

COMMUNIQUE ON COVERED BONDS

(III-59.1)

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PART ONE

Purpose, Scope, Grounds and Definitions

Purpose and Scope:

ARTICLE 1 - (1) The purpose and scope of this Communiqué is to regulate principles and procedures regarding the qualities and issuance of covered bonds, as well as the cover monitor, cover assets and cover matching.

Grounds:

ARTICLE 2 - (2) This Communiqué has been prepared based on Articles 59, 60 and 130 of the Capital Markets Law dated 6/12/2012 and numbered 6362.

Definitions and Abbreviations:

ARTICLE 3 - (1) The following terms shall have the meanings ascribed to them below :

- a) Bank: means the banks defined in Article 3 of the Banking Law dated 19/10/2005 and numbered 5411,
- b) BRSA: means the Banking Regulation and Supervision Agency,
- c) Exchange: means the stock exchange defined in Article 3 of the Capital Markets Law numbered 6362,
- ç) Rating Agency: means the rating agencies that are established in Turkey and authorized by the Board to conduct rating activities within the framework of the regulations of the Board regarding rating activities in capital markets, as well as international rating agencies which the Board has authorized to conduct rating activities in Turkey,
- d) Financial leasing companies, factoring companies, finance corporations: means the financial leasing companies, factoring companies and finance corporations regulated in the Law on Financial Leasing, Factoring and Finance Corporations dated 21/11/2012 and numbered 6361,
- e) REIC: means Real Estate Investment Company,
- f) Undersecretariat of Treasury: means Republic of Turkey, Prime Ministry, Undersecretariat of Treasury,

- g) Servicer: means the bank or mortgage finance institution to which the issuer has delegated its duties to administer the cover assets in accordance with the cover matching principles,
- ğ) Issuer: means the corporations issuing Asset Covered Bonds (ACB) or Mortgage Covered Bonds (MCB) within the scope of this Communiqué,
- h) Substitute Asset: means cash, certificates of liquidity issued by the Central Bank of Turkey, government bonds issued domestically or abroad, lease certificates issued by the asset leasing corporations established by the Undersecretariat of Treasury, securities issued under the guarantee of the Treasury within the framework of the Law on Regulation of Public Financing and Debt Management dated 28/03/2002 and numbered 4749, securities issued by or under the guarantee of the central administrations and central banks of the countries which are members of the Organization for Economic Co-operation and Development, and other assets which the Board approves and discloses to the public,
- ı) Mortgage finance institution, MFI: means the joint stock companies defined in Article 60 of the Law no. 6362,
- i) MCB: means the mortgage-covered bonds,
- j) Public Disclosure Platform, PDP: means the electronic system through which the information, that has to be disclosed to public pursuant to applicable legislation, is submitted with electronic signature and disclosed to the public,
- k) Law: means the Capital Markets Law dated 6/12/2012 and numbered 6362,
- l) Housing finance institutions, HFI: means the banks which directly extend loans to consumers or carry out financial leasing activities within the scope of housing finance, or financial leasing and finance corporations authorized by BRSA to perform housing finance activities,
- m) Board: means the Capital Markets Board,
- n) CRA: means Central Registry Agency,
- o) Cash manager: means the bank or MFI which provides cash management services in relation to the cover assets,
- ö) Takasbank (Settlement and Custody Incorporation): means Istanbul Settlement and Custody Bank,
- p) Central Bank of Turkey: means the Central Bank of Turkey,
- r) Cover register: means the registry system that is kept in written or electronic form for the purposes of distinguishing the cover assets from other assets of the issuer,
- s) Cover monitor: means an independent audit firm authorized to conduct independent audit of information systems in the capital markets and responsible for the oversight of

the cover register and cover assets according to the principles set forth in this Communiqué,

- ş) Cover assets: means the assets serving as collateral of CB issuance, as specified in Article 9 of this Communiqué,
- t) Covered bonds, CB: means MCB and ACB,
- u) Commercial loans: shall mean the loans extended by banks and finance corporations to legal entities, as well as loans extended for the purposes of financing of production of goods and provision of services, financing of movable and real estate for commercial purposes including sea, air and land vehicles, and financing of working capital,
- ü) TOKİ: means Housing Development Administration of Turkey,
- v) Total liabilities: means the aggregate of liabilities arising from covered bonds, and, if any, the derivative instruments registered in the cover register,
- y) TCC: means the Turkish Commercial Code dated 13/1/2011 and numbered 6102,
- z) Consumer loans: means the consumer loans as regulated in the Law on Protection of Consumers dated 7/11/2013 and numbered 6502,
- aa) Derivative instruments: means swap, forward, future and option contracts, which may be recorded in the cover register pursuant to Article 11 of this Communiqué,
- bb) ACB: means the asset-covered bonds.

PART TWO

Principles on Covered Bonds and Their Issuance

Covered Bonds:

ARTICLE 4 - (1) CB is a capital market instrument qualified as a debt instrument, issued within the scope of the issuer's general liability and collateralized by cover assets.

(2) The terms "covered bond" , "mortgage-covered bond" , "asset-covered bond" , "CB" , "MCB" , "ACB" or equivalent terms may not be used for capital market instruments which are not issued according to the provisions of this Communiqué.

Issuance of Covered Bonds and Issuance Limit:

ARTICLE 5 - (1) CB may be issued by public offering, or be sold to qualified investors solely, or be sold by private placement provided that the unit nominal value is minimum TL 100,000.

(2) ACB may be issued by banks, MFIs, financial leasing companies, factoring companies, financing corporations, REICs, public entities and institutions which are

authorized to issue securities under their own laws, and other institutions the qualities of which will be determined by the Board. MCB may only be issued by HFI and MFI.

(3) Publicly offered CBs are required to be traded on the stock exchange, and an application should be made to the stock exchange for such purpose, in addition to the application for approval to be filed with the Board.

(4) The Board may request from the issuer that:

(a) Total liabilities to be guaranteed by a bank established within the country, or a third party legal entity or to be secured by insurance coverage provided by insurance companies defined in the Insurance Law dated 3/6/2007, numbered 5684;

(b) the administration of the cover assets be transferred to a servicer;

(c) the cover assets be kept by a bank or a MFI; and

(c) the issuance be sold to qualified investors only.

(5) Cover assets may be decreased within the framework of the principles set forth in the prospectus or issue document, at the ratio of CBs which are not sold within the sale period or have been subject to redemption or early redemption after the sale.

(6) Pursuant to Article 31 of the Law, all issuers may transfer the authority to issue CBs to the board of directors through their articles of association. Where the authority to issue debt instruments has been transferred to the issuer's board of directors according to their articles of association, such board of directors shall be deemed to possess the authority to issue CBs. However, the decision of the authorized body has to explicitly provide whether ACB or MCB will be issued.

