

## IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) OR (2) PERSONS LOCATED OUTSIDE OF THE UNITED STATES IN AN OFFSHORE TRANSACTION (WITHIN THE MEANING OF REGULATION S UNDER THE US SECURITIES ACT OF 1933 (THE “SECURITIES ACT”)).

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached offering circular (the “Offering Circular”) following this page and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, 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 the Issuer or the Managers (as defined in the Offering Circular) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION IN WHICH IT IS UNLAWFUL TO DO SO. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER US JURISDICTION, AND THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

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

**Confirmation of your representation:** In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities being offered, prospective investors must be either (1) Qualified Institutional Buyers (“QIBs”) (within the meaning of Rule 144A (“Rule 144A”) under the Securities Act) or (2) located outside the United States purchasing the securities being offered in an offshore transaction (within the meaning of Regulation S under the Securities Act). This Offering Circular is being sent to you at your request, and by accepting the email and accessing this Offering Circular you shall be deemed to have represented to the Issuer and the Managers that (1) either (a) you and any customers you represent are QIBs or (b) you are located outside the United States and you are purchasing the securities being offered in an offshore transaction (within the meaning of Regulation S under the Securities Act) and the electronic mail address that you gave us and to which this email has been delivered is not located in the United States, and (2) you consent to delivery of such Offering Circular by electronic transmission.

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

**MiFID II Product Governance:** Solely for the purposes of each manufacturer’s product approval process, the target market (for MiFID II product governance purposes) is eligible counterparties and professional clients only (all distribution channels).

The materials relating to this offering of securities do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that this issuance of securities be made by a licensed broker or dealer, and the Joint Bookrunners (as defined in the Offering Circular) or any affiliates of the Joint Bookrunners is a licensed broker or dealer in the relevant jurisdiction, this offering shall be deemed to be made by the Joint Bookrunners or such affiliates on behalf of the Issuer in such jurisdiction.

The Offering Circular may only be distributed to, and is only directed at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”), (b) high net worth bodies corporate falling within Article 49(2) of the Order, and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). Any person who is not a relevant person should not act or rely on this Offering Circular or any of its contents.

The Offering Circular 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 Issuer or the Managers, any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Managers. Please ensure that your copy of the Offering Circular is complete. You are responsible for protecting against viruses and other destructive items.



## İstanbul Büyükşehir Belediyesi

US\$580,000,000 6.375% Notes due 2025

Issue Price: 99.055%

İstanbul Büyükşehir Belediyesi (the “Issuer” or the “Municipality”) is issuing US\$580,000,000 6.375% Notes due 2025 (the “Notes”).

Interest on the Notes will be paid semi-annually in arrear on 9 June and 9 December in each year up to, and including, 9 December 2025 (the “Maturity Date”), provided that, if any such date is not a Business Day (as defined below), then such payment will be made on the next Business Day. Principal of the Notes is scheduled to be repaid on 9 December 2025, but may be repaid earlier under certain circumstances as further described herein. For a more detailed description of the Notes, see “*Terms and Conditions of the Notes*”.

### **INVESTING IN THE NOTES INVOLVES RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE FACTORS SET FORTH UNDER “RISK FACTORS” BEGINNING ON PAGE 11 OF THIS OFFERING CIRCULAR.**

This Offering Circular (the “Offering Circular”) has been approved by the United Kingdom Financial Conduct Authority (the “FCA”) as competent authority under Regulation (EU) 2017/1129 (the “Prospectus Regulation”). The FCA only approves this Offering Circular as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or of the quality of the Notes that are the subject of this Offering Circular. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA for the Notes to be admitted to the official list of the FCA (the “Official List”) and to the London Stock Exchange plc (the “London Stock Exchange”) for such Notes to be admitted to trading on the London Stock Exchange’s regulated market. References in this Offering Circular to Notes being “listed” (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange’s regulated market and have been admitted to the Official List. The London Stock Exchange’s regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU (“MiFID II”).

Application has been made to the Capital Markets Board of Turkey (the “CMB”) in its capacity as competent authority under the Capital Markets Law of the Republic of Turkey (“Turkey”), Law No. 6362 dated 6 December 2012 (the “Capital Markets Law”) for the issuance and sale of the Notes by the Issuer outside Turkey. The Notes may not be sold outside Turkey before the necessary approvals and an approved issuance certificate (*ihraç belgesi*) have been obtained from the CMB. The CMB approved the issuance certificate (*ihraç belgesi*) dated 22 October 2020 and numbered 66/1315 by its letter dated 23 October 2020 and numbered E-29833736-105.02.02-10744, based upon which the offering of the Notes will be conducted, and the written approval of the CMB relating to the issue of the Notes (which may be in the form of a tranche issuance certificate (*tertip ihraç belgesi*)) is expected to be obtained from the CMB on or before the Issue Date (as defined below).

The withholding tax rate on interest payments in respect of Turkish bonds issued outside of Turkey by Turkey-resident corporations varies depending on the maturity of such bonds as specified under the Council of Ministers’ Decree No. 2009/14592, Decree No. 2009/14593 and Decree No. 2009/14594 each dated 12 January 2009 which have been amended by Presidential Decree No. 842 dated 20 March 2019 (collectively, the “Decrees”). Pursuant to the Decrees, with respect to bonds that are issued by Turkey-resident corporations outside of Turkey with a maturity of three years and more, the withholding tax rate on interest is 0%. Accordingly, under current Turkish tax law, withholding tax at the rate of 0% should apply to interest on the Notes. See “*Taxation — Certain Turkish Tax Considerations*”.

The Notes are expected to be rated at issuance BB- by Fitch Ratings Limited (“Fitch”) and B2 by Moody’s Investors Service Ltd. (“Moody’s” and, together with Fitch, the “Rating Agencies”). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. As at the date of this Offering Circular, each of the Rating Agencies is established in the European Union and is registered under Regulation (EU) No 1060/2009, as amended (the “CRA Regulation”).

The Notes have not been and will not be registered under the US Securities Act of 1933 (the “Securities Act”), or the securities laws of any state of the United States, and are being offered: (a) for sale in the United States to qualified institutional buyers only (each, a “QIB”) as defined in, and in reliance upon, Rule 144A under the Securities Act (“Rule 144A”) and (b) for sale outside the United States in reliance upon Regulation S under the Securities Act (“Regulation S”) (together, the “Offering”). Prospective purchasers that are QIBs are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act pursuant to Rule 144A. Investors in the Notes will be deemed to have made or be required to make certain representations and warranties in connection with purchasing the Notes. For a description of certain restrictions on sale and transfer of investments in the Notes, see “*Subscription and Sale*”, “*Selling Restrictions*” and “*Transfer Restrictions*” herein.

The Notes are being offered under Rule 144A and Regulation S by each of BNP PARIBAS, J.P. Morgan Securities plc, Nomura International plc and Société Générale (each, a “Joint Bookrunner” and, collectively, the “Joint Bookrunners”), subject to their acceptance of, and right to reject, orders in whole or in part. J.P. Morgan Securities plc will act as the Issuer’s development finance structuring agent (the “Development Finance Structuring Agent”).

The Notes will be issued in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The Notes will initially be represented by global certificates in registered form, one or more of which will be issued in respect of the Notes (the “Rule 144A Notes”) offered and sold in reliance on Rule 144A (together, the “Restricted Global Certificate”) and will be registered in the name of Cede & Co., as nominee for the Depository Trust Company (“DTC”), and one of which will be issued in respect of the Notes (the “Regulation S Notes”) offered and sold in reliance on Regulation S (the “Unrestricted Global Certificate”) and, together with the Restricted Global Certificate, the “Global Certificates”) and will be registered in the name of a nominee of a common depository for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”). It is expected that delivery of the Global Certificates will be made on 9 December 2020 (i.e., the fifth Business Day following the date of pricing of the Notes (such date being referred to herein as the “Issue Date” and such settlement cycle being herein referred to as T+5)).

#### *Joint Bookrunners*

**BNP PARIBAS**

**J.P. Morgan**

**Nomura**

**Société Générale  
Corporate & Investment Banking**

#### *Lead Manager*

**ING**

#### *Development Finance Structuring Agent*

**J.P. Morgan**

This Offering Circular constitutes a prospectus for the purpose of Article 6 of the Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer, the information contained in this Offering Circular is in accordance with the facts and the Offering Circular makes no omission likely to affect its import.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Bookrunners to subscribe for or purchase, any Notes (or beneficial interests therein). This Offering Circular is intended only to provide information to assist potential investors in deciding whether or not to subscribe for or purchase Notes (or beneficial interests therein) in accordance with the terms and conditions specified by the Joint Bookrunners and ING Bank N.V. (the “Lead Manager”, and together with the Joint Bookrunners, the “Managers”). The Notes (and beneficial interests therein) may not be offered or sold, directly or indirectly, and this Offering Circular may not be circulated, in any jurisdiction except in accordance with legal requirements applicable to such jurisdiction.

The distribution or delivery of this Offering Circular and the offer or sale of the Notes (or beneficial interests therein) in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular may come are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes (or beneficial interests therein) and on the distribution or delivery of this Offering Circular and other offering material relating to the Notes, see “*Selling Restrictions*” and “*Transfer Restrictions*”.

No person has been authorised in connection with the offering of the Notes (or beneficial interests therein) to give any information or make any representation regarding the Issuer, the Managers or the Notes other than as contained in this Offering Circular. Any such representation or information must not be relied upon as having been authorised by the Issuer or the Managers. The delivery of this Offering Circular at any time does not imply that there has been no change in the Issuer’s affairs or that the information contained in it is correct as at any time subsequent to its date or that any other information supplied in connection with the Offering is correct as at any time subsequent to the date indicated in the document containing the same. This Offering Circular may only be used for the purpose for which it has been published. The Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. None of the Managers have independently verified the information contained herein. Accordingly, no representation or warranty, express or implied, is made by the Managers as to the accuracy or completeness of the information set forth in this Offering Circular, and nothing contained in this Offering Circular is, or should be relied upon as, a promise or representation, whether as to the past or the future. None of the Managers assumes any responsibility or liability for the accuracy or completeness of the information set forth in this Offering Circular. No Manager accepts any liability in relation to the information contained in this Offering Circular or any other information provided by the Issuer in connection with the offer or sale of the Notes or their distribution.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Managers that any recipient of this Offering Circular or any other information supplied in connection with the offer or sale of the Notes should purchase the Notes.

Each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors that may be relevant to it in connection with such investment. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and profit payments is different from the potential investor's currency;
- understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets in which they participate; and
- is able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

None of the Issuer, the Managers or any of their respective representatives is making any representation to any offeree or purchaser of the Notes (or beneficial interests therein) regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. **Each investor should consult with its own advisors as to the legal, tax, business, financial and related aspects of an investment in the Notes.**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

## GENERAL

**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 Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (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 Notes (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, as modified or amended from time to time (the “SFA”)** – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the “MAS”)) Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAAN16: Notice on Recommendations on Investment Products).

**Canada** – The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (“NI 33-105”), the Joint Bookrunners are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

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

The offering of the Notes has been approved by the Ministry of Treasury and Finance pursuant to Article 8 of the Law No. 4749 on Public Financing (“Law No. 4749”) and the secondary legislation for the financing of the

specific projects listed under its approval letter, provided that the respective financing within the scope of the Offering does not exceed the threshold determined under Article 68/1 (d) of the Law No. 5393 on Municipality Law and the external credit amount within the scope of the Municipality's investment plan. Furthermore, the offering of the Notes has been authorised by the CMB through the approval of the issuance certificate (*ihraç belgesi*) only for the purpose of the sale of the Notes outside of Turkey in accordance with Article 11 and, by reference, Article 6 and Article 32 of the Capital Markets Law and Communiqué No. VII-128.8 on Debt Instruments (as amended from time to time, the "Communiqué"). Furthermore, the Notes (or beneficial interests therein) must be offered or sold outside of Turkey and the CMB has authorised the offering of the Notes, provided that, following the primary sale of the Notes, no transaction that may be deemed as a sale of the Notes (or beneficial interests therein) in Turkey by way of private placement or public offering may be engaged in. Pursuant to Article 15(d)(ii) of Decree 32 on the Protection of the Value of the Turkish Currency dated August 7, 1989 (as amended from time to time, "Decree 32"), there is no restriction on the purchase or sale of the Notes (or beneficial interests therein) in offshore transactions on an unsolicited (reverse inquiry) basis by residents of Turkey, provided that such sale or purchase is made through licensed banks authorised by the Banking Regulation and Supervision Authority (the "BRSA") and/or licensed brokerage institutions authorised pursuant to CMB regulations and the purchase price of the Notes is transferred through such licensed banks.

The Issuer has obtained the approval of the Ministry of Treasury and Finance on 14 July 2020 with its letter numbered 13131620-204-E.391136 and the CMB approval letter dated 23 October 2020 (stating the approval of the CMB dated 22 October 2020) and numbered E-29833736-105.02.02-10744 together with the CMB approved issuance certificate (*onaylanmış ihraç belgesi*) and the written approval of the CMB relating to the issue of the Notes (which may be in the form of a tranche issuance certificate (*tertip ihraç belgesi*)) will be obtained from the CMB before the sale and issuance of the Notes.

In addition, pursuant to the Communiqué, the Issuer is required to notify the Central Securities Depository of Turkey (*Merkezi Kayıt Kuruluşu A.Ş.*) ("CSD Turkey") within three Turkish business days from the Issue Date of the Notes of the principal amount, the issue date, the ISIN, interest commencement date, maturity date, interest rate, name of the custodian and currency of the Notes and the country of issuance.

This Offering Circular is being provided on a confidential basis in the United States to a limited number of QIBs for informational use, solely in connection with the consideration of the purchase of the Notes. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Notes offered and sold to QIBs in reliance upon Rule 144A will be represented by beneficial interests in one or more permanent global certificates in fully registered form without interest coupons. Notes offered and sold outside the United States pursuant to Regulation S will be represented by beneficial interests in one or more permanent global certificates in fully registered form without interest coupons. Except as described in this Offering Circular, beneficial interests in the Global Certificates will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC, Euroclear and Clearstream, Luxembourg. Except as described in this Offering Circular, owners of beneficial interests in the Global Certificates will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form and will not be considered holders of the Notes under the Notes and the Agency Agreement.

An application has been made to admit the Notes to listing on the Official List and to have the Notes admitted to trading on the London Stock Exchange's regulated market; however, no assurance can be given that such application will be accepted.

The Notes have not been approved or disapproved by the US Securities and Exchange Commission (the "SEC"), any state securities commission or any other US, Turkish, United Kingdom or other regulatory authority, nor

have any of the foregoing authorities passed upon or endorsed the merits of this Offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary may be a criminal offence.

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

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy the Notes (or any beneficial interest therein) in any jurisdiction to the extent that such offer or solicitation is unlawful. In particular, there are restrictions on the distribution of this Offering Circular and the offer and sale of the Notes (and beneficial interests therein) in the United States, Turkey, the United Kingdom, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the State of Qatar, the Republic of Italy, Switzerland, Hong Kong, Canada and Singapore and numerous other jurisdictions.

No assurance is given by the Issuer and the Development Finance Structuring Agent that investing in the Notes or the use of proceeds by the Issuer will satisfy, whether in whole or in part, any present or future investor expectations or requirements with respect to development impact financing, including related sustainability criteria or goals. See “*Development Impact*”. No independent verification as to the accuracy or completeness or lack thereof of the “*Development Impact*” section of this Offering Circular has been done by J.P. Morgan Securities plc in its role as the Development Finance Structuring Agent. The information contained in the section “*Development Impact*” of this Offering Circular (a) is not a substitute for an investor’s independent evaluation and analysis and (b) should not be considered as a recommendation by the Development Finance Structuring Agent that any transactions or related projects described in the “*Development Impact*” section of the Offering Circular achieve any particular development finance criteria or requirement to which it may be subject. The “*Development Impact*” section of this Offering Circular has been prepared, in part, based on certain forward-looking statements and projections provided by the Municipality. Any such statements and projections reflect various estimates and assumptions by the Municipality concerning anticipated results. No representations or warranties are made by the Development Finance Structuring Agent as to the accuracy of any such statements or projections. Whether or not any such forward looking statements or projections are in fact achieved will depend upon future events some of which may not be within the control of the Municipality. See “– *Forward-Looking Statements*”. Accordingly, actual results may vary from the projected results and such variations may be material. No fiduciary duties are owed to any party by the Development Finance Structuring Agent.

## **TURKISH TAX CONSIDERATIONS**

The withholding tax rates on interest payments of bonds issued by Turkey-resident corporations outside of Turkey vary depending upon the original maturity of such bonds as specified under the Decrees. According to the Decrees, the local withholding tax rate on interest payments is 0% for notes issued by Turkey-resident corporations with a maturity of three years and more. See “*Taxation — Certain Turkish Tax Considerations*”.

## **STABILISATION**

J.P. Morgan Securities plc (the “Stabilisation Manager”) (or persons acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail; however, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation



Manager) in accordance with all applicable laws and rules. Notwithstanding anything herein to the contrary, the Issuer may not (whether through over-allotment or otherwise) issue more Notes than have been approved by the CMB.

## FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Offering Circular, including, without limitation, certain statements regarding our operations, financial position, and business strategy, may constitute forward-looking statements within the meaning of the securities laws of certain jurisdictions. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “continue”, or similar statements. All statements other than statements of historical fact included in this Offering Circular, including, without limitation, those regarding the financial position, vision, strategy, plans and objectives for future operation and administration of the Municipality are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future plans and the environment in which the Municipality expects to operate in the future. Important factors that could cause the Municipality’s revenues, expenditures or financial condition to differ materially from those in the forward-looking statements include, among other factors described in this Offering Circular, the coronavirus (“COVID-19”) pandemic, the political and social environment in the Municipality and in Turkey, general economic and business conditions in the Municipality and in Turkey, the outcomes of local and national elections, events in other emerging markets or diminished investor interest in emerging markets, changes in the credit ratings of the Municipality or Turkey, changes in interest rates, inflation rates and foreign exchange rates.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “*Risk Factors*”. Any forward-looking statements made by or on behalf of the Municipality speak only as at the date they are made. The Municipality does not undertake to update forward-looking statements to reflect any changes in its expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Although the Municipality believes that the expectations reflected in these forward-looking statements are reasonable at this time, the Municipality can give no assurance that these expectations will prove to be correct.

## PRESENTATION OF INFORMATION

This Offering Circular includes financial information for the Municipality based on accounts and accounting procedures that are either prepared by the Municipality as required by law or which are prepared by the Municipality to supplement the statutorily required primary accounts. The financial information in this Offering Circular includes: (i) selected portions of the Municipality’s annual budget for the years ended 31 December 2015 to 2019 prepared in accordance with the rules and principles stipulated by Public Financial Management and Control Law no. 5018, (ii) selected portions of the Municipality’s financial statements prepared in accordance with government accounting procedures, (iii) information derived from external audits conducted by the Turkish Court of Accounts (the “Court of Accounts”) pursuant to the Court of Accounts Law no. 6085 and (iv) preliminary, unaudited interim financial data for the Municipality for the six months ended 30 June 2019 and 2020 (the “Interim Financial Data”). As a result of the different preparation methodologies and accounts covered, information presented for a given fiscal period may not be directly comparable across these categories of financial information. Starting in 2016, the Municipality’s methodology for the preparation of its financial and budget information was altered following certain regulatory and internal computational changes including changes to accounting policies and the enterprise resource planning systems used to produce financial and budgetary information. As a result of these changes, financial and budget information presented for 2015 may not be directly comparable with the information presented for 2016, 2017, 2018 and 2019. In addition, the Interim Financial Data is derived from monthly information produced by the Municipality and is preliminary and unaudited. The fiscal year of the Municipality ends on 31 December of each year.

The external audit of the financial activities, decisions and procedures of the Municipality is conducted by the Court of Accounts pursuant to the Court of Accounts Law no. 6085, the secondary legislation of the Court of Accounts, audit guidelines and international audit standards. The “regularity audit” consists of a financial audit of the reliability and accuracy of accounts and transactions of the Municipality, as well as its financial reports and statements. The “compliance audit” seeks to identify whether the accounts and procedures regarding the revenues, expenses and goods of the Municipality comply with relevant laws and regulations. In addition, the internal control systems of the Municipality are evaluated as part of this process. The “performance audit” measures progress against objectives and indicators determined by the relevant government administrations. Audit reports containing the results of the foregoing procedures are issued annually.

Totals in certain tables contained in this Offering Circular may differ from the sum of the individual items in such tables due to rounding conventions. In addition, certain figures contained in this Offering Circular relating to the Municipality are estimates prepared in accordance with procedures customarily used by the Municipality for the reporting of data. Certain other figures are preliminary in nature. In each case, the actual figures may vary from the estimated or preliminary figures relating to the Municipality set forth in this Offering Circular.

Unless otherwise specified, percentage increases or decreases stated for periods or dates in a particular year represent increases or decreases as compared with the relevant amount for the corresponding period or date in the immediately preceding year.

Certain figures included in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly, and figures shown as totals in certain tables may not total exactly. In this Offering Circular, references to “TL” and “Turkish Lira” are to the Turkish Lira, and references to “US\$”, “US Dollars”, “USD” and “cents” are to US Dollars and, except as otherwise noted, all interest rates are on a per annum basis. In this Offering Circular, references to “Turkey” or the “Republic” are to Turkey.

## ENFORCEABILITY OF CIVIL JUDGMENTS

The Municipality is a metropolitan municipality in Turkey. Substantially all of the assets of the Issuer are located in Turkey. As a result, it may not be possible for investors to effect service of process outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions. In order to enforce such judgments in Turkey, investors should initiate enforcement lawsuits before the competent Turkish courts. In accordance with Articles 50-59 of the Turkish 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:

- there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments (*de jure* reciprocity);
- there is *de facto* enforcement in such country of judgments rendered by Turkish courts (*de facto* reciprocity); or
- 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 either the United States or the United Kingdom providing for reciprocal enforcement of judgments. As to *de facto* reciprocity between New York State and Turkey, the Municipality is aware of a court precedent in which the Supreme Court of the State of New York upheld the existence of reciprocity with Turkey and permitted enforcement of a Turkish court judgment. In 2005, the Supreme Court of the State of New York decided that a judgment of the First Commercial Court of Turkey may be enforced in the State of New York with respect to the enforcement of court judgments. Turkish courts have rendered at least one judgment confirming *de facto* reciprocity between Turkey and the United Kingdom; however, since *de facto* reciprocity is decided by the relevant court on a case-by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United States or the United Kingdom by Turkish courts. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Turkey based upon the US federal or 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:

- the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed and the defendant appeals before a Turkish court against the request for enforcement on either of these grounds;
- the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey;
- 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;
- the judgment is not of a civil nature;
- the judgment is clearly against public policy rules of Turkey;
- 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

- the judgment was rendered by a foreign court that has deemed itself competent even though it has no actual relationship with the parties or the subject matter at hand and the defendant appeals before a Turkish court against the request for enforcement on this ground.

In any suit or action against the Issuer 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 if 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 1 March 1954 (ratified by Turkey by Law No. 1574), save for the 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.

The Execution and Bankruptcy Law of Turkey No. 2004 announced in the Official Gazette dated 19 June 1932 and numbered 2128 and Article 15 and Article 73/7 of the Municipality Law No. 5393 in the Official Gazette dated 13 July 2005 and numbered 25874 (“Municipality Law”) hold (i) the assets and properties of the Issuer that are allocated for public services (which will be a de facto analysis on the use of relevant asset), (ii) incomes generated in consideration of a project, (iii) conditional donations, (iv) real properties located in urban transformation project areas, and (v) the tax, levy and fee amounts collected by the Issuer from attachment or other forms of execution for the sake of continuity of public services. Furthermore, pursuant to Article 7/1. of the General Budget Tax Revenue Allocations to Special Provincial Administrations and Municipalities No. 5779 published in the Official Gazette dated 15 July 2008 and numbered 26937; the amounts allocated to municipalities from the general budget tax revenues and any amount which is allocated to the municipalities under other laws are considered as tax and, thus, cannot be subject to attachment.

The Municipality has not consented to service in the United States, or waived sovereign immunity with respect to actions brought against it, under United States federal or State securities laws. In addition, under the laws of Turkey, any property or assets of the Municipality used solely or mainly for governmental or public purposes in Turkey or elsewhere, as well as proceeds obtained from borrowings for the purposes of projects, are immune from attachment or other forms of execution, whether before or after judgment. Execution of a judgment against assets of the Municipality is further subject to the limits of the Foreign Sovereign Immunities Act, as amended, and, in the United Kingdom, subject to the limits in the State Immunity Act 1978, as amended.

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## OVERVIEW

### Overview of the Issuer

*This overview contains information about the Offering and the Issuer. It does not contain all the information that may be important to prospective investors. Before making an investment decision, prospective investors should read this entire Offering Circular carefully, including the risks described under “Risk Factors”. Certain defined terms used herein are defined elsewhere in this Offering Circular.*

The Municipality is the largest city in Turkey by population and is known for its transcontinental location, natural sights and 8,500 years of historical heritage. Located on the Bosphorus Strait between the continents of Europe and Asia, the Municipality geographically comprises a European side and an Asian side (also known as the Anatolian side) and is divided into 39 districts and 936 neighbourhoods. The total land area within the jurisdiction of the Municipality is 5,461 sq. km., of which 1,864 sq. km (34.9%) are located in the Anatolian side, and the remaining 3,479 sq. km (65.1%) are located on the European side. With approximately 16 million inhabitants, the Municipality’s population represents nearly one-fifth of the total population of Turkey and is the largest city and second largest municipality in Europe based on population.

Istanbul has been the site of human settlement for approximately three thousand years. Founded under the name of Byzantium on the site of an earlier Thracian settlement around 660 BCE, the city quickly grew in size and influence due to its strategic position between the Black Sea and the Mediterranean Sea. After its reestablishment as Constantinople in 330 CE, the city served as an imperial capital and centre of global economic and political influence for almost sixteen centuries, during the Roman/Byzantine (330-1204), Latin (1204-1261), Byzantine (1261-1453) and Ottoman (1453-1922) empires. In 1923, after the Turkish War of Independence, Ankara was chosen as the new Turkish capital, and Constantinople’s name was changed to Istanbul. Since then, Istanbul has continued to grow as a modern metropolis with a rich history, vibrant culture, developed infrastructure and fast-growing economy.

The Municipality is the economic centre of Turkey, hosts the headquarters of many Turkish companies and accounts for approximately one third of Turkey’s gross domestic product (“GDP”). Istanbul is a major global city for business and foreign direct investment (“FDI”). The GDP of Istanbul in 2018 was TL 1,155,254,285, which represented approximately 31% of Turkey’s GDP in that year and was the highest of any city in Turkey. In 2018, per capita GDP in Istanbul was TL 76,769, representing a more than fivefold increase in GDP per capita since 2001. Furthermore, in 2019 the Municipality, its subsidiaries and affiliates generated annual gross sales of TL 64 billion.

### Short-Term Strategic Plans

Periodically, the Municipality develops strategic plans as an implementation tool for achieving its short-term goals and strategies. The plans consist of phases of assessment, predictions of future outcomes, determinations of organisational targets and methods for achievement and performance measurement. The Municipality’s strategic plans contain five-year objectives and goals for investments, services and activities in a wide range of sectors across the Municipality. Currently, the Municipality is transitioning from its recently completed plan for 2015 to 2019 to a new plan for 2020 to 2024.

### *Strategic Plan for 2015 to 2019*

The Municipality has recently completed its strategic plan for 2015 to 2019 (the “2015-2019 Strategic Plan”), which has formed the basis of the Municipality’s core service areas since 2015. The mission of the 2015-2019 Strategic Plan was to enhance the Municipality’s services in line with the 21<sup>st</sup> century needs of its residents and to highlight the cultural identity of the city. The Municipality adopted seven core principles under the 2015-

2019 Strategic Plan which included justice, trust, transparency, quality, productivity, participation and leadership. In line with these principles, the 2015-2019 Strategic Plan placed a renewed emphasis on urban planning and the provision of sustainable, innovative solutions to the Municipality's needs.

### ***Strategic Plan for 2020 to 2024***

The new 2020-2024 Strategic Plan was developed by a team consisting of the Strategic Plan Coordination Board, Strategic Plan Specialised Commissions, Work Groups, the Strategy Development Unit and the Board of Strategy Development, which comprises the Mayor and senior directors. In developing the plan, the team considered many factors that may affect the Municipality internally and externally and analysed the Municipality's goals and service areas. Additional factors in the development of the plan included the history of the Municipality and analyses of legislation and policy documents. Additionally, the Municipality involved all Istanbul residents in the process of creating the 2020-2024 Strategic Plan through its promotional initiative, "Istanbul is Yours!" Through this initiative, the Municipality used multiple methods for collecting public responses and conducted stakeholder analysis of feedback from more than 200,000 residents. As a result of these endeavours, the strategic plan team identified key products, services and areas of activity on which the Municipality will focus during the term of the plan. The 2020-2024 Strategic Plan was unanimously adopted by the Municipal Council (as defined below).

The 2020-2024 Strategic Plan consists of nine objectives and 48 goals, each of which falls under eight themes further described below. The plan's core objectives broadly correspond with the United Nations' ("UN") "Sustainable Development Goals" and include the following:

- *Accessible Istanbul*: Building qualified and functional living space and creating a resilient city, and improving urban transportation with sustainable mobility;
- *Environmentally Friendly*: Reinforcing sustainable environment and energy management;
- *Productive Istanbul*: Contributing to the increase in the city's economic value;
- *Istanbul as a Sharing Community*: Building a city that meets social needs equally and inclusively, and a community that shares;
- *Living Istanbul*: Developing social means of living, including providing, among others, health, sports and library services, and building a vibrant city;
- *Unique Heritage*: Protecting and developing cultural, architectural and natural city heritage;
- *Financial Sustainability*: Maintaining financial sustainability; and
- *Participative and Innovative Management*: Developing the Municipality's organisational structure and business model with fair, participative and innovative methods.

As part of the 2020-2024 Strategic Plan, the Municipality is focusing on several infrastructural upgrades in relation to transportation and sustainability. The most significant projects are aimed at the expansion of the city's metro railway systems, with the goal of increasing metro lines from 233 km in 2019 to 550 km in 2024. Other transportation initiatives involve increasing the share of marine transportation from 4% to 10% over the next four years, as well as creating an additional 100,000 parking spaces in the Municipality, which would bring the number from approximately 95,000 in 2019 to approximately 195,000 by 2024. With respect to sustainability, the Municipality aims to improve the percentage of recycled waste from 16% to 50% over the next four years.



## Recent Developments

### *The Municipality's Response to COVID-19*

Since the onset of the COVID-19 outbreak in Turkey in early 2020, the Municipality has experienced severe disruptions to social and economic life. Since March 2020, the Turkish government has implemented several protective measures to address the COVID-19 pandemic such as the cancellation of international flights, the closing of schools and introduction of remote education, restrictions on inter-city travel, mandatory curfews and bans on vehicles leaving or entering certain provinces, including Istanbul. As at the date of this Offering Circular, the effects of COVID-19 have resulted in a TL 1.2 billion revenue loss for the Municipality (particularly due to a decrease in transportation-related revenues and rental revenues), which has been partially offset by higher tax rates introduced by the Central Administration (thus increasing the amount of tax revenues distributed to the Municipality by the Central Administration). The Municipality has also incurred TL 800 million in COVID-19 related expenditures, which have been partially offset by additional cost-cutting measures. On a national level, Turkey's GDP increased by 4.4% and decreased by 9.9% in the first and second quarters of 2020, respectively, compared to the same periods in 2019. However, Turkey's unemployment rate has remained steady at 13.4% as of June 2020, compared to 13.7% as of June 2019.

To face these unprecedented challenges, with the cooperation of citizens of Istanbul and businesses, the Municipality is taking steps to maintain socioeconomic activity while seeking to prevent further spread of the virus. As part of its COVID-19 response, the Municipality has, to date, approved emergency spending in excess of TL 800 million in the aggregate. As the Municipality strives to address the ongoing economic, social and health challenges raised by COVID-19, it will continue to consider further measures or expansions to its COVID-19-related spending.

The COVID-19 emergency measures undertaken by the Municipality are intended to address five main areas:

- Social measures to provide targeted support to vulnerable groups, including the elderly, migrants and refugees, the homeless, women, children and families in need, such as the creation of an online network for basic food and hygiene distribution, the repurposing of centres in order to provide shelter services and the provision of free shopping cards and food packages to the Municipality's most vulnerable residents;
- Economic relief measures to help individuals in need, such as income support, basic material assistance, freezing rent payments for individuals in social housing, supplementing health services with aid packages and offering public transportation free of charge to healthcare professionals;
- Economic measures to support the local economy, such as the expansion of irrigable agricultural land in order to aid farmers, the provision of milk and other agricultural goods from local farms to families in need within the Municipality and the cleaning and disinfecting of all public transport vehicles to safeguard those traveling to work;
- Housing measures, such as the transformation of the IMM Sports Hall into a shelter for homeless citizens, the repurposing of other sports halls into field hospitals and the creation of a mobile hygiene fleet in order to regularly disinfect city squares, places of worship, public sites and parks, beaches, banks and public institutions; and
- Recovery measures such as the acceleration of important infrastructure projects, the creation of the Istanbul Aid and Coordination Center, the installation of thermal imaging cameras on public transportation and the creation of a city-specific website which enables tracking of information and cases.

Despite the difficult conditions imposed by the COVID-19 pandemic, the Municipality managed to increase its operating surplus in the six months ended 30 June 2020 compared to the same period in 2019. In addition, the Municipality registered an overall surplus of TL 192 million for the six months ended 30 June 2020 compared to a deficit of TL 1,198 million over the same period in 2019. Tax income, including Central Administration shares, increased by 12.6% in the six months ended 30 June 2020 compared to the same period in 2019. While higher transfers and discretionary expenses were required to address needs related to the COVID-19 pandemic, the impact was partially offset by a reduction in goods and services expenses resulting from more efficient cost management and the procurement of cost-efficient services. Furthermore, lower capital revenues from asset sales were more than offset by a decrease in capital expenses linked to lower property expenses in the first half of 2020. However, these lower property expenses have not affected investment in infrastructure or altered the completion calendar of the Municipality's ongoing infrastructure projects. The Municipality has also recently embarked on a plan to restructure its subsidiaries and affiliates with the objective of controlling costs and increasing revenues. See “*Description of the Municipality—Economy—Subsidiaries and Affiliates*”.

## Summary Financial Information

### *Revenue and Expenditure*

The following table shows the Municipality's realised revenue, expenditure and balance for its annual budget in the fiscal years indicated. For further detail on the Municipality's revenues and expenditures, see “*Description of the Municipality — Revenue and Expenditure*”.

	For the year ended 31 December					For the six months ended 30 June	
	2015 <sup>(1)</sup>	2016	2017	2018	2019	2019 <sup>(2)</sup>	2020 <sup>(2)</sup>
	<i>(TL millions)</i>						
Revenue.....	10,514.53	11,717.66	14,610.46	18,424.95	19,537.30	8,918	8,027
Expenditure .....	11,179.61	15,068.39	19,537.24	22,148.03	21,417.91	10,116	7,835
Balance.....	(665.08)	(3,350.73)	(4,926.78)	(3,723.08)	(1,880.61)	(1,198)	192

#### Notes:

- (1) Starting in 2016, the Municipality's methodology for the preparation of its financial and budget information was altered following certain regulatory and internal computational changes. As a result of these changes, financial and budget information presented for 2015 may not be directly comparable with the information presented for 2016, 2017, 2018 and 2019.
- (2) Interim financial information is preliminary and unaudited.

### *Outstanding Debt*

The following table shows the Municipality's outstanding long-term and short-term debt as at the dates indicated. For more detailed information regarding the Municipality's outstanding debt, see “*Description of the Municipality — Indebtedness — Summary of Outstanding Debt*”.

**As at 31 December**

	<b>2015<sup>(1)</sup></b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(TL millions)</i>				
Short-term liabilities .....	3,230.56	3,773.90	7,312.84	8,176.32	11,372.80
Long-term liabilities .....	6,040.16	9,312.71	12,325.24	18,584.13	19,486.05
<b>Total liabilities.....</b>	<b>65,525.78</b>	<b>76,360.86</b>	<b>86,584.50</b>	<b>99,096.58</b>	<b>107,889.10</b>

Note:

- (1) Starting in 2016, the Municipality's methodology for the preparation of its financial and budget information was altered following certain regulatory and internal computational changes. As a result of these changes, financial and budget information presented for 2015 may not be directly comparable with the information presented for 2016, 2017, 2018 and 2019.

## Overview of the Offering

This overview of the Notes must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of this Offering Circular as a whole. This overview is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Circular. See in particular “Terms and Conditions of the Notes”.

Words and expressions defined in “Terms and Conditions of the Notes” shall have the same meanings in this section “Overview”.

<b>Issue:</b>	US\$580,000,000 principal amount of 6.375% Notes due 2025
<b>Issuer:</b>	İstanbul Büyükşehir Belediyesi
<b>Legal Entity Identifier (LEI) of the Issuer:</b>	213800T1VDQSNKA2MD76
<b>Interest and Interest Payment Dates:</b>	<p>The Notes will bear interest from and including 9 December 2020 at the rate of 6.375% per annum, payable semi-annually in arrear on each of 9 June and 9 December in each year (each, an “Interest Payment Date”).</p> <p>The first payment (representing a full six months’ interest) shall be made on 9 June 2021.</p>
<b>Issue Price:</b>	99.055% of the principal amount
<b>Issue Date:</b>	9 December 2020
<b>Maturity Date:</b>	9 December 2025
<b>Status:</b>	<p>The Notes will be direct, unconditional, unsubordinated and (subject to the Negative Pledge described below) unsecured obligations of the Issuer and (subject as provided above) will rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save only for such obligations as may be preferred by mandatory provisions of applicable law and subject to the Negative Pledge at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. The Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any other unsecured and unsubordinated obligations at the same time or as a condition of paying sums due on the Notes and <i>vice versa</i>.</p>
<b>Optional Redemption prior to Maturity Date:</b>	<p>The Issuer may redeem all of the Notes, but not some only, at any time during the period commencing on (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date at their principal amount, together with interest accrued to the date fixed for redemption.</p>
<b>Negative Pledge:</b>	<p>The terms of the Notes contain a negative pledge provision (the “Negative Pledge”) binding on the Issuer as further described in Condition 4.</p>
<b>Taxation; Payment of Additional Amounts:</b>	<p>All payments in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or</p>

deduction for, or on account of, any present or future taxes, duties, levies, assessments or governmental charges (including related interest and penalties) of whatever nature (“Taxes”) imposed, assessed or levied by or on behalf of any Relevant Jurisdiction (as defined in Condition 8), unless such withholding or deduction of Taxes is required by law. In that event, the Issuer will (subject to certain exceptions) pay such additional amounts as may be necessary in order that the amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction. Under current Turkish law, withholding tax at the rate of 0% applies on interest on notes issued by Turkey-resident corporations outside of Turkey with a maturity of three years and more. See “*Taxation — Certain Turkish Tax Considerations*” and “*Terms and Conditions of the Notes*”.

**Redemption for Taxation Reasons:**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (subject to certain conditions), at their principal amount (together with interest (if any) accrued to (but excluding) the date fixed for redemption) if:

- 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 the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 7 December 2020, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 8; and
- the requirement cannot be avoided by the Issuer taking reasonable measures available to it.

**Meetings of Noteholders, Modification and Waivers**

The terms of the Notes contain a “collective action” clause, which permits defined majorities to bind all Noteholders.

If the Issuer issues future debt securities that contain collective action clauses in substantially the same form as the collective action clause in the terms of the Notes, the Notes would be capable of aggregation for voting purposes with any such debt securities.

See Condition 13 and “*Risk Factors—Risks Related to the Notes—The conditions of the Notes contain provisions which may permit their modification without the consent of all investors*”.

**Events of Default:**

The terms of the Notes will permit the acceleration of the Notes following the occurrence of certain events of default as further described in Condition 10. See “*Terms and Conditions of the Notes*”.

<b>Use of Proceeds:</b>	The net proceeds of the issue of the Notes will be used to finance certain projects related to the Municipality’s metro railway lines. See “ <i>Use of Proceeds</i> ”.
<b>Form and Denominations:</b>	<p>Notes will be issued in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof.</p> <p>Notes offered and sold in reliance upon Regulation S will be represented by beneficial interests in the Unrestricted Global Certificate in registered form, without interest coupons attached, which will be delivered to a common depository for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. Notes offered and sold in reliance upon Rule 144A will be represented by beneficial interests in one or more Restricted Global Certificates, in registered form, without interest coupons attached, which will be deposited with the custodian and registered in the name of Cede &amp; Co. as nominee for DTC. Except in limited circumstances, individual certificates for the Notes will not be issued in exchange for beneficial interests in the Global Certificates. See “<i>Terms and Conditions of the Notes</i>” and “<i>The Global Certificates — Registration of Title</i>”.</p>
<b>Governing Law:</b>	English law
<b>Jurisdiction:</b>	Courts of England and Wales
<b>Selling and Transfer Restrictions:</b>	<p>The Notes (and beneficial interests therein) have not been and will not be registered under the Securities Act or any state securities laws may not be offered or sold within the United States except to QIBs in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A or otherwise pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The offer and sale of Notes (or beneficial interests therein) is also subject to restrictions in the United States, Turkey, the United Kingdom, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the State of Qatar, the Republic of Italy, Switzerland, Hong Kong, Canada and Singapore. Category 1 Selling Restrictions will apply to the Notes for the purposes of Regulation S. See “<i>Selling Restrictions</i>”.</p> <p>Interests in the Rule 144A Notes will be subject to certain restrictions on transfer. See “<i>Transfer Restrictions</i>”. Interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg, in the case of the Regulation S Notes, and by DTC and its direct and indirect participants, in the case of Rule 144A Notes.</p>

**Waiver of Immunity:**

The Issuer has irrevocably and unconditionally with respect to any Dispute (i) waived any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction to the extent permitted by law in such jurisdiction, (ii) submitted to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any competent jurisdiction in relation to any Dispute and (iii) consented to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after final judgment, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Dispute, provided that, notwithstanding the foregoing, the Issuer has not waived the right to immunity with regards to the following:

- actions brought against the Issuer under US federal securities laws or any state securities laws; and
- any property or assets used solely or mainly for governmental or public purposes in Turkey or elsewhere.

**Listing:**

Application has been made to the FCA for the Notes to be admitted to listing on the Official List and to trading on the London Stock Exchange's regulated market; however, no assurance can be given that such applications will be accepted.

**Security Codes for the Regulation S Notes:**

ISIN: XS2010029234

Common Code: 201002923

**Security Codes for the Rule 144A Notes:**

ISIN: US46522TAA60

CUSIP: 46522TAA6

Common Code: 201002907

**Expected Ratings of the Notes:**

BB- by Fitch and B2 by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

***Rating agency designations:***

***Fitch:*** an obligation rated BB- indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments. The modifier "-" appended to the rating denotes relative status within major rating categories.

*(Source, Fitch Ratings,*

*<https://www.fitchratings.com/products/rating-definitions>)*

**Moody's:** obligations rated B2 are considered speculative and are subject to high credit risk. The modifier "2" indicates a mid-range ranking.

(Source: Moody's, <https://www.moodys.com/ratings-process/Ratings-Definitions/002002>)

As at the date of this Offering Circular, Fitch and Moody's are each credit rating agencies established in the European Union and registered under the CRA Regulation. As such, Fitch and Moody's are included in the list of credit rating agencies published by the European Securities and Markets Authority (ESMA) on its website in accordance with the CRA Regulation.

**Fiscal Agent, Paying Agent and Transfer Agent:**

The Bank of New York Mellon, London Branch.

**US Paying Agent and Transfer Agent:**

The Bank of New York Mellon, London Branch.

**Development Finance Structuring Agent:**

J.P. Morgan Securities plc.

**Registrar:**

The Bank of New York Mellon SA/NV, Dublin Branch.

**Risk Factors:**

For a discussion of certain risk factors relating to the Municipality, Turkey and the Notes that prospective investors should carefully consider prior to making an investment in the Notes, see "*Risk Factors*".



## **RISK FACTORS**

*The following is a discussion of those risks that the Municipality believes are the principal material risks that it faces. No assurance can be given that risks that the Municipality does not believe to be material today will not prove to be material in the future. Consequently, the risks described below should not be considered to be exhaustive. If any of the foregoing risks were to occur, the Municipality's ability to pay principal and interest on the Notes could be materially adversely affected.*

### **Risks related to the Municipality**

***The COVID-19 pandemic has had a negative impact on economic activity in Turkey and worldwide and could adversely affect the Municipality's financial condition.***

The COVID-19 pandemic is currently having an indeterminable adverse impact on the world economy. COVID-19 was reportedly first detected in Wuhan, Hubei Province, China, and first reported to the World Health Organisation ("WHO") country office in China on 31 December 2019. On 30 January 2020, the WHO declared COVID-19 a public health emergency of international concern and on 11 March 2020, declared the outbreak a pandemic. Since then, COVID-19 has had, and continues to have, numerous worldwide effects on general economic activity.

In particular, the travel, tourism, hospitality, food service and retail industries around the world, including in Turkey and in the Municipality, experienced immediate, direct and adverse impacts due to a significant reduction in travel, daily movement and large gatherings of people (through travel restrictions and other voluntary and involuntary containment measures) as well as prolonged closures of workplaces and public buildings in an effort to mitigate the further spread of COVID-19. These developments have significantly and adversely affected economic systems, global supply chains and financial markets worldwide, contributing to diminished investment sentiment, sporadic volatility in global capital markets and of value in stock markets around the globe. As at the date of this Offering Circular, the effects of COVID-19 have resulted in a TL 1.2 billion revenue loss for the Municipality (particularly due to a decrease in transportation-related revenues and rental revenues), which has been partially offset by higher tax rates introduced by the Central Administration (thus increasing the amount of tax revenues distributed to the Municipality by the Central Administration). The Municipality has also incurred TL 800 million in COVID-19 related expenditures, which have been partially offset by additional cost-cutting measures. On a national level, Turkey's GDP increased by 4.4% and decreased by 9.9% in the first and second quarters of 2020, respectively, compared to the same periods in 2019. However, Turkey's unemployment rate has remained steady at 13.4% as of June 2020, compared to 13.7% as of June 2019. In the medium to long term, if the current COVID-19 pandemic is not contained or if future outbreaks of COVID-19 or similar diseases are not effectively managed, adverse effects on the economies and financial markets of Turkey and of many other countries may transform into a prolonged economic downturn or global economic or financial crisis or recession.

The long-term effects of the COVID-19 pandemic on the global economy and the economies of Turkey and the Municipality are difficult to assess or predict, and may include risks to Turkish citizens' health and safety, as well as reduced economic activity, which could in turn result in decreased revenue for the Municipality and increased expenditures. It is unclear whether or how these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. Additionally, the Municipality cannot predict the evolution of the COVID-19 pandemic in Turkey, nor any additional restrictions that might need to be imposed. However, COVID-19 is expected to have a significant adverse effect on the world economy, which may in turn negatively affect Turkey's and the Municipality's economy due to, among other things, decreased demand for exports, services, transportation and tourism.

Since March 2020, the Turkish government has implemented several protective measures to address the COVID-19 pandemic such as the cancellation of international flights, the closing of schools and introduction of remote education, restrictions on inter-city travel, mandatory curfews and bans on vehicles leaving or entering certain provinces, including Istanbul. The Municipality has similarly undertaken steps to prevent further spread of the virus. As part of its COVID-19 response, the Municipality has, to date, approved emergency spending of approximately TL 800 million in the aggregate, aimed at supporting vulnerable individuals, groups and the local economy. See “*Description of the Municipality – Recent Developments – The Municipality’s Response to COVID-19*”. The protective measures implemented so far have resulted in a significant slowdown in economic activity that will adversely affect economic growth in 2020 and possibly 2021, to a degree that the Municipality cannot quantify at present. Any prolonged restrictive measures put in place in order to control the COVID-19 pandemic in Turkey or the Municipality may have a longer lasting material and adverse effect on the Municipality’s or Turkey’s economy. While the economic cost of COVID-19 is difficult to predict, it may adversely affect the Municipality’s otherwise expected revenues and expenditures in 2020, which may lead to a deterioration in the Municipality’s financial condition.

***Factors affecting the Municipality’s revenues and expenditures could have adverse effects on its ability to fulfil its payment obligations under the Notes.***

The Municipality relies on revenues, mostly in the form of its share of tax revenues provided by the Central Administration, to support its budgeted expenditures, which includes payments of interest and principal on its outstanding debt. Events, trends or other circumstances, especially those that are outside the control of the Municipality such as the COVID-19 pandemic, that result in a larger decrease in revenues or an increase in expenditures, relative to each other, could impair the Municipality’s ability to maintain a balanced budget. Furthermore, the city of Istanbul requires a great number of services and investments due to its metropolitan structure. These services and investment-related projects are the main drivers behind past budget deficits realised by the Municipality, which addresses such deficits through domestic and project financing. For example, the Municipality had overall balance deficits of TL 0.67 billion, TL 3.35 billion, TL 4.93 billion, TL 3.72 billion, and TL 1.88 billion in 2015, 2016, 2017, 2018 and 2019, respectively. Service-related deficits are generally financed through domestic loans from local banks, whereas investment-related projects are financed through external borrowing.

The implementation of the Municipality’s budget may be affected by political, economic, social or other factors, including macroeconomic changes (such as fluctuations in interest rates, commodity prices, currency exchange and external payment balances), unforeseen or larger than anticipated public spending needs due to acts of nature and large-scale disasters, pandemics and other public health crises, social unrest or acts of terrorism or war, changes in social structures or population demographics (for example, changes in industrial structures or the workforce, larger-than-expected population shifts, the impact of an ageing population or immigration) as well as changes in policies of the Turkish government, including with respect to the structure and allocation of national and local taxes. These and other factors could contribute to a decrease in revenues or increase in expenditure and accordingly may influence the Municipality’s implementation of the budget.

In addition to the immediate challenges raised by COVID-19, the Turkish and global economies face a variety of other macroeconomic and geopolitical factors that could weigh on economic conditions in Turkey and the Municipality. Geopolitical instability in other various parts of the world, material changes in regional economic or political unions or associations between countries (including continued uncertainty regarding the United Kingdom’s exit from the European Union in January 2020 and the expected end of the transition period on 31 December 2020), increased protectionism affecting trade relations globally, and the uncertain impact of the policies pursued by the United States, could also contribute to economic instability around the world and affect Turkish and global economic conditions.

Moreover, the Municipality maintains relatively limited cash reserves (amounting to TL 1,986,004,974 as at 30 June 2020 and TL 1,765,194,458 as at 31 December 2019), which may make it more difficult for the Municipality to respond to unexpected developments, which could result in higher than anticipated indebtedness, which could adversely affect the Municipality's economy. The Municipality is also impacted by the foreign exchange rate of the Turkish Lira, which has been impacted recently by actions undertaken by the CBRT. See *"There are risks associated with the foreign exchange rate of the Turkish Lira"* below.

Domestically, the long-term impact on Turkey's economy, trade balance, interest rates and fiscal position of Turkey's recent fiscal and monetary policy (including the fiscal and monetary stimulus response to COVID-19) and other measures remains uncertain. Any such factors affecting the Turkish economy as a whole may also adversely affect the Municipality's revenues and financial position.

Additionally, while revenues of the Municipality are generally affected by macroeconomic conditions, expenditure in the Municipality's budget does not come under automatic review if its revenue decreases. Accordingly, if the Municipality's actual revenues are lower than budgeted, due to recession or downtrend in the macro economy, for example, the Municipality's expenditure may remain in accordance with the original budgeted amount (or could increase for unrelated reasons) and consequently may cause a budget deficit. In 2019, the Municipality realised a budget deficit of TL 1,880,612,763, which it financed through internal and external loans.

The Municipality also operates certain public enterprises in compliance with market principles and accordingly takes business risks comparable to that of private enterprises. These public enterprises are required to achieve their intended objectives of enhancing and promoting public welfare and thus may serve as a complementary provider of public services in accordance with instructions from the Municipality due to policy reasons. While these public enterprises are viewed separately from the Municipality's general and special accounts for budget purposes, the Municipality may be obliged to bear the costs incurred by any public enterprise as a result of such business risks or the provision of public services which may exceed the budgeted operating revenue of such public enterprise.

***The Municipality has substantial outstanding indebtedness.***

The Municipality has and will continue to have substantial outstanding indebtedness, principally comprising loans with international financial institutions taken out to finance infrastructure projects. As at 31 December 2019, the Municipality had total loans from internal and external financing sources of TL 19,810,288,594 for projects in progress and conducted by the Municipality. Of this amount, TL 6,534,413,887 consisted of domestic loans, while TL 13,275,874,706 consisted of external loans from international finance organisations. For further information on the Municipality's indebtedness, see *"Description of the Municipality—Indebtedness"*.

The Municipality's indebtedness could adversely affect its financial condition by, among other things:

- increasing the Municipality's vulnerability to general adverse economic conditions;
- requiring the Municipality to dedicate a substantial portion of its cash flow from revenues to payments on its indebtedness, thereby reducing amounts available for service- and project-related expenditures;
- limiting the Municipality's flexibility in planning for, or reacting to, changes in its operations; and
- limiting the Municipality's ability to access additional financing.

Additionally, while the Municipality now has a policy of transitioning its indebtedness to Turkish Lira, its historical outstanding debt and international borrowings expose it to foreign exchange risk. See *"There are risks associated with the foreign exchange rate of the Turkish Lira"* below.

***The Municipality is a political subdivision of Turkey and, as a result, the Municipality's economic performance is subject to general economic conditions in Turkey and to decisions and measures adopted by the national government, which it does not control.***

Because the Municipality is a political subdivision of Turkey, the Municipality's economic performance and public finances are subject to general economic conditions in Turkey and may be significantly affected by national events and by decisions and measures adopted by the government, including those related to inflation, monetary policy and taxation. The Municipality does not control any of these events or decisions. As a result, investors should carefully consider the economic and other information periodically made public by Turkey. The Municipality does not take part in the formulation of such information.

Although a significant part of the national population resides in the Municipality and the Municipality's economy represents a significant part of the national economy, the interests of the Municipality may not always be aligned with those of the government or other Turkish provinces and, as a result, there can be no assurance that future decisions or measures adopted by the government will not have an adverse effect on the Municipality's economy that may affect its ability to service its debt obligations, including the Notes.

***The Municipality's credit rating is linked to Turkey's sovereign debt rating.***

Due to the Municipality's status as a local government body in Turkey, any rating action taken with respect to Turkey can be expected to impact the Municipality's ratings, including the rating applicable to the Notes. Historically, reductions in Turkey's credit rating and the outlook thereon have been followed by equivalent reductions in the equivalent credit ratings and outlook of the Municipality.

For example, on 11 September 2020, Moody's downgraded Turkey's long-term issuer and senior unsecured debt ratings from B1 to B2 and affirmed its "negative" outlook. Then, on 15 September 2020, Moody's announced a corresponding downgrade of the Municipality's long-term issuer credit and debt ratings from B1 to B2 and affirmed its "negative" outlook, noting that it does not believe that the Municipality has enough financial flexibility to permit its credit quality to exceed the sovereign credit rating of Turkey. This is due to the Municipality's close institutional, financial and operational linkages with the Turkish government.

While to date the Municipality has not experienced any significant negative effects as a result of those rating actions, such as increased costs or difficulty in raising funds, any further adverse rating actions may adversely affect the Municipality, and there can be no assurance that Turkey's sovereign rating will not be downgraded further in the future, or that the Municipality's ratings will not be further revised downwards. Investors should also note that, notwithstanding the close linkage between Turkey's sovereign rating and the Municipality's issuer credit and debt rating, the Municipality's debts (including the Notes) are not direct or indirect obligations of Turkey or guaranteed in any way by Turkey.

***Local and national elections could create uncertainties that could impact the economy and financial condition of the Municipality.***

Turkey has from time to time experienced volatile political social conditions, including a failed coup d'état attempt in July 2016. Unstable coalition governments have been common, and, since its formation, Turkey has had numerous, short-lived governments, with political disagreements frequently resulting in early elections. The Justice and Development Party (*Adalet ve Kalkınma Partisi*) (the "AKP") has been in power since 2002 and has been able to govern without reliance upon a coalition partner.

Recep Tayyip Erdoğan was elected President on 10 August 2014 and, following the November 2015 elections, the AKP announced its intention to replace the existing constitution with a new constitution and to create an executive presidency. In the referendum held on 16 April 2017, the majority of the votes cast approved proposed amendments to certain articles of the Turkish Constitution. Such amendments included articles to extend the powers of the president. As a result (*inter alia*): (a) the then-current parliamentary system has been transformed

into a presidential one, (b) the president has been entitled to be the head of a political party and to appoint the cabinet, (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 cabinet members has been annulled and (e) the president has increased powers over the selection of members of the Board of Judges and Prosecutors (previously, the Supreme Board of Judges and Prosecutors (*Hakimler ve Savcılar Yüksek Kurulu*)).

Following the constitutional amendments enacted with the referendum held on 16 April 2017, President Erdoğan was re-elected as the chairman of the AKP on 21 May 2017 and again in snap elections held on 24 June 2018. On 9 July 2018, President Erdoğan announced the new cabinet, including non-AKP members and Berat Albayrak as the new treasury and finance minister. On 6 July 2019, President Erdoğan announced the removal of Murat Çetinkaya, the governor of the Central Bank of the Republic of Turkey (*Türkiye Cumhuriyet Merkez Bankası*) (the "Central Bank"), a year before his four-year term was scheduled to end. Murat Çetinkaya was replaced by his former deputy, Murat Uysal, who was then also replaced by Naci Ağbal on 7 November 2020 with the presidential decision numbered 2020/495. Berat Albayrak resigned from his position as treasury and finance minister and was replaced by Lütfi Elvan with the presidential decision dated 10 November 2020 and numbered 2020/507. Significant uncertainty remains regarding the economic agenda of the new government, the independence of the Central Bank and whether reform plans will be accomplished, all of which could significantly impact investors' perceptions of Turkey and its future growth.

Additionally, local elections took place on 31 March 2019. However, the Supreme Election Board of Turkey (*T.C. Yüksek Seçim Kurulu*) cancelled the results of these elections in the Municipality (which showed a narrow lead for the opposition party). Repeat local elections were held on 23 June 2019 and resulted in the transition of control of the Municipality from the AKP to the main opposition party, the Republican People's Party (*Cumhuriyet Halk Partisi*). Political uncertainty and political disagreements associated with local elections may adversely affect the economy and financial condition of the Municipality.

The events surrounding any future political developments could contribute to the volatility of Turkish financial markets and/or have an adverse effect on investors' perception of Turkey and of the Municipality, including their ability to adopt macroeconomic reforms, support economic growth and manage domestic social conditions, which could in turn have a material adverse effect on the Municipality's financial condition.

***The Municipality is exposed to the risk of seismic events.***

Istanbul, like much of Turkey, is located in a first degree earthquake risk zone and Turkey has experienced a large number of earthquakes in recent years, some of significant magnitude. On 26 September 2019, an earthquake with a magnitude of 5.8 occurred in the Sea of Marmara, damaging some buildings in Istanbul. On 30 October 2020, an earthquake with a magnitude of 6.6 occurred in the western province of İzmir, causing 115 deaths and injuring 1,034 people. While the earthquake in İzmir did not damage any buildings in Istanbul, its effects were felt in some districts within the city. Future earthquakes and the effects of their impact could have a material adverse impact on the Municipality.

***Investors may have difficulty enforcing judgments against the Municipality.***

The Municipality has not consented to service or waived any immunity it may have as a foreign government with respect to actions brought against it under United States federal securities laws or any State securities laws. In the absence of a waiver of immunity by the Municipality with respect to these actions, it would not be possible to obtain judgment in such an action brought against the Municipality in a court in the United States unless the court were to determine that the Municipality is not entitled under the US Foreign Sovereign Immunities Act of 1976 to sovereign immunity with respect to such action. Further, even if a United States judgment could be obtained in such an action, it may not be possible to enforce a judgment based on such a United States judgment in the Municipality. Execution upon property of the Municipality located in the United

States to enforce a United States judgment may not be possible except under the limited circumstances specified in the US Foreign Sovereign Immunities Act of 1976.

### **Risks related to Turkey and the EMEA region**

#### ***Investments in emerging markets, such as Turkey, entail certain inherent risks.***

The market for securities issued by Turkish entities is influenced by economic and market conditions in Turkey, as well as, to varying degrees, market conditions in other emerging market countries, the European Union (“EU”) and the United States. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investments in Turkey. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers, including the Municipality, which could adversely affect the market price of the Notes.

Emerging markets such as Turkey are subject to a greater risk of being perceived