principal Collection Account; and (ii) in the case of Portfolio Income Revenues or Shari'a Compliant Deposit Income, the Income Collection Account.

For these purposes:

"**Portfolio Income Revenues**" means all rental, profit, distributions and other amounts payable, and all sale proceeds or consideration, actual damages, insurance proceeds, compensation or other sums, in each case as received by the Service Agent in whatever currency in respect of or otherwise in connection with the Wakala Assets, any Shari'a Compliant Deposit Income and all payments of the Murabaha Profit component of the Deferred Sale Price under the relevant Murabaha Contract, but in each case excluding any Portfolio Principal Revenues; and

"**Portfolio Principal Revenues**" means any amounts received in the nature of capital or principal payments (i) in respect of the Ijara Assets, (ii) in the case of any Tangible Investment Sukuk, in respect of any payment of the outstanding face amount or par value of such Tangible Investment Sukuk or (iii) any payment of the Commodity Purchase Price under a Murabaha Contract.

Amounts standing to the credit of the Income Collection Account will be applied by the Service Agent on each Periodic Distribution Determination Date in the following order of priority:

(a) *first*, in repayment to the Service Agent of any amounts advanced by it to the Trustee by way of a Liquidity Facility;

(b) *second*, in payment to the Service Agent on behalf of the Trustee of any Service Agent Liabilities Amounts for the Return Accumulation Period ending on the immediately following Periodic Distribution Date and (if applicable) any Service Agent Liabilities Amounts for any previous Return Accumulation Period that remain unpaid;

(c) *third*, in payment into the Transaction Account of an amount equal to the Required Amount payable on the Periodic Distribution Date falling one (1) Business Day after such Periodic Distribution Determination Date; and

(d) *fourth*, to the Reserve Account.

The Service Agent will be entitled to deduct amounts standing to the credit of the Reserve Account at any time during the Asset Ownership Period and use such amounts for its own account, **provided that** such amounts shall be immediately repaid by it if so required to fund a Periodic Distribution Shortfall in accordance with the Service Agency Agreement or upon a Dissolution Event. Following payment of all amounts due and payable under the Certificates in full on the Dissolution Date, the Service Agent shall be entitled to retain any amounts that remain standing to the credit of the Reserve Account for its own account as an incentive payment for acting as Service Agent (an "**Incentive Payment**").

Kuveyt Türk shall make available further Eligible Wakala Assets and the Service Agent may prior to each Periodic Distribution Determination Date (other than where the relevant Periodic Distribution Date is a Dissolution Date) notify the Trustee of such further available Eligible Wakala Assets and the amount standing to the credit of the Principal Collection Account so that the Trustee can acquire further Eligible Wakala Assets from Kuveyt Türk, such that the further Wakala Assets so acquired are added to the Wakala Portfolio, subject to (i) the Value of such further Wakala Assets being not less than the amount of the Portfolio Principal Revenues being used for the purchase of those Wakala Assets, (ii) such further Wakala Assets being in respect of which the representations and warranties in the Purchase Agreement can be given by Kuveyt Türk and (iii) the Value of the Wakala Assets is greater than 50 per cent. of the Wakala Portfolio Value following the inclusion of such further Wakala Assets in the Wakala Portfolio. The acquisition of further Eligible Wakala Assets shall be on the same basis as for the sale and purchase of the Initial Wakala Portfolio and pursuant to a purchase agreement substantially in the form of the Purchase Agreement, including with respect to the representations and warranties provided in the Purchase Agreement, but may take such other form as may be approved from time to time by Kuveyt Türk's Shari'a Advisory Board.

In the circumstances where Kuveyt Türk does not have sufficient further Eligible Wakala Assets available in order for the Trustee to purchase such further Eligible Wakala Assets using all of the amount standing to the credit of the Principal Collection Account, the Trustee shall to deposit any such remaining amount standing to the credit of the Principal Collection Account in a Shari'a Compliant Deposit(s) until such time as Kuveyt Türk has further Eligible Wakala Assets that can be purchased by the Trustee can invest in accordance with the Service Agency Agreement.

On the Business Day immediately preceding the Scheduled Dissolution Date, the Service Agent shall pay into the Transaction Account an amount in U.S. dollars equal to the amount of any Principal Cash Amount then held by the Service Agent (for the purposes of which the Service Agent shall terminate and demand payment of any Shari'a Compliant Deposits no later than such immediately preceding Business Day, which termination and payment shall be in compliance in all material respects with Shari'a principles as interpreted by Kuveyt Türk's Shari'a Advisory Board).

Upon the occurrence of a Dissolution Event or the giving by the Trustee of notice pursuant to Condition 8.4 (*Capital Distributions – Early Dissolution for Tax Reasons*), an amount in U.S. dollars equal to the

Sukuk Asset Revenues (for the purposes of which the Service Agent shall terminate and demand immediate payment of any Shari'a Compliant Deposits if necessary, which termination and payment shall be in compliance in all material respects with Shari'a principles as interpreted by Kuveyt Türk's Shari'a Advisory Board) (including all amounts standing to the credit of the Reserve Collection Account) will be paid by the Service Agent into the Transaction Account, immediately in the case of a Dissolution Event or on the Business Day immediately preceding any Tax Redemption Date (**provided that** where the relevant Dissolution Date is a Periodic Distribution Date, such payment will be made after taking into account the application of any amounts standing to the credit of the Income Collection Account and no greater amount shall be paid than is required for the redemption of the Certificates in full on the relevant Dissolution Date).

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

(a) subordinate in right of payment to the payment of all Senior Obligations;

(b) *pari passu* without any preference among themselves and with all Parity Obligations; and

(c) in priority to all payments in respect of Junior Obligations.

By virtue of such subordination of such payment obligations of the Service Agent under the Transaction Documents, no amount will, in the case of a Subordination Event and for so long as that Subordination Event subsists, be paid by the Service Agent in respect of its obligations under the Transaction Documents which relate to payments to be made by the Trustee under the Certificates until all payment obligations in respect of Senior Obligations have been satisfied.

Kuveyt Türk's Shari'a Advisory Board shall monitor compliance of the Transaction Documents and the Certificates in accordance with the Shari'ah Standards issued from time to time by the Accounting and Auditing Organization for Islamic Financial Institutions and as interpreted by Kuveyt Türk's Shari'a Advisory Board.

Purchase Undertaking

Pursuant to the Purchase Undertaking dated on or about the Closing Date granted by Kuveyt Türk in favour of the Trustee and the Delegate, Kuveyt Türk irrevocably grants to the Trustee the right to require Kuveyt Türk:

(a) at any time on or prior to the Scheduled Dissolution Date, to purchase on the date specified in the Exercise Notice all of the Trustee's rights, ownership interests, benefits and entitlements in, to and under the Wakala Assets at the Dissolution Event Exercise Price, as specified in the Exercise Notice, **provided that**:

    (i) a Dissolution Event has occurred and is continuing; and

    (ii) the Delegate has given notice to the Trustee that a Dissolution Request has been made in accordance with Condition 13 (*Dissolution Events*);

(b) on the Scheduled Dissolution Date, to purchase all of the Trustee's rights, ownership interests, benefits and entitlements in, to and under the Wakala Assets at the Dissolution Event Exercise Price, as specified in the Exercise Notice;

(c) on the Non-Viability Event Write-Down Date, to purchase all of the Trustee's rights, ownership interests, benefits and entitlement in, to and under the Write-Down Wakala Assets at the Non-Viability Event Exercise Price specified in the Exercise Notice; and

(d) to purchase on the date specified in the Exercise Notice, part of the Trustee's rights, ownership interests, benefits and entitlements in, to and under any Wakala Assets having an aggregate Value equal to the Non-Payment Event Exercise Price specified in the Exercise Notice, at the Non-Payment Event Exercise Price,

in each case provided that no Total Loss has occurred.

In order to exercise these rights, the Trustee (or, pursuant to the provisions of the Purchase Undertaking, the Delegate as applicable, in its name and on its behalf) is required to deliver an Exercise Notice to Kuveyt Türk under, and in accordance with, the terms of the Purchase Undertaking.

Kuveyt Türk expressly declares and undertakes that:

(a) if, at the time of delivery of the Exercise Notice in accordance with the provisions of the Purchase Undertaking, Kuveyt Türk (acting in any capacity) holds any interest in or remains in actual or constructive possession, custody or control of all or any part of the Wakala Assets; and

(b) if following delivery of the Exercise Notice in accordance with the provisions of the Purchase Undertaking, the relevant Exercise Price (or, as the case may be, the Dissolution Event Exercise Price, the Non-Viability Event Exercise Price or the Non-Payment Event Exercise Price) is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever,

Kuveyt Türk shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price (or, as the case may be, the Dissolution Event Exercise Price, the Non-Viability Event Exercise Price or the Non-Payment Event Exercise Price) and any outstanding Deferred Sale Price.

Kuveyt Türk irrevocably undertakes that:

(a) it will, upon full payment of the relevant Exercise Price in accordance with paragraph (b) below, enter into the Sale Agreement so as to give effect to the purchase referred to in paragraph (b) below;

(b) it will purchase all of the Trustee's rights, ownership interests, benefits and entitlements in, to and under the Wakala Assets or the Write-Down Wakala Assets, as applicable at (subject to paragraph (c) below) the relevant Exercise Price by paying the same into the Transaction Account on the Dissolution Event Redemption Date, on the Non-Payment Exercise Price Payment Date or on the Business Day immediately preceding the Scheduled Dissolution Event Redemption Date or Non-Viability Event Write-Down Date, as applicable, which payment shall be made together with the payment into the Transaction Account by the Service Agent on such date of any Principal Cash Amount and for the purpose of redemption, in full or, in part, of the Certificates, as the case may be;

(c) if the BRSA has notified Kuveyt Türk prior to the Non-Viability Event Write-Down Date that it shall convert all or part of the Certificates into equity, Kuveyt Türk shall purchase all or part (as applicable) of the Trustee's rights, ownership interests, benefits and entitlements in, to and under the Write-Down Wakala Assets by transferring the equity to the Trustee as required by the BRSA.

Kuveyt Türk undertakes in the Purchase Undertaking that:

(a) for the purposes of the replacement of any Impaired Wakala Asset it will, if it has sufficient Eligible Wakala Assets (as defined in the Purchase Agreement) immediately available for such replacement and otherwise on such Eligible Wakala Assets becoming available, sell, transfer and assign such Eligible Wakala Assets to the Trustee by entering into an agreement with the Trustee, in the form of a Sale Agreement; and

(b) provided no Dissolution Event has occurred and is continuing, upon becoming aware of any impairment of any Wakala Asset as a result of any default or Adverse Claim in respect of that Wakala Asset (any such Wakala Asset, an "**Impaired Wakala Asset**"), notify the Trustee and enter into a Sale Agreement so as to give effect to the replacement of such Impaired Wakala Asset(s) and the acquisition of replacement Wakala Assets (the "**Replacement Wakala Assets**"), such that the Replacement Wakala Assets so acquired are included in the Wakala Portfolio and the Value of the Wakala Assets following such replacement is greater than 50 per cent. of the Wakala Portfolio Value.

The payment obligations of Kuveyt Türk under the Purchase Undertaking and the other Transaction Documents to which it is a party and which relate to the Periodic Distribution Amounts, the Dissolution

Distribution Amount and any other amounts payable to the Trustee for the purposes of making payments in respect of the Certificates will constitute direct, unsecured and subordinated obligations of Kuveyt Türk shall, in the case of a Subordination Event and for so long as that Subordination Event subsists, rank:

(a) subordinate in right of payment to the payment of all Senior Obligations;

(b) *pari passu* without any preference among themselves and with all Parity Obligations; and

(c) in priority to all payments in respect of Junior Obligations.

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

Sale and Substitution Undertaking

Pursuant to the Sale and Substitution Undertaking (the "**Sale and Substitution Undertaking**") dated on or about the Closing Date granted by the Trustee in favour of Kuveyt Türk, the Trustee irrevocably undertakes to Kuveyt Türk:

(a) to sell on the Tax Redemption Date specified in the Exercise Notice all of the Trustee's rights, ownership interests, benefits and entitlements in, to and under the Wakala Assets at the Exercise Price, as specified in the Exercise Notice;

(b) to sell on the Capital Disqualification Event specified in the Exercise Notice all of the Trustee's rights, ownership interests, benefits and entitlements in, to and under the Wakala Portfolio at the Exercise Price, as specified in the Exercise Notice;

(c) to sell on the Reset Date specified in the Exercise Notice all of the Trustee's rights, ownership interests, benefits and entitlements in, to and under the Wakala Assets at the Exercise Price, as specified in the Exercise Notice, provided that no Dissolution Event has occurred and an Exercise Notice is not outstanding under the Purchase Undertaking; and

(d) to assign and transfer on any Substitution Date all of the Trustee's rights, ownership interests, benefits and entitlements in, to and under the Substituted Wakala Assets, against the transfer and assignment by Kuveyt Türk to the Trustee, as payment in kind for the Substituted Wakala Assets, of the New Wakala Assets, **provided that** (i) the Value of the Wakala Assets following such substitution is greater than 50 per cent. of the Wakala Portfolio Value, (ii) no Exercise Notice has otherwise been delivered under the Sale and Substitution Undertaking in respect of the Substituted Wakala Assets (iii) no Dissolution Event has occurred, and (iv) no Exercise Notice (as defined in the Purchase Undertaking) has been delivered under the Purchase Undertaking,

with each such sale, transfer and assignment to be on an "as is" basis but free from any Encumbrance (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Sale and Substitution Undertaking.

The rights of Kuveyt Türk in respect of the Sale and Substitution Undertaking may only be exercised:

(a) by Kuveyt Türk delivering an Exercise Notice to the Trustee (with a copy to the Delegate) following the occurrence of a Tax Redemption Event, specifying the Tax Redemption Date, which must not be less than 60 days after the date on which the Exercise Notice is given, and accompanied by, (i) in the case of the payment of any relevant additional amounts by Kuveyt Türk, a certificate signed by two directors of Kuveyt Türk setting forth a statement of facts showing that each of the relevant events giving rise to the Tax Redemption Event has occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or Kuveyt Türk, as the case may be, has or will become obliged to pay the relevant additional amounts as a result of the change or amendment giving rise to the Tax Redemption Event;

(b) by Kuveyt Türk delivering an Exercise Notice to the Trustee (with a copy to the Delegate) specifying the Capital Disqualification Redemption Date (which must be no less than 10 days and no more than 60 days after the date on which Exercise Notice is delivered to the Trustee) together with a confirmation in writing that prior approval by the BRSA of the redemption has been obtained and a certificate signed by two directors of Kuveyt Türk stating that a Capital Disqualification Event has occurred;

(c) by Kuveyt Türk delivering an Exercise Notice to the Trustee (with a copy to the Delegate) specifying the Reset Date (which must be no less than 10 days and no more than 60 days after the date on which the Exercise Notice is delivered to the Trustee); and

(d) by Kuveyt Türk delivering a Substitution Notice to the Trustee (with a copy to the Delegate) specifying the Substitution Date (which may be the date of the Substitution Notice).

Use of Proceeds Undertaking Deed

Pursuant to the Use of Proceeds Undertaking Deed (the "**Use of Proceeds Undertaking Deed**") dated on or about the Closing Date granted by the Trustee in favour of Kuveyt Türk, **provided that**:

(a) the Trustee has issued a Purchase Undertaking Exercise Notice under the Purchase Undertaking; or

(b) a Restitution Amount becomes payable by Kuveyt Türk pursuant to clause 3 (*Restitution*) of the Sale Agreement,

Kuveyt Türk shall be entitled to deliver an Exercise Notice to the Trustee exercising its right to oblige the Trustee to comply with its undertaking set out below. An Exercise Notice delivered by Kuveyt Türk in accordance with the Use of Proceeds Undertaking Deed shall only be valid if:

(i) in the case of paragraph (a) above, it is delivered to the Trustee on or prior to the relevant Non-Viability Event Write-Down Date specified in the relevant Purchase Undertaking Exercise Notice; and

(ii) in the case of paragraph (b) above, it is delivered to the Trustee on the date of request of the Restitution Amount by the Trustee to Kuveyt Türk as specified in clause 3 (*Restitution*) of the Sale Agreement,

provided that Kuveyt Türk has delivered a valid Exercise Notice in accordance with the terms of the Use of Proceeds Undertaking Deed, the Trustee irrevocably undertakes that Kuveyt Türk shall be permitted to use the applicable Non-Viability Event Exercise Price or, as the case may be, Restitution Amount payable to the Trustee in accordance with the Sale Agreement to discharge Kuveyt Türk's Senior Obligations, **provided that** any remaining balance after application of the applicable Non-Viability Event Exercise Price or, as the case may be, Restitution Amount shall be paid to the Trustee.

The Trustee expressly declares that following the receipt of a valid Exercise Notice in accordance with the terms of the Use of Proceeds Undertaking Deed:

(a) Kuveyt Türk shall be entitled to pay the applicable Non-Viability Event Exercise Price or, as the case may be, the Restitution Amount due to the Trustee under the terms of the Purchase Undertaking into the account set out in the Exercise Notice (the "**Payment Account**");

(b) Kuveyt Türk shall be entitled, and authorised by the Trustee, to use the proceeds credited to the Payment Account to discharge Kuveyt Türk's Senior Obligations; and

(c) the proceeds credited to the Payment Account in accordance with paragraph (a) above shall cease to constitute Trust Assets.

Murabaha Agreement

The Murabaha Agreement will be dated on or about the Closing Date and entered into between the Trustee (as "**Seller**"), Kuveyt Türk (as "**Buyer**") and the Delegate and will be governed by English law.

Pursuant to the Murabaha Agreement, the Seller shall enter into a commodity purchase transaction (such commodities being the "**Commodities**") with the Buyer using the Deferred Sale Price. The Buyer may issue a duly completed, irrevocable notice (a "**Notice of Request to Purchase**") to the Seller (with a copy to HSBC Bank Middle East Limited (as "**Commodity Agent**") and the Delegate) in relation to a proposed Murabaha Contract. Pursuant to such Notice of Request to Purchase, the Seller (acting through the Commodity Agent) shall purchase the Commodities which are the subject of that Notice of Request to Purchase from the commodity supplier at the relevant purchase price (the "**Commodity Purchase Price**") in accordance with the terms set out in that Notice of Request to Purchase. Upon completion of such purchase by the Seller and the Seller gaining title and (actual or constructive) possession thereof, the Seller shall offer to sell such Commodities to the Buyer on a deferred payment basis, at the Deferred Sale Price by delivering a notice (an "**Offer Notice**") to the Buyer (with a copy to the Commodity Agent and the Delegate). Immediately upon receipt of a duly completed and issued Offer Notice from the Seller in respect of the relevant Commodities, the Buyer may accept such offer to purchase the Commodities from the Seller at the relevant Deferred Sale Price by countersigning the relevant Offer Notice and sending it to the Seller (with a copy to the Commodity Agent).

As soon as the Buyer has accepted the Seller's offer by countersigning the relevant Offer Notice, a Murabaha Contract shall be created between the Seller and the Buyer upon the terms of the Offer Notice and incorporating the terms and conditions set out in the Murabaha Agreement and the ownership of, (actual or constructive) possession of and all risks in and to the Commodities shall immediately pass to and be vested in the Buyer, together with all rights and obligations relating thereto, including the benefit of all of the Commodity Supplier's warranties and representations which are capable of being so transferred, the Buyer may request (at its own cost, expense and risk) for physical delivery of the relevant Commodities.

Each of the Seller and the Buyer shall acknowledge and agree that (i) time is of the essence in the consummation of the Murabaha Contract, and (ii) a failure to create the relevant Murabaha Contract by the time specified in the Murabaha Agreement shall result in the Offer Notice for such Murabaha Contract being void *ab initio*, whereupon the Buyer undertakes to compensate the Seller in respect of all actual costs, claims, losses and expenses of whatsoever nature (not to include any opportunity costs and funding costs) suffered or incurred by the Seller as a result of such failure (except to the extent arising from the wilful misconduct or actual fraud of the Seller), provided that the amount of such indemnity shall not exceed the difference between the Commodity Purchase Price of the relevant Commodities and the amount (if any) received by the Seller from the sale of such Commodities to a third party purchaser.

Capitalised terms and expressions used in the above paragraphs which are not defined herein shall have the meanings set out in the Murabaha Agreement.

Agency Agreement

Pursuant to the Agency Agreement to be dated on or about the Closing Date entered into between the Trustee, Kuveyt Türk, the Delegate, the Principal Paying Agent, the Registrar and the Transfer Agent:

(a) the Registrar has agreed to be appointed as agent of the Trustee and in such capacity has agreed, amongst other things, to complete, authenticate and deliver the Global Certificates;

(b) the Principal Paying Agent has agreed to be appointed as agent of the Trustee and in such capacity has agreed, amongst other things, to pay all sums due under such Global Certificates, and to make all calculations and determinations in relation to amounts due under the Global Certificates; and

(c) the Transfer Agent has agreed to be appointed as agent of the Trustee and in such capacity has agreed, amongst other things, to effect requests to transfer all or part of the Definitive Certificates and issue Definitive Certificates in accordance with each request.

On the Closing Date, the Registrar will: (i) authenticate the Global Certificate in accordance with the Declaration of Trust; and (ii) deliver, on the Closing Date, the Global Certificate to the common depositary or to such clearing system or other depositary or custodian for a clearing system as shall have been agreed between the Trustee, Kuveyt Türk and the Principal Paying Agent or otherwise, at such time, on such date,

to such person and in such place as may have been agreed between the Trustee, Kuveyt Türk and the Principal Paying Agent.

The Trustee will pay in freely transferable, cleared funds to the Transaction Account opened by the Trustee with the Principal Paying Agent, any payment which becomes due in respect of a Certificate in accordance with the Conditions.

The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and/or to appoint additional or other Agents by giving, *inter alia*, such Agent at least 60 days' prior written notice to that effect, **provided that**: (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity); and (b) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system.

The Agency Agreement is governed by, and shall be construed in accordance with, the laws of England.

The Declaration of Trust

Pursuant to a declaration of trust (the "**Declaration of Trust**") to be dated on or about the Closing Date entered into between the Trustee, Kuveyt Türk and the Delegate, the Trustee will declare that it will hold the following assets upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each holder in accordance with the Declaration of Trust and the Conditions:

(a) the Issuance Proceeds, pending application thereof in accordance with the terms of the Transaction Documents;

(b) subject to the terms of the Use of Proceeds Undertaking Deed, all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the portfolio of Wakala Assets, the amounts standing to the credit of the Collection Accounts from time to time, and the obligations of the Service Agent to make payments under the Service Agency Agreement;

(c) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (including, without limitation, the right to receive the Deferred Sale Price under the Murabaha Agreement and other than: (i) in relation to any representation given to the Trustee by Kuveyt Türk pursuant to any of the Transaction Documents; and (ii) the covenants given to the Trustee pursuant to Clause 17 of the Declaration of Trust); and

(d) all moneys standing to the credit of the Transaction Account,

and all proceeds of the foregoing (the "**Trust Assets"**).

With effect from the execution of the Declaration of Trust, in respect of the Trust created by the Declaration of Trust, the Trustee, by way of security for the performance of all covenants, obligations and duties of the Trustee to the Certificateholders under the Declaration of Trust, irrevocably and unconditionally appoints the Delegate to be its attorney and in its name, on its behalf and as its act and deed to execute, deliver and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by these presents, that the Delegate may consider to be necessary or desirable in order, upon the occurrence of a Dissolution Event (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), to exercise all of the rights of the Trustee under these presents and any of the other Transaction Documents (**provided that** no obligations, duties, Liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the delegation) and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with these presents (together the "**Delegation**" of the "**Relevant Powers**"), **provided that** in no circumstances will such Delegation result in the Delegate holding the Trust Assets on trust and **provided further that** such Delegation and the Relevant Powers shall not include any duty, power, trust, authority or discretion to hold any of the Trust Assets, to dissolve the Trust following the occurrence of a Dissolution Event or to determine the remuneration of the Delegate.

If (a) at the time of delivery of the Exercise Notice in accordance with the provisions of the Purchase Undertaking, Kuveyt Türk (acting in any capacity) holds any interest in or remains in actual or constructive possession, custody or control of all or any part of the Wakala Assets; and (b) following delivery of the Exercise Notice in accordance with the provisions of this Purchase Undertaking, the relevant Exercise Price (or, as the case may be, the Dissolution Event Exercise Price, the Non-Viability Event Exercise Price or the Non-Payment Event Exercise Price) is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever, Kuveyt Türk shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price (or, as the case may be, the Dissolution Event Exercise Price, the Non-Viability Event Exercise Price or the Non-Payment Event Exercise Price) and any outstanding Deferred Sale Price.

The Declaration of Trust is governed by, and shall be construed in accordance with, the laws of England.

TAXATION

The following is a general description of certain Cayman Islands, Turkish and European Union tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those countries or elsewhere. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments of profit, principal and/or other amounts under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Cayman Islands

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws payments on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates nor will gains derived from the disposal of Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

Subject as set out below, no capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of the Certificates. An instrument transferring title to any Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

Turkey

The following summary of the anticipated tax treatment in Turkey in relation to the payments on the Certificates is based on the taxation law and practice in force at the date of this Prospectus, and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Certificates and the receipt of any payments in respect of any Periodic Distribution Amounts, the Dissolution Distribution Amount or any other amounts payable in respect of such Certificates under the laws of the jurisdictions in which they may be liable to taxation.

Overview

For Turkish tax purposes, a legal entity is a resident of Turkey if its corporate domicile is in Turkey or its effective place of management is in Turkey. A resident legal entity is subject to Turkish taxes on its world-wide income (unlimited tax liability), whereas a non-resident legal entity is only liable to Turkish taxes for trading income made through a permanent establishment or a permanent representative, or only for income otherwise sourced in Turkey (limited tax liability).

A natural person is a resident of Turkey if it has established domicile in Turkey, or stays in Turkey more than six months in a calendar year. A resident individual is liable for Turkish taxes on world- wide income, while a non-resident individual is only liable for Turkish taxes on trading income made through a permanent establishment or permanent representative, or only for income otherwise sourced in Turkey.

Taxation of Interest and Capital Gains

Turkish resident Certificateholders should treat Periodic Distribution Amounts paid in accordance with the terms and conditions of the Certificates as ordinary interest income and any gain realised on the disposal or redemption of Certificates as a capital gain to be declared for Turkish tax purposes and accordingly subject to income/corporate tax in Turkey.

Periodic Distribution Amounts received and capital gains realised in respect of the Certificates held by non-Turkish resident Certificateholders are not subject to any Turkish income/corporate tax **provided that** (i) the Certificates are not held through a permanent establishment or a permanent representative in Turkey (ii) the Certificates are not acquired through Turkish on-shore bank accounts or the proceeds from the sale of the Certificates are not received through Turkish on-shore bank accounts and (iii) the purchase and sale of the Certificates are not carried out in Turkey (i.e. no Turkish intermediaries are involved in the transaction).

Withholding Tax

Payments of Periodic Distributions Amounts or the Dissolution Distribution Amount under the terms and conditions of the Certificates made by the Trustee to the Certificateholders are not subject to withholding taxes under Turkish law as the Trustee is not a resident in Turkey.

Article 30.1 (cc¸) of the Corporation Tax Law (Law No. 5520) (the Corporation Tax Law) requires a withholding tax, at a rate of 15 per cent., to be withheld from all payments of interest and fees on loans obtained by customers resident in Turkey from non-resident persons, except that the Council of Ministers' Decree No. 2009/14593 (the Decree) issued pursuant to Article 30 of the Corporation Tax Law reduces the Turkish withholding tax rate applicable on payments of interest on loans to one per cent. if such loans are (i) obtained by banks and qualify as tier 2 capital pursuant to Law No. 5411, or (ii) obtained by banks or entities through securitisations that take place outside Turkey and are structured on a cash flow or an asset portfolio.

It has further been confirmed in a tax ruling of the Ministry of Finance that, for the purposes of the Corporation Tax Law and the Decree, the Turkish withholding tax rate applicable to all payments made under such loans is considered to be one per cent.

If payments by Kuveyt Türk to the Trustee in respect of its obligations under the Transaction Documents are subject to any withholding tax, Kuveyt Türk will, in certain circumstances specified in the Transaction Documents, become obliged to pay such additional amounts as may be necessary so that the net payments received by the Trustee will not be less than the amount the Trustee would have received in the absence of such withholding.

Stamp tax

Article 30.5.3 of the General Communique´ (Serial No. 1) on Corporate Tax issued by the Ministry of Finance on 3 April 2007 provides that special purpose vehicles incorporated by Turkish banks for the purpose of securitisations qualify as financial institutions. Article 23 of Part IV of Table 2 of the Stamp Tax Law (Law No. 488) (the "**Stamp Tax Law**") further provides that documents executed with banks, foreign credit institutions or international financial institutions in relation to the granting and/or repayment of and/or security for loans shall be exempt from stamp tax. In accordance with the foregoing, none of the Transaction Documents should be subject to stamp tax, if:

(a) the transactions contemplated by the Transaction Documents qualify from the perspective of the tax authorities, in their entirety, as a loan transaction entered into with a bank, foreign credit institution or international financial institution; and

(b) subject to (a) above, the Transaction Documents are deemed to be documents executed with a bank, foreign credit institution or international financial institution in relation to the granting and/or repayment and/or security for such loan transaction.

To the extent any of the Transaction Documents are subject to stamp tax, stamp tax will be levied as a percentage of what is considered to be the monetary value of each relevant Transaction Document at a rate of 0.948 per cent. of such monetary value. Pursuant to the Stamp Tax Law General Communique´ (Serial No. 59), TRY1,797,117.30 is the highest amount payable for the 2016 year as stamp duty on each taxable document.

Parties to a taxable document are jointly liable for the payment of stamp tax and each and every signed copy of the taxable document is separately subject to stamp tax. Under the Transaction Documents, Kuveyt Türk will undertake to pay any stamp tax payable in respect of the Transaction Documents and to indemnify the relevant parties against any liabilities with respect to such stamp tax.

Stamp tax is not required to be paid under the laws of Turkey for the purpose any enforcement proceedings in respect of the Certificates or the Transaction Documents brought in the courts of Turkey. Certificateholders (who are not resident or incorporated or having a permanent establishment in Turkey) will not incur, or become liable for, stamp duty, registration, transfer or other similar taxes under the laws of Turkey by reason only of the acquisition, ownership or disposal of the Certificates.

Other Taxes

According to current Turkish tax laws and regulations, the sale, transfer or other disposition of Certificates is not subject to Turkish transfer taxes or value added tax **provided that** these transactions are performed outside Turkey.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Certificates (including secondary market transactions) in certain circumstances. The issuance and subscription of Certificates should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (i) by transacting with a person established in a participating Member State; or (ii) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Certificates are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Under a subscription agreement (the "**Subscription Agreement**") dated 14 September 2021 between the Trustee, Kuveyt Türk and the Joint Lead Managers, the Trustee has agreed to issue and sell U.S.$350,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, Arab Banking Corporation (B.S.C.), Citigroup Global Markets Limited, Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, HSBC Bank plc and KFH Capital Investment Company KSCC have jointly and severally agreed to subscribe for the Certificates. Pursuant to the Subscription Agreement, the Joint Lead Managers will be paid certain commissions in respect of their services for managing the issue and sale of the Certificates. The Joint Lead Managers will also be reimbursed in respect of certain of their expenses, and each of the Trustee and Kuveyt Türk has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Certificates.

General

Each Joint Lead Manager has represented, warranted and undertaken, that it has complied, and will comply, to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Certificates or possesses, distributes or publishes this Prospectus or any related offering material, in all cases at its own expense. Other persons into whose hands this Prospectus comes are required by the Trustee, Kuveyt Türk and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Certificates or possess, distribute or publish this Prospectus or any related offering material, in all cases at their own expense.

The Subscription Agreement provides that the Joint Lead Managers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out below) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Joint Lead Managers described in this paragraph.

United States of America

The Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has represented and agreed that it has not and will not offer, sell or deliver Certificates: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Certificates, within the United States or to, or for the account or benefit of, U.S. persons, and such Joint Lead Manager will have sent to each manager to which it sells Certificates during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Certificates, any offer or sale of Certificates within the United States by any manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each Joint Lead Manager has also agreed that, at or prior to confirmation of sale of Certificates, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Certificates from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Securities, except, in either case, in accordance with Regulation S

under the Securities Act ("**Regulation S**"). Terms used above have the meanings given to them by Regulation S."

Each Joint Lead Manager has represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Certificate and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering contemplated by this Prospectus in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Prohibition of sales to UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering contemplated by this Prospectus in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

Other regulatory restrictions

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or Kuveyt Türk; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

The Republic of Turkey

Each Joint Lead Manager has represented, warranted and agreed that the Certificates (or beneficial interests therein) shall not be sold in Turkey in any circumstances which would constitute a sale or a public offering within the meaning of the Capital Markets Law No. 6362 without the approval of the Capital Markets Board of Turkey ("**CMB**"). No transaction that may be deemed as a sale of the Certificates (or beneficial interests therein) in Turkey by way of private placement or a public offering may be engaged in without the approval of the CMB. Additionally, no prospectus and other offering material related to the offering may be utilised in connection with any general offering to the public within Turkey for the purpose of the offer or sale of

the Certificates without the prior approval of the CMB. However, pursuant to Article 15(d) (ii) of the Decree No. 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "**Decree 32**"), residents of Turkey may purchase or sell the Certificates denominated in a currency other than Turkish Lira (or beneficial interests therein) in offshore transactions on an unsolicited (reverse enquiry) basis, **provided that** such sale and purchase is made in the financial markets outside Turkey through banks and/or licensed brokerage institutions authorised pursuant to the BRSA and/or CMB regulations and the consideration of the purchase of such Certificates has been or will be transferred through licensed banks authorised under the BRSA regulations.

Cayman Islands

Each Joint Lead Manager has represented and agreed that it has not made and will not make, whether directly or indirectly, any offer or invitation to the public in the Cayman Islands to subscribe for the Certificates.

Dubai International Financial Centre

Each Joint Lead Manager has represented, warranted and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

(a) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (i) to "**professional investors**" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "**prospectus**" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CO**") or which do not constitute an offer to the public within the meaning of the CO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to any Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" within the meaning of the SFO and any rules made under the SFO.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**"). Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Certificates in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act of 1949 (Act No. 228 of 1949, as amended), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws and regulations of Japan.

Kingdom of Bahrain

Each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more excluding that person's principal place of residence;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017, as amended (the "**KSA Regulations**"), made through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA in each case, in accordance with the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10, or as otherwise required by, the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Certificates to a Saudi Investor will be made in compliance with the KSA Regulations.

Each offer of Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made in compliance with the restrictions on secondary market activity under the KSA Regulations.

Malaysia

Each Joint Lead Manager has represented, warranted and agreed that:

(a) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia ("**CMSA**"); and

(b) accordingly, the Certificates have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Part I of Schedule 6 or Section 229(1)(b), Part I of Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the CMSA read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

State of Qatar (including the Qatar Financial Centre)

Each Joint Lead Manager has represented, warranted and agreed that it has not offered, delivered or sold, and will not offer, deliver or sell at any time, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations

of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre).

This Prospectus: (i) has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Exchange or the Qatar Financial Centre Regulatory Authority; (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell such Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute this Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase, of such Certificates, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289), as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

    (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

    (ii) where no consideration is or will be given for the transfer;

    (iii) where the transfer is by operation of law;

    (iv) pursuant to Section 276(7) of the SFA; or

    (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

State of Kuwait

Each Joint Lead Manager has represented and agreed that no Certificates will be offered, sold, promoted or advertised in the State of Kuwait, other than in compliance with Decree Law No. 31 of 1990 and the

implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto as amended governing the issue, offering and Sale of the Certificates.

GENERAL INFORMATION

Authorisation

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Trustee dated 26 August 2021. The Trustee has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Certificates and the execution and performance of the Transaction Documents to which it is a party. The entry into the Transaction Documents to which it is a party has been duly authorised by a resolution of the Board of Directors of Kuveyt Türk on 4 May 2021.

Listing of Certificates

Application has been made to Euronext Dublin for the Certificates to be admitted to the Official List and admitted to trading on its regulated market. The listing of the Certificates is expected to be granted on or before 17 September 2021.

Walkers Listing Services Limited is acting solely in its capacity as listing agent for the Trustee in connection with the Certificates and is not itself seeking admission of the Certificates to the Official List or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Regulation.

The total expenses related to the admission to trading are estimated to be €17,540.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Trustee or Kuveyt Türk is aware) which may have, or have had during the twelve months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Trustee, Kuveyt Türk, or Kuveyt Türk and its subsidiaries taken as a whole.

Significant/Material Change

There has been no significant change in the financial performance or position of the Trustee and no material adverse change in the prospects of the Trustee, in each case, since the date of its incorporation.

Since 30 June 2021, there has been no significant change in the financial performance or position of Kuveyt Türk and its subsidiaries taken as a whole and, since 31 December 2020, there has been no material adverse change in the prospects of Kuveyt Türk.

Auditors

The BRSA Accounts were audited, without qualification, and the Interim BRSA Accounts were reviewed, in each case by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member firm of Ernst & Young Global Limited ("**E&Y**").

E&Y is a member of the Chambers of Certified Public Accountants of Turkey and is authorised by the BRSA to conduct independent audits of banks in Turkey. The auditors of Kuveyt Türk have no material interest in Kuveyt Türk.

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is a special purpose vehicle and is not required under the law of the Cayman Islands, and has no intention to prepare its own financial statements.

Documents Available

For so long as any Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will be available for inspection from https://www.kuveytturk.com.tr/en/investor-relations/capital-market-issuances/international-issuances:

(a) the Memorandum and Articles of Association of the Trustee;

(b) the Articles of Association, Certificate of Activities and the Council of Ministers Decree approving the incorporation of Kuveyt Türk;

(c) the BRSA Accounts, together with any audit or review reports prepared in connection therewith; and

(d) the Prospectus.

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for the Certificates is XS2384355520. The Common Code for the Certificates is 238435552.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Shari'a Advisory Boards

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the HSBC Global Shariah Supervision Committee, the KFH Capital Sharia Committee, the Executive Committee of the Shari'a Board of Dubai Islamic Bank P.J.S.C. and Emirates NBD Islamic Internal Shariah Supervision Committee. Prospective Certificateholders should not rely on the approval referred to above in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction is in compliance with *Shari'a* principles.

Joint Lead Managers Transacting with the Trustee and Kuveyt Türk

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Trustee, Kuveyt Türk and their respective affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee or the Trustee's affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Trustee and/or Kuveyt Türk routinely hedge their credit exposure to the Trustee and/or Kuveyt Türk, as the case may be, consistent with their customary risk management policies.

Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates. Any such short positions could adversely affect future trading prices of the Certificates. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

SUMMARY OF DIFFERENCES BETWEEN IFRS AND BRSA PRINCIPLES

Certain financial information contained in this Prospectus, and in particular "*Selected Financial Information*", is presented in accordance with BRSA Principles (see "*Presentation of Financial and Certain Other Information*").

BRSA Principles differ from IFRS. Such differences are primarily related to the presentation of financial statements, disclosure requirements (e.g., IFRS 7) and certain accounting policies. BRSA presentation and disclosure requirements are prescribed by applicable regulations and are not always consistent with IFRS. This section details some of the important accounting policy differences between the BRSA and IFRS accounting standards, and it should be remembered that IFRS 9 became effective 1 January 2018, and therefore that should be taken into account. This section also includes special explanations with respect to the periods before and after the implementation of IFRS 9 in order to avoid confusion. Among the differences in accounting policies some of the most important are:

Application of IFRS 9

With the implementation of IFRS 9 on 1 January 2018, classification and measurement as well as expected credit loss principles assigned to financial instruments portfolios became the same under the BRSA and IFRS accounting standards. However, the BRSA have made some amendments and further declarations to the application of BRSA Principles through communiqués and legislation, which may cause differences between the BRSA Principles and the application of IFRS in terms of staging and expected credit losses calculations.

Consolidation Scope

Only subsidiaries and associates in the financial sector are consolidated and equity accounted, respectively, under BRSA Principles; others are carried at cost or fair value. Under IFRS, however, all subsidiaries are consolidated.

Control Power

The definition of control under BRSA Principles is based on the power to appoint or remove the decision-making majority of members of the board of directors or those having control over the majority of the voting rights as a consequence of holding privileged shares or agreements with other shareholders although not owning the majority of capital, whereas in IFRS 10 an investor is deemed to control an investee when the investee is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Associates

The threshold for "significant influence" for associates differs. Under the BRSA Principles, if the parent bank has qualified shares (i.e. shares that represent directly or indirectly 10 per cent. or more of the capital or voting rights in the associate or that give the privilege to appoint members to the associate's board of directors even though such rate is below 10 per cent.) in the invested entity, unless otherwise proved, it is accepted that the parent bank has significant influence in that associate. In IAS 28 such a threshold is set as 20 per cent.

Application Period for Hyperinflationary Accounting

Under BRSA Principles, this period ends at 1 January 2005 whereas under IFRS it ends at 1 January 2006, which represents a difference of one year between the two.

Related Party Disclosures

Related party transactions and balances are disclosed in IFRS based on the definition provided in IAS 24, whereas in BRSA such disclosures are based on "risk group" as defined in the Banking Law.

TRUSTEE

KT21 T2 Company Limited
c/o MaplesFS Limited
P.O. Box 1093
Queensgate House
Grand Cayman, KY1-1102
Cayman Islands

KUVEYT TÜRK

Kuveyt Türk Katılım Bankası A.Ş.
Büyüdere Cad. No 129/1, 34394
Esentepe Şişli
Istanbul
Turkey

DELEGATE

HSBC Corporate Trustee Company (UK) Limited
8 Canada Square
London
E14 5HQ

PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

HSBC Bank plc
8 Canada Square
London
E14 5HQ

SOLE GLOBAL COORDINATOR

KFH Capital Investment Company KSCC
Level 23, Baitak Tower
Safat Square
Ahmed Al Jaber Street
Kuwait City
P.O. Box 3946, Safat 13040
Kuwait

JOINT LEAD MANAGERS

Arab Banking Corporation (B.S.C.)
ABC Tower
Diplomatic Area
P.O. Box 5698
Manama
Kingdom of Bahrain

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Dubai Islamic Bank P.J.S.C.
Head Office
P.O. Box 1080
Dubai
United Arab Emirates

Emirates NBD Bank PJSC
c/o Emirates NBD Capital
DIFC Gate Building - West Wing
Level 12 I Units 1203 – 1204
P.O. Box 506710
Dubai, United Arab Emirates

HSBC Bank plc
8 Canada Square
London
E14 5HQ
United Kingdom

KFH Capital Investment Company KSCC
Level 23, Baitak Tower
Safat Square
Ahmed Al Jaber Street
Kuwait City
P.O. Box 3946, Safat 13040
Kuwait

LEGAL ADVISERS

To Kuveyt Türk as to English law

Akin Gump Strauss Hauer & Feld LLP
ICD Brookfield Place, Level 10
Al Mustaqbal Street
Dubai International Financial Centre
P. O. Box 120109
Dubai, United Arab Emirates

To Kuveyt Türk as to Turkish law

Mutlu Avukatlık Ortaklığı
Altunizade Mah.
Kısıklı Cd. No: 35/2
Üsküdar
Istanbul
Turkey

To the Joint Lead Managers as to English law

Clifford Chance LLP
Level 15
Burj Daman
Dubai International Financial Centre
PO Box 9380
Dubai, United Arab Emirates

To the Joint Lead Managers as to Turkish law

Çiftçi Attorney Partnership
Kanyon Ofis Binasi Kat. 10
Büyükdere Cad. No. 185
34394 Levent
Istanbul
Turkey

To the Delegate as to English law

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

To the Trustee as to Cayman Islands law

Maples and Calder (Dubai) LLP
Level 14, Burj Daman
Dubai International Financial Centre
P.O. Box 119980
Dubai
United Arab Emirates

AUDITORS TO KUVEYT TÜRK KATILIM BANKASI A.Ş.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of Ernst & Young Global Limited
Maslak Mahallesi Eski Büyükdere Caddesi
No 27 Orjin Maslak Daire 54-57-59
Kat 2-3-4 34485 Sarıyer/İstanbul
Turkey

LISTING AGENT

Walkers Listing Services Limited
5th Floor, The Exchange
George's Dock, IFSC
Dublin 1, D01 W3P9
Ireland