(7) The nominal value of CBs in circulation of an issuer other than an MFI, shall not exceed 10% of the issuer's total assets stated in the audited annual financial statements of the last accounting period preceding the application, prepared in accordance with the regulations on financial statements and financial reporting set forth by the Board for companies whose capital markets instruments are traded on a stock exchange.

(8) The nominal value of CBs in circulation issued by an MFI, shall not exceed five times the MFC's equity amount stated in the audited annual financial statements of the last accounting period preceding the application of the MFI, prepared in accordance with the regulations on financial statements and financial reporting set forth by the Board for companies whose capital markets instruments are traded on a stock exchange.

(9) The issuance limits which are calculated within the framework of paragraphs seven and eight; of banks, financial institutions defined in the Banking Law no. 5411, financial leasing companies, factoring companies or finance corporations, which have a long term on-demand rating corresponding to the highest three levels of investment grade according to the rating scale from rating agencies; shall be increased by 100%.

(10) In the event of violation of cover matching principles, the issuer shall not be entitled to issue new tenor CBs until compliance with such principles is ensured.

(11) With respect to matters in relation to the issuance of CBs that are not regulated in this Communiqué, the provisions of the Board's regulations on debt instruments shall, to the extent applicable, apply for CB issuances.

Issuance Application

ARTICLE 6 - (1) The issuers shall apply to the Board together with the documentation listed in Annex/1 for approval of the prospectus, and with documentation listed in Annex/2 for approval of the issue document.

(2) The CB to be issued may be sold in tenors within the issue ceiling to be approved by the Board. For public offers to be made during the validity period of the prospectus, an application shall be filed along with the documents listed in Annex/3 of this Communiqué to obtain an authorization from the Board for the sale of each tenor.

(3) For domestic issuances without public offering, following delivery of the issue document approved by the Board to the issuer, the issuer will realize the sale by applying to CRA before the sale of each tenor, within the issue ceiling approved by the Board, without the need of any other application being made to the Board. For cross border issuances, following delivery of the issue document approved by the Board to the issuer, the issuers shall apply to the Board before each issuance to obtain an approval for a tenor issue document.

(4) The assets that serve as collateral for the CB, which will be offered to the public, have to be constituted and registered in the cover register prior to filing an application with the Board for approval of the prospectus. The assets that serve as collateral for the CB, which will be issued without public offering, or which will be issued abroad, have to be constituted and registered in the cover register before obtaining the issue document. Rights and liabilities regarding derivative instruments may be included among the cover assets following the finalization of the issuance amount, maturity and similar conditions.. However, at the application stage, information on derivative instrument agreements which are planned to be entered into, and positions which are planned to be hedged against, shall be provided to the Board.

(5) The relevant regulations of the Board shall be applicable with respect to any matters regarding the contents, preparation, approval, publication, registration and disclosure of the prospectus and the issue document, financial statements to be included in the prospectus, amendments to the prospectus, and disclosures and advertisements to be made by the issuers, determination of the principles of issuance and sale of CBs, and obligations of the issuers with respect to financial reporting, independent audit and public disclosure, and any other matters that have not been regulated in this Communiqué.

Issuance of CB in Dematerialized Form:

ARTICLE 7 - (1) The principles set forth in Communiqué on Debt Securities numbered II-31.1, published in the Official Gazette dated June 7, 2013 numbered 28670 shall be applied *mutatis mutandis*, for the issuance of CBs in dematerialized form and monitoring of the rights related thereto.

Special Provision on MFI:

ARTICLE 8 - (1) Regarding CB issuances made by MFIs, the Board's other regulations in relation to MFIs shall be reserved.

PART THREE
**Principles Regarding Cover Assets, Cover Register,
 Servicer and Cash Manager**

Cover Assets:

ARTICLE 9 – (1) The assets listed below may be designated as collateral for the issuance of ACB, provided that they are registered in the cover register:

- (a) receivables of banks and financing corporations arising from consumer loans and commercial loans,
- (b) receivables arising from financial lease contracts executed within the framework of the Law numbered 6361, and insured receivables arising from factoring contracts,
- (c) receivables arising from sale of real estate property by the Housing Development Agency of Turkey, based on installments and contracts,
- (ç) collateralized receivables of the REICs arising from sale of the real estate or promise to sell agreements in relation to the real estate included in their portfolios, and receivables of the REICs arising from their lease agreements,
- (d) long term foreign currency loans that are extended by commercial banks for project based financing needs, to which the Turkish Prime Ministry Undersecretariat of Treasury stands as debtor,
- (e) substitute assets, and
- (f) other assets whose characteristics shall be determined by the Board.

(2) The assets listed below may be designated as collateral for the issuance of MCB, provided that they are registered in the cover register:

- (a) receivables of banks and financing corporations, resulting from housing finance as defined under Article 57 of the Law, which have been secured by establishing mortgage at the relevant registry,
- (b) receivables arising from financial lease agreements executed within the framework of Law no. 6361, provided that they arise out of the housing finance defined in Article 57 of the Law,
- (c) commercial loans and receivables of the banks and financial leasing companies and financing corporations, which have been secured by establishing mortgage at the relevant registry,

- (c) receivables based on installments and contracts, which result from house sales by the Housing Development Agency of Turkey, in relation to the issuances to be made by MFI only, and
- (d) assets included within the scope of sub-paragraphs (e) and (f) of the first paragraph.

From the receivables mentioned in the subparagraph (a) above, those which originate from housing finance loans as defined in Article 57 of the Law, but which do not constitute loans secured by establishing mortgage, may be designated as collateral for the issuance of MCB, provided that they are secured by another collateral approved by the Board.

Characteristics of Cover Assets:

ARTICLE 10 - (1) Cover assets are required to meet the following conditions:

- (a) The bank loans have to fall within the scope of subparagraph (a) of the first paragraph of Article 4 of *the Regulation on Principles and Procedures for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside* published in the Official Gazette dated 1/11/2006 and number 26333, as of the date on which they have been registered in the cover register,
- (b) In respect of both the loans extended by financing corporations and the financial leasing receivables, there must be no special provisions set aside pursuant to the provisions of the *Regulation Concerning the Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Corporations*, which was published in the Official Gazette dated 24/12/2013 and numbered 28861, as of the date on which they have been registered in the cover register,
- (c) The real estate, serving as collateral for the loans and receivables backed by real estate mortgage, is required to satisfy the following conditions:
 - 1) the real estate should be located within the borders of the Republic of Turkey,
 - 2) the market price of the real estate should have been determined by appraisal companies that are listed by either the Board or BRSA, at the stage of extension of the loan or accrual of the receivable.
- (ç) In respect of commercial loans related to sea, air and land vehicles, Hull and Machine Insurance has to be established on the sea vehicles; Air Vehicles Hull Insurance has to be established on air vehicles; Land Vehicles Insurance has to be established on land vehicles.

Principles Relating to Derivative Instruments:

ARTICLE 11 - (1) Rights and obligations arising from forward, futures, option and swap contracts that will provide hedging against interest or currency risk to fully satisfy the total liabilities or eliminate the duration gap between the cover assets and CB, may be registered in the cover register, provided that they meet the conditions listed below:

- (a) the derivative instruments have to be traded at stock exchanges; or the counterparty to the derivative instrument has to be a bank, financial institution, insurance company or central clearing institution authorized by the relevant authorities of the country where it was incorporated, and it must have a long-term credit rating in foreign currency, which corresponds to the top three degrees of the investment grade, as determined by the credit rating institutions,
 - (b) the agreements regarding derivative instruments have to contain a provision that the counterparty may not unilaterally terminate the contract until the time the CB are redeemed, even in case of bankruptcy of the issuer,
 - (c) the counterparty should have approved the registration of the derivative instrument in the cover register, and
 - (c) the netting off between the issuer and the counterparty shall be made separately for the derivative instruments registered in the cover register and for all other transactions performed with the counterparty.
- (2) With respect to the rating condition of the derivative instruments, the following conditions are relevant:
- (a) for institutions located in Turkey to become a counterparty, their long-term national ratings have to at least correspond to the top three degrees of investment grade,
 - (b) for the institutions whose rating is at the lowest level of the grade specified in subparagraph (a) of the first paragraph and subparagraph (a) of this paragraph, the outlook of the rating shall not be negative, and
 - (c) in case the relevant institution has more than one rating grade, the second highest rating grade shall be taken into account.
- (3) The agreements relating to derivative instruments have to be executed in objective conditions which shall not be affected by any relationship, and have to contain fair price terms. The derivative instruments have to be valued through reliable and verifiable methods considering the following principles:
- (a) the valuation should not be based upon price quotations obtained solely from the counterparty,
 - (b) the reliable and up-to-date market price of the derivative instrument, or if there is no such price, a pricing model based upon a sufficient and generally accepted methodology, has to serve as a basis for the valuation,
 - (c) provided that the verification of the valuation shall be made at required intervals and can be controlled by the issuer or the cover monitor, such verification should be made either by an independent third party unrelated with the counterparty of the derivative agreement or an internal unit of the Issuer which is capable of performing such task and independent from the unit responsible for the management of the Cover Assets,

Cover Register:

ARTICLE 12 - (1) Issuers are responsible for keeping a cover register by means of; reliably monitoring the cover assets in special accounts separate from their own assets, opening separate accounting records that will enable daily monitoring of every record that is made, or establishing an infrastructure adequately distinguishing the cover assets.

(2) Workflows regarding keeping the cover register shall be approved by the issuer's board of directors.

(3) The Board may require the records regarding the cover assets to be held with another institution, besides the issuer.

(4) The records entered in the cover register shall be taken as basis for all transactions and disputes relating to the cover assets.

(5) For issuances where the cover assets are kept in electronic form, the cover register shall be sent to the CRA in electronic form, as frequently as it is updated.

Protection of Cover Assets:

ARTICLE 13 – (1) The issuer is responsible for managing the cover assets in compliance with the cover matching principles and the principles set out in the prospectus, issue document or special agreements, if any.

(2) Until the CB is redeemed, even if the management or supervision of the issuer is transferred to public institutions; the cover assets may not be disposed, pledged, collateralized, sequestered including for the purpose of collecting public receivables, included in the bankruptcy estate, and also preliminary injunction decisions may not be rendered upon CB; for any purpose other than the purpose of coverage.

(3) An account will be opened with a bank for all kinds of cash flow relating to the cover assets, and such account shall be separated from other accounts of the issuer. In the event that the issuer is a bank, this account can be opened within the issuer itself, on the condition that the measures within the scope of Articles 25 and 26 of this Communiqué are reserved.

(4) In case any collection is made from the cover assets, provided that the cover matching principles set forth in this Communiqué are met, the cash generated from such collection may be;

(a) classified in the cover register as a substitute asset,

(b) removed from the cover register to be used for CB repayments,

(c) freely disposed of by the issuer, upon its replacement with new cover assets.

(5) In case the cover assets lose the eligibility criteria set forth in articles 10 and 11, following their registration in the cover register, or it is revealed that assets, which do not meet these criteria, have been registered in the cover register, such assets shall be replaced with the assets that meet the criteria.

(6) In order to preserve or increase the cover assets' credit quality, new cover assets can be registered to the cover register or existing assets can be replaced.

(7) In order to apply the provisions of this Communiqué and to ensure the protection of the covered bond holders, prior to the sale of CB, the issuer is obliged to make the necessary contracts with the cover monitor, and, if any the institution providing guarantee, the cash manager, the servicer, or any similar third parties.

(8) Prior to the sale of CB, the issuer is obliged to take the measures through making contracts with the cover monitor or a third party that will enable transfer of cash flows generated from the cover assets to a separate account in the name of the covered bond holders in case the circumstances set out in Articles 25 and 26 occur. These measures shall be specified in the prospectus or the issue document.

(9) The issuer is obliged to follow up whether the legally required insurance obligations regarding mortgages on real estates covering loans and receivables, along with the insurance obligations regarding assets covering commercial loans in relation to sea, air and land vehicles, are fulfilled in a timely manner, as long as such loans and receivables are included within the cover assets.

Servicer, Cash Manager and Replacement Servicer:

ARTICLE 14 – (1) Provided that the liabilities of the issuer within the scope of this Communiqué continue, the duties of managing the cover assets may be delegated to a servicer, and the duties of managing the cash related to the cover assets may be delegated to a cash manager.

(2) In the events listed below, the replacement servicer, which will be assigned, without undertaking the total liabilities, to manage the cover assets and to make the payments arising from the total liabilities to the extent that the revenue generated from the cover assets is sufficient, is required to be notified to the Board prior to the sale of CB by the issuer and be disclosed in the prospectus or the issue document:

- a) The issuer fails to perform its total liabilities on their maturity,
- b) The total liabilities exceed the total value of the assets,
- c) The management or supervision of the issuer is transferred to the public institutions,
- ç) The operation license of the issuer is cancelled,
- d) The issuer goes bankrupt.

PART FOUR

Cover Matching Principles

Nominal Value Matching:

ARTICLE 15 – (1) The nominal value of the cover assets may not be less than the nominal value of the CB.

(2) While calculating the nominal value, the balance of the principal amounts of the loans, issuance price of the discounted debt securities, and the nominal value of the premium-debt securities shall be taken into consideration.

(3) Derivative instruments shall not be taken into consideration in nominal value matching calculations.

Cash Flow Matching:

ARTICLE 16 – (1) The sum of interest, revenues and similar income that are expected to be generated from cover assets within 1 year following the calculation date, may not be less than the payment obligations expected to arise from total liabilities during the same period.

Net Present Value Matching:

ARTICLE 17 – (1) In ACB issuance, the net present value of the cover assets is required to be more than the net present value of the total liabilities at a ratio to be determined by the issuer, provided that such ratio is not less than the ratios specified in column numbered II of the chart provided in Annex/4 of this Communiqué, depending on the type of the cover assets. For ACB issuances requiring stress testing within the framework of Article 18 of this Communiqué, the overcollateralization ratios specified in column numbered III of the chart in Annex/4 of this Communiqué have to be met in minimum, depending on the type of cover assets in all stress test scenarios. In the event that different assets are registered in the cover register, the overcollateralization ratio may not be less than the weighted average that is calculated by applying the rates provided in the chart under Annex 4 of this Communiqué with respect to the relevant assets.

(2) In MCB issuances, the net present value of the cover assets is required to be more than the net present value of the total liabilities at a ratio to be determined by the issuer at the beginning. Such ratio may not be less than 2%.

(3) The net present values of the total liabilities and cover assets shall be determined in compliance with the valuation standards relating to financial instruments within the scope of the Turkish Accounting Standards.

(4) Different principles may be brought by the Board regarding the calculation of the net present value.

Stress Test:

ARTICLE 18 – (1) Sensitivity of the net present value matching to the potential changes in the interest and currency exchange rates shall be measured by the stress test.

(2) In ACB issuances, stress test measurements are mandatory if the ACB and cover assets are denominated differently or have different interest types (fixed or floating); while in MCB issuances, the stress test measurements are mandatory in any case.

(3) In MCB issuances, the overcollateralization ratios specified in paragraph two of Article 17 have to be met in all stress test scenarios to be carried out within the framework of this article. The collateral surplus consists of substitute assets and shall be registered in the cover register. The part of the substitute assets forming the collateral surplus shall not be taken into account for restriction set forth in paragraph two of Article 19.

(4) In stress tests, the expected cash flows from loans and receivables are discounted by using the yield curves obtained from relevant foreign exchange swap rates. In the absence of swap rates compatible with maturity of the loan and the receivable, interest rates are derived from using maturities where interest rates are known for before and after maturity dates. Interest rate of the latest maturity is used for maturities exceeding the latest maturity date where interest rate is known.

(5) The expected cash flows are calculated by taking into consideration the estimated early payment rates and early payment fees if there are any. Early payment rates are calculated by using the difference between the interest rate of each loan and receivable, and the market interest rate that matches the maturity of the loan and receivable, as well as early payment statistics in previous periods for similar assets. It is presumed for loans and receivables with floating interest rates, that the interest rate valid at the calculation date will not change through the maturity of the loan and receivable.

(6) To measure the impact of the interest rate changes, the yield curves obtained from swap rates are shifted up and down, in parallel. The parallel shifting is made by increasing or decreasing the interest rate valid for each maturity, by 300 basis points for Turkish Liras and 150 basis points for foreign currencies. In case the interest rate obtained from shifting is negative, the interest rate is deemed to be zero.

(7) To measure the impact of currency exchange rate changes upon the cash flows in foreign currencies, the foreign exchange buying rate is increased and decreased by 30%, based on the indicative foreign exchange buying rate announced by the Central Bank of Turkey.

(8) Values of the substitute assets and derivative instruments, determined in line with the principles set out in paragraph three of Article 17, are used in stress tests.

(9) For issuances where stress testing is mandatory, cover assets shall be subject to stress testing at least once a month.

Special Provisions Regarding MCB:

ARTICLE 19 – (1) Within the scope of MCB issuance:

(a) For calculations relating to cover matching principles;

(1) The loans and receivables that no longer satisfy the criteria set forth in Article 10,

- (2) The portion of the loans and receivables, arising from housing finance, exceeding 75% of the mortgage value of the loans and receivables, ,
- (3) The portion of the loans and receivables, that are secured by establishing mortgage at the relevant registry, exceeding 50% of the mortgage value of the commercial loans and receivables,

shall not be taken into consideration. The restrictions specified in subparagraphs (2) and (3) shall be reviewed at least once a year according to the changes in the cover value and the latest calculated value of the cover shall be taken into account for calculations.

- (b) The net present value of the assets being subject to the MCB issuance is calculated by taking into account the expected cash flows from eligible loans and receivables, the estimated early payment rates and early payment fees if there are any.
- (c) Information shall be given to the cover monitor and the Board regarding the methods used by the issuer or the servicer for the determination of the changes in the cover value to be taken into account for verifying compliance with subparagraphs (2) and (3) of paragraph (a) and for the calculation of the early payment rates pursuant to paragraph (b). The Board may set up a condition to use a specific method for determining the changes in the cover value and estimating the early payment rates.
- (c) In case there is a generally accepted index exists for the calculation of the change in real estate prices, such index shall be considered in the determination of the changes in the cover value which will be taken into account to determine the compliance with subparagraphs (2) and (3) of paragraph (a). Accordingly, in case of any determination of a decrease of real estate prices in general or in a certain area, restrictions set forth in subparagraphs (2) and (3) of paragraph (a) will be applied by deeming the price of the relevant real estate being decreased at the average change rate of the above mentioned decrease in real estate prices. If there are any indications that there is a significant decrease in the value of a real estate compared to the market average, the issuer shall be required to make a new appraisal for such real estate.
- (2) The net present value of commercial loans and receivables, excluding the ones related with sea and air vehicles which have been collateralized by establishing mortgage at the relevant registry, may not exceed 15% of the total net present value of the cover assets.
- (3) Net present value of the substitute assets may not exceed 15% of the total net present value of the cover assets.

Control of Compliance with Cover Matching Principles:

ARTICLE 20 - (1) Compliance with cover matching principles shall be monitored by the issuer, at every change relating to the cover assets, and in any case, at least once a month.

(2) To ensure the rights of CB holders are protected, the issuers may determine additional principles and envisage further sanctions with respect to violation of such principles and failure to fulfill the payment obligations, provided that the provisions of this Communiqué are reserved. In such case, the agreement executed with the cover monitor has to contain

provisions setting forth that along with the matters set out in this Communiqué, the cover monitor shall supervise compliance with the additional cover matching principles and sanctions that are applicable in case of violation of such principles and failure to fulfill the payment obligations.

Information and Public Disclosure Principles:

ARTICLE 21 - (1) In order to ensure that the CB holders are informed:

- a) Cover matching principles compliance report and the notifications within the scope of Article 23, shall be disclosed on the website of the issuer and on PDP, on the day the cover monitor delivers the report or the notification to the issuer;
- b) The investor report including information relating to collections made from the assets constituting the collateral of CB and the payments made to CB holders by the issuer, quarterly (as of every quarter of an accounting period), prepared in accordance with the form provided in Annex/5 shall be disclosed on the website of the issuer and on PDP within six business days following the end of the relevant accounting period;
- c) The fact that the issuer has not fulfilled its payment liabilities partially or fully shall be disclosed on the website of the issuer and on PDP, on the date when such fact is revealed.

(2) In case CB are issued without public offering, the disclosures that are required to be made within the scope of paragraph 1 shall be delivered to the CB holders online, through CRA and shall be published in the website of the issuer, and be made available to the access of the CB holders. The Board shall be notified of the publication of the disclosure on the website of the issuer, within six business days following such disclosure, along with the necessary access information, if any.

PART FIVE Cover Monitor

Appointment of Cover Monitor:

ARTICLE 22 – (1) Cover monitor shall be appointed before the issuance of CB, with a written agreement. The agreement executed with the cover monitor shall be submitted to the Board within three business days. The cover monitor may be appointed by the board of directors of the issuer. The cover monitor may not be appointed from amongst the corporations which conducted independent audit on the financial statements of the issuer, or from amongst other corporations located in Turkey, which are legally affiliated with the same independent audit corporation headquartered abroad.

(2) The agreement for the appointment of the cover monitor may be terminated for reasonable grounds, provided that such grounds are submitted to the Board in writing and the approval of the Board is obtained. In case of termination, all the information held by the cover monitor has to be delivered to the issuer to be later transferred to the replacing cover monitor.

(3) To ensure that the rights of the CB holders are protected, the Board is authorized to request the replacement of, or replace *ex officio*, the cover monitor who no longer satisfies the qualifications required for acting as cover monitor or who has committed fault or negligence in the fulfillment of its duties conferred upon under this Communiqué.

(4) The cover monitor shall, during fulfillment of its duties arising from this Communiqué, comply with the International Service Standard Concerning Agreed-Upon Procedures in relation to Financial Data numbered 4400, published by the International Auditing and Assurance Standards Board and may not delegate the responsibility for the fulfillment of the duties entrusted upon it to any other person.

Duties of Cover Monitor:

ARTICLE 23 – (1) During the term of the agreement, the cover monitor:

- a) shall review whether the cover register has been created by registering the appropriate assets in accordance with the provisions of this Communiqué and whether the cover matching principles have been met or not, as at the date of the application with the Board,
- b) in case the cover register is kept in the electronic form, shall inspect that the necessary cross checks, automations and authorizations have been set up in the information technology systems and infrastructure of the issuer and/or servicer in order to ensure that the cover assets are registered and are protected in accordance with this Communiqué, and shall submit the report including the results of this review to the issuer, together with a copy to the Board,
- c) shall examine and confirm the accuracy of the entries made in order for assets to be added to and removed from and to be amended, within the framework of fourth, fifth and sixth paragraphs of Article 13, in the cover register by reviewing the underlying loan documentation and other information and documents, as it may deem necessary,
- ç) shall inspect whether the cover assets meet the cover matching principles set forth in this Communiqué and whether the stress test measurements are accurate,
- d) shall send a copy of the report indicating compliance with cover matching principles, which has been prepared so as to contain the results of the reviews mentioned in subparagraphs (c) and (ç), and in cases where Articles 25 and 26 of this Communiqué are applicable, the report indicating compliance with the cover matching principles and the results of any subsequent inspections, at any time to be determined by the cover monitor, and at least quarterly in case of issuances by public offering, and at least semiannually in case of issuances without public offering, within twenty business days following the end of the accounting period,
- e) in case of violation of the cover matching principles specified in this Communiqué, shall inspect whether compliance with the cover matching principles is restored within a period of one month following the date on which the violation is detected, whether the collections made from cover assets have been directed to a separate account opened in the name of CB holders, and whether such account has been used for the

fulfillment of the obligations arising from CB, which have become due and payable during the period of violation, if any, and shall send the notices set forth in Article 25,

- f) shall inspect whether, within one month following the date on which the payment obligation relating to CB has not been partially or fully satisfied, the collections made from cover assets have been directed to a separate account opened in the name of CB holders, whether such collections have been used solely for the fulfillment of CB obligations that have become due and payable, and whether the cover assets are sufficient to meet the claims of the CB holders, and shall send the notifications set forth in Article 26,
- g) shall fulfil its other obligations arising out of the agreement and other duties as may be requested by the Board.

(2) In cases where the remaining average principal value of the cover assets per unit is lower than 20,000 TL or more than 500 in number, as of the date of preparation of the report on cover matching principles, the reviews that will be carried out pursuant to paragraphs (a), (b) and (c) of the first paragraph shall be realized on the basis of sampling of a number to be calculated based on a minimum confidence level of 95%.

(3) The Board may require approval of the cover monitor for removal of assets from the cover register, taking into account the nature of the issuer or of the issuance.

(4) If the cover monitor detects any contradiction with the provisions of this Communiqué regarding the cover assets, it shall request from the issuer to remedy any such contradictions.

Powers of Cover Monitor:

ARTICLE 24 – (1) The cover monitor is authorized to request any information and document from the issuer regarding the cover assets, review the related entries and to obtain information from the employees. Such matters have to be addressed in the agreement to be executed with the cover monitor.

(2) The cover monitor is authorized to request all kinds of information and documents from independent auditor, valuation and rating institutions and when necessary from registry directorates or relevant registry agencies, review the relevant records and obtain information from the employees, in order to fulfill its duties within the scope of this Communiqué in an efficient manner.

(3) If the cover monitor encounters any obstruction in its access to the information and documents that it has requested, it shall promptly notify the Board.

PART SIX Measures

Violation of Cover Matching Principles:

ARTICLE 25 – (1) Within one month of the date on which the cover monitor detects a violation of the cover matching principles, the issuer has to restructure the cover assets, ensure compliance with the cover matching principles again by re-purchasing any issued CB or taking any similar precautions, which shall all be confirmed by the cover monitor.

(2) In case the cover matching principles are violated, from the date on which the violation has been detected until the date on which the cover matching principles are satisfied again, the collections made from the cover assets shall be accumulated in a separate account opened in the name of the CB holders and shall be used solely for fulfilment of the obligations arising from the CB, which have become due and payable during the period of violation.

(3) The cover monitor shall inspect whether the cover matching principles have been satisfied, whether the collections made from cover assets are accumulated in a separate account opened in the name of CB holders, and whether such account has been used for the fulfillment of the obligations arising from CB, which have become due and payable during the period of violation, if any. As a result of such inspection:

(a) In case it is detected that cover matching principles have been complied with, the cash that has been accumulated in a separate account may be used by the issuer by transferring such cash to the accounts of the issuer.

(b) In case it is detected that the cover matching principles have not been complied with, or that the collections made from cover assets have not been accumulated in a separate account opened in the name of the CB holders, or that these collections have not been used for the fulfillment of obligations arising from CB, which have become due and payable during the period of violation, the cover monitor shall notify the issuer of any such matter.

Failure of Issuer to Fulfil its Obligations:

ARTICLE 26 – (1) In case the issuer fails to fulfill its payment obligations arising from CB either partially or fully, such matter will be promptly notified to the cover monitor.

(2) In case it has been determined that, despite the reports prepared by the cover monitor indicating that the cover matching principles have not been violated, the issuer fails to fulfill its payment obligations arising from the CB partially or fully, the collections to be made from the cover assets shall be accumulated in a separate account opened in the name of the CB holders, as of the date on which the payment obligation has not been fulfilled, and such collected amounts shall be used solely for the fulfillment of the CB obligations that have become due and payable.

(3) Within one month following the date on which the payment obligations arising from CB have not been fulfilled partially or fully, the cover monitor has to determine whether:

(a) the collections made from the cover assets have been accumulated in a separate account opened in the name of the CB holders,

(b) such collected amounts have been used solely for the fulfillment of CB obligations, which have become due and payable,

(c) the cover assets are sufficient to meet the claims of the CB holders;

and notify the results of any such determination to the issuer.

(4) In case the cover monitor determines that the issuer has not satisfied the conditions specified in the third paragraph either partially or fully, within the scope of the eighth paragraph of Article 13 it has to submit a notice to the debtors of the underlying loans serving as cover assets, notifying them that they have to make their payments to an account opened in the name of the CB holders, which is not held with the issuer, and which does not belong to the issuer, or to take equivalent measures approved by the Board.

(5) In case the issuer fails to fulfill its payment obligations arising from the CB partially or fully, the CB holders whose receivables are not covered by the cover assets may resort to the other assets of the issuer without waiting to be paid off from the cover assets.

Principles Regarding the Administrator:

ARTICLE 27 – (1) In case of occurrence of the events set forth in second paragraph of Article 14, if the replacement servicer assigned by the issuer is not able to fulfill its duties for any reason whatsoever, the Board shall simultaneously appoint another bank satisfying the qualifications required for issuers, or MFI, the cover monitor or another independent audit company to act as administrator, in order to manage the cover assets and to fulfill the total liabilities without assuming the total liabilities, to the extent the revenue generated from the cover assets is sufficient.

(2) In case an administrator is appointed, the revenue generated from cover assets shall primarily be used towards the payments to be made to the CB holders and the counterparties of the agreements executed for the purposes of protecting the cover assets.

(3) The payment to be made in consideration of the services to the Investor Compensation Center, within the scope of the fifth paragraph of Article 59 of the Law, shall be made from the cover assets to the administrator.

(4) The administrator may actively manage the cover assets to make sure the payments arising from total liabilities are made in a timely manner, and if necessary may sell assets, purchase new assets, utilize loans or conduct repo transactions.

(5) The administrator may transfer the cover assets and total liabilities partially or fully to another bank satisfying the qualifications required for issuers or to MFI, after obtaining the affirmative opinion of the Board. The bank or MFI acting as transferee, shall become the owner of the cover assets upon such transfer and shall become responsible for the payments arising from total liabilities. After fulfillment of the total liabilities in full, the balance of cover assets shall belong to the bank or MFI, acting as transferee.

(6) In case the cover assets and total liabilities cannot be transferred and the revenue generated from the cover assets is not sufficient, the administrator shall not be held liable for the payments arising from the total liabilities. In case the revenue generated from cover assets is not sufficient, the provisions of Article 26 shall be applicable. If the administrator deems it necessary for the benefit of the CB holders, the administrator may suggest early redemption of

the CBs, to the Board. In case the Board deems it appropriate, the administrator shall proceed with the enforcement of the cover assets and the early redemption of the CBs.

PART SEVEN

Miscellaneous and Final Provisions

Board Fee

ARTICLE 28 – (1) The following ratios shall be taken as basis in calculating the fee that will be deposited to the account to be opened in the name of the Board, on the basis of the issuance value, provided that such amount is not lower than the nominal value, if any, of the CB that will be sold:

- a) Five per ten thousand for those with a maturity of up to 179 days,
 - b) Seven per ten thousand for those with a maturity between 180 days and 364 days,
 - c) One per thousand for those with a maturity between 365 days and 730 days,
 - e) Two per thousand for those with a maturity of more than 730 days.
- (2) The fees shall be calculated on the basis that one year is 365 days and one month is 30 days.
- (3) For the Board fees that apply to CBs, the third, fourth and fifth paragraphs of Article 12 of the Communiqué on Debt Securities numbered II-31.1 shall be applied *mutatis mutandis*.

Expenses Related to Issuance:

ARTICLE 29 – (1) In principle, the Board fee and the expenses relating to the issuance have to be paid by the issuer. However, if the cover assets are overcollateralized by the amount of the expenses that will be incurred in connection with the issuance, the expenses relating to the cash manager, servicer, cover monitor and similar parties may be paid from the cover assets. In these circumstances, the collateral surplus, which have been added for such expenses, shall not be taken into account in the calculations to be made pursuant to the fourth part of this Communiqué.

Supervision by the Board and Disclosures:

ARTICLE 30 – (1) The Board may inspect the accounts and transactions of the issuers in relation to CBs pursuant to the Law and may request any information and documentation from such institutions in relation to monitoring of CBs.

Finalization of Similar Applications by the Board:

ARTICLE 31 – (1) The provisions of this Communiqué shall be applicable *mutatis mutandis* with regards to applications for approval of a prospectus or an issue document relating to capital market instruments, which are neither classified in this Communiqué, nor regulated

under other regulations of the Board, and shall be deemed as CB by the Board due to their nature.

Re-evaluation of Amounts Provided in the Communiqué:

ARTICLE 32 – (1) The amounts provided in this Communiqué may be re-evaluated by the Board by taking into consideration the re-calculation coefficient, disclosed every year by the Ministry of Finance.

Repealed and Abolished Legislation:

ARTICLE 33 – (1) The Communiqué on Principles regarding Mortgage Covered Bonds published in the Official Gazette dated 4 August 2007 and numbered 26603 (Serial No: III, No: 33) and Communiqué on Principles regarding Asset Covered Bonds published in the Official Gazette dated 12 September 2009 and numbered 27347 (Serial No: III, No:38) have been abolished hereby.

(2) The references made to the Communiqué on Principles Regarding Mortgage Covered Bonds (Serial: III, No: 33) and the Communiqué on Asset Covered Bonds (Serial: III, No: 38) in other regulations of the Board shall be deemed to have been made to this Communiqué.

Obligation to Notify CRA:

TEMPORARY ARTICLE 1 – (1) The issuers shall inform the CRA regarding the CB that have been issued abroad and are still in circulation, within one month following the date of effect of this Communiqué.

Finalization of Current Applications:

TEMPORARY ARTICLE 2 – (1) The applications which have not yet been approved by the Board on the date of effect of this Communiqué shall be finalized pursuant to the provisions of this Communiqué.

(2) For the CBs, which have been approved by the Board but have not been sold as of the date of effect of this Communiqué, the legislation in force shall be taken into account for the calculation of the Board fees, which will be deposited to the Board, based on the issuance value of the CBs.

Transitional Provisions:

TEMPORARY ARTICLE 3 – (1) With regard to CB whose prospectus or issue document is approved prior to the effective date of this Communiqué and to the cover monitors assigned with respect to such CB, the provisions of the legislation that is in effect on the approval date of the prospectus or issue document shall be applicable.

Delivery of Cover Register to CRA, and Disclosures to be made to CB Holders through CRA:

TEMPORARY ARTICLE 4 – (1) Delivery of the cover registers to CRA pursuant to Article 12, paragraph 5 of this Communiqué and delivery of the reports and notifications to CB

holders through CRA by electronic means for CB issuances that are made without public offering pursuant to Article 21 shall commence on a date to be disclosed by CRA.

Determination of Cover Monitor:

TEMPORARY ARTICLE 5 – (1) The cover monitor shall be determined from amongst the entities that are authorized to conduct independent audit activities in the capital markets, for CB issuances where the prospectus or the issue document is approved by the Board prior to Board's determination of the list of corporations to conduct information systems audit activities in the capital markets.

Effective Date:

ARTICLE 34 – (1) Paragraph 9 of Article 13 becomes effective one year after the effective date of this Communiqué, and the remaining provisions become effective on the date of its publication.

Execution:

ARTICLE 35 – (1) The provisions of his Communiqué shall be executed by the Board.

ANNEX 1**SUBMITTALS REQUIRED FOR APPROVAL OF THE CB PROSPECTUS (*)**

- 1) Introductory information regarding the issuer;
- 2) Articles of association including all amendments thereto, as gathered in a single uniform text, which has been signed by the authorized representatives of the issuer;
- 3) Notarized copy of the general assembly decision authorizing the CB issuance or decision of the board of directors authorized for issuance of debt securities according to the articles of association;
- 4) Prospectus prepared within the framework of the Board regulations;
- 5) Schedules comprising of breakdown of the assets that will serve as collateral for the CBs to be issued, based on their characteristics such as amount, maturity, interest, revenue;
- 6) Intermediation agreement;
- 7) For the purpose of implementation of the provisions of this Communiqué, a copy of each agreement the issuer executes with the cover monitor and with, if any, the institution that provides the guarantee, the cash manager, the servicer or similar third parties with a view to protecting the CB holders, as well as a copy of each agreement evidencing the measures to be taken for transfer of the collections generated from the cover assets to a separate account in the name of the CB holders in case of occurrence of the events set out in Articles 25 and 26 of this Communiqué (**);
- 8) Letter prepared by the cover monitor addressed to the Board indicating that the cover register has been constituted in compliance with the provisions of this Communiqué and that cover matching principles have been satisfied as of the date of application, and the report prepared by the cover monitor in case the cover register is kept electronically;
- 9) The letter obtained from the relevant public authorities by issuers who are subject to the supervision and **inspection** of another public authority due to their specific legislation indicating such public authorities' opinion as to whether or not there are any matters that will hinder issuance, prior to filing of the application with the Board and/or in case the relevant legislation requires the decision or approval of other authorities for CB issuance, the document of such decision or approval; if it is not necessary, the declaration of the issuer in this respect;
- 10) Even if the terms set forth in Article 53 of the Turkish Criminal Code dated 26/9/2004 and numbered 5237 or the Banking Law dated 19/10/2005 and numbered 5411 have expired; current declarations obtained from the board of directors and authorized persons in managerial positions of the issuer, the cover monitor and the servicer (if any) as to whether or not there are any criminal prosecutions and/or convictions regarding the relevant persons requiring imprisonment for five years or more for a malevolent offense, or criminal prosecutions and/or convictions for embezzlement,

corruption, bribery, theft, fraud, forgery, breach of faith, fraudulent bankruptcy, bid rigging, destruction or alteration of data, misusing bank cards or credit cards, smuggling, tax evasion or unjust enrichment or any disputes and/or finalized convictions under any lawsuits engaged in as a party, in relation to a partnership;

- 11) In case derivative instruments have been included in the cover assets, the derivative instrument agreements entered into, and information and documents evidencing that the counterparty of the derivative instrument meet the conditions set forth in this Communiqué or if the derivative instruments are not included to the cover assets as of the application date, information relating to the derivative instrument agreements, which are planned to be executed and the positions at risk which are planned to be hedged against;
- 12) Explanation on how the issuance value or interest rate for the CB is or will be determined;
- 13) Financial consultant's report regarding determination of paid up portion of share capital and a copy of the Turkish Trade Registry Gazette regarding registration of the current share capital;
- 14) The financial statements that will be included in the prospectus and activity reports and independent audit reports related with the same periods;
- 15) Information regarding the nominal amount of CBs that are still in circulation and the nominal amount of CBs the sales of which have not yet been conducted within the scope of the approval that was previously obtained from the Board, including the issuances made abroad;
- 16) The rationale for issuance and use of proceeds to be generated from the issuance;
- 17) Letter prepared by the bank, where a special account is opened for depositing issuance fees, addressed to the Board;
- 18) In case guarantee is provided for the principal, interest and similar payments arising from the CB, a letter prepared by the guarantor addressed to the Board and the issuer, and a notarized copy of the decision of the authorized body of the legal entity guarantor;
- 19) Notarized signature circulars of the issuer, the cover monitor and the authorized institution (if any); and
- 20) If deemed necessary by the Board, documents verifying the information provided, and other documents as may be requested by the Board.

(*) If the information and documents listed in Annex 1 are disclosed in PDP and if the issuer has declared that such information and documentation are up-to- date, such information and documentation are not required to be sent to the Board again in written form.

(**) If the draft agreements are delivered during the application stage, copies of the finalized agreements shall be delivered to the Board prior to the approval of the prospectus or issue document.

ANNEX 2
SUBMITTALS REQUIRED FOR APPROVAL OF ISSUE DOCUMENT (*)

- 1) Introductory information regarding the issuer;
- 2) Articles of association that contains all of the amendments thereto, as gathered in a single uniform text, which has been signed by the authorized representatives of the issuer;
- 3) Notarized copy of the general assembly decision authorizing the CB issuance or decision of the board of directors authorized for issuance of debt securities according to the articles of association;
- 4) Issue document prepared in accordance with the regulations of the Board;
- 5) A copy of the agreement entered into between the issuer and the cover monitor (**);
- 6) In domestic issuances, letter prepared by the cover monitor addressed to the Board indicating that the cover register has been constituted in compliance with the provisions of this Communiqué and that cover matching principles have been satisfied as of the date of application, and the report prepared by the cover monitor in case the cover register is kept electronically;
- 7) In issuances made abroad, declaration prepared by the issuer that the cover register will be constituted in compliance with the provisions of this Communiqué and cover matching principles will be satisfied as of the issuance date;
- 8) The letter obtained from the relevant public authorities by issuers who are subject to the supervision and inspection of another public authority due to their specific legislation indicating such public authorities' opinion as to whether or not there are any matters that will hinder issuance, prior to filing of the application with the Board and/or in case the relevant legislation requires the decision or approval of other authorities for CB issuance, the document of such decision or approval; if it is not necessary, the declaration of the issuer in this respect;
- 9) Information regarding the nominal amount of CBs that are still in circulation and the nominal amount of CBs the sales of which have not yet been conducted within the scope of the approval that was previously obtained from the Board, including the issuance made abroad;
- 10) Annual financial statements regarding the last accounting period preceding the application, that are prepared in accordance with the regulations of the Board, related with the audited financial statements and financial reporting determined for the companies, the capital market instruments of which are traded in a stock Exchange; and
- 11) If deemed necessary by the Board, documents verifying the information provided, and other documents as may be requested by the Board.

(* If the information and documents listed in Annex 2 are disclosed in PDP and if the issuer has declared that such information and documentation are up-to- date, there is no requirement to submit such information and documentation to the Board again in written form.

(**) If the draft agreements are delivered during the application stage, copies of the finalized agreements shall be delivered to the Board prior to the approval of the prospectus or issue document.

ANNEX 3

INFORMATION AND DOCUMENTS THAT WILL BE SUBMITTED TO THE BOARD PRIOR TO EACH ISSUANCE WITHIN THE VALIDITY PERIOD OF THE PROSPECTUS

- 1) Final terms or securities note and summary prepared in accordance with the regulations of the Board;
- 2) In case an amendment is necessary to be made in in the content of the information memorandum regarding the registration document or base prospectus, the texts of amendment in this respect, if there are no requirements to amend the texts, declaration to be rendered by the issuer, in this respect;
- 3) A copy of the intermediation agreement for the public offering that will be entered into with the authorized institutions which will proceed with the sales (if the intermediation agreement that was previously sent to the Board is still valid and if there are no amendments to the agreement, the declaration of the issuer to this effect is sufficient); and
- 4) If deemed necessary by the Board, documents verifying the information provided, and other information and documents as may be required by the Board.

ANNEX 4

OVERCOLLATERALIZATION RATIOS

(I) Types of Assets	(II) Overcollateralization ratios that need to be met in CB issuances that are not subject to stress test	(III) Overcollateralization ratios that need to be met in CB issuances that are subject to stress test
Consumer Loans	15%	2%
Commercial Loans	15%	2%
Receivables Arising From Financial Leasing Agreements	20%	2%
<ul style="list-style-type: none"> • Receivables arising from insured factoring agreements • Receivables based on installments and agreements arising out of sale of houses by TOKI • Guaranteed receivables of the REICs arising from the sale of real estate or contracts representing a promise to sell real estate included in their portfolios and receivables of the REICs arising out of the lease agreements 	25%	3%
Long term foreign currency loans that are extended by commercial banks for project based financing needs, to which the Turkish Prime Ministry Undersecretariat of Treasury stands as debtor	10%	1%

ANNEX/5

FORM OF CB INVESTORS' REPORT

INVESTORS' REPORT (***)

Date of Investors' Report:

1. Information Regarding Issuance				
<u>Tenor</u>	<u>Nominal Value</u>	<u>Maturity Date</u>	<u>Interest/Coupon Rate</u>	<u>(Derivative Instrument) Counterparty</u>
<u>Parties to Transaction</u>				
Issuer:				
Cover monitor:				
(if different from the issuer) Originator:				
(if any) Cash manager:				
(if any) Servicer:				
(if any) Guarantor:				
(if any) CB Credit Rating Score				
2. Violation of Cover Matching Principles and Events of Default Relating to CBs				
Default of the principal obligors of the cover asset (Yes/no) (if yes, detailed information)				
Violation of cover matching principles (Yes/no) (if yes, detailed information)				
Failure to fulfill the issuer's payment obligation (Yes/no) (if yes, detailed information)				
3. Summary of Cover Matching Principles				
Test date:				
Test period:				
A. Result of the Nominal Value Matching Test: Positive/Negative				
- $NV_{CA} \geq NV_{CB} (*)$				
B. Result of the Cash Flow Matching Test: Positive/Negative				
- Expected revenue $_{CA} \geq$ Expected expense $_{CB} (*)$				

C. Result of the Net Present Value Matching: Positive/Negative

- $NPV_{CA} \geq NPV_{CB} \times (1 + \text{Overcollateralization Ratio}) (*)$
- Overcollateralization ratio calculated on the test date (%)=
- Minimum overcollateralization ratio that is required to be provided under the legislation (%) =

(*) the calculated values must be indicated.

4. Summary Information Regarding Cover Assets

<u>Cover Asset</u>	<u>Number</u>	<u>Balance</u>	<u>%</u>
...			
<u>Total</u>			

Total of Only Assets with Interest:
 Total of Assets with Payment Option:
 Weighted Average Interest/Yield Ratio:
 Weighted Average Maturity:

5. Regional Distribution of Cover Assets

<u>City/District:</u>	<u>Number</u>	<u>Balance</u>	<u>%</u>
...			
<u>Total</u>			

6. Cover Assets' Loan - Current Value Ratio Distribution

<u>Current Loan to Value Ratio</u>	<u>Number</u>	<u>Balance</u>	<u>%</u>
...			
>80%			
>75% and ≤ 80%			
...			
<u>Total</u>			

7. Distribution of Cover Assets' Unpaid Principal Amount Balance

<u>Unpaid Principal Balance</u>	<u>Number</u>	<u>Balance</u>	<u>%</u>
< 10,000 TL			
≥ 10,000 TL and < 50,000 TL			
...			
<u>Total</u>			

8. Default Status of Cover Assets

<u>Number of Days After Maturity</u>	<u>Number</u>	<u>Balance</u>	<u>%</u>
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Less than 30 days			
30 to 59 days			
More than 60 days			
9. Distribution of Cover Assets Based on Their Characteristics			
<u>Characteristics</u>	<u>Number</u>	<u>Balance</u>	<u>%</u>
...			
10. Distribution of Cover Assets Based on Purpose of Use			
<u>Purpose of Use of Loan/Receivable</u>	<u>Number</u>	<u>Balance</u>	<u>%</u>
...			
11. Distribution of Cover Assets Based on Status of Documentation			
<u>Documentation Status</u>	<u>Number</u>	<u>Balance</u>	<u>%</u>
Full			
Insufficient			
Unknown/Not Available			
Total			
12. Distribution of Cover Assets Based on Date of Use			
<u>Year of Origination</u>	<u>Number</u>	<u>Balance</u>	<u>%</u>
...			
≤ 2008			
....			
2014			
...			
Total			
Weighted average maturity (months)			

*** Information on distribution deemed to be material for the evaluation of the cover assets by CB holders shall be provided. The distribution items or the periods are given as indicators, the distribution items or periods that are material for CB holders shall be determined by the issuer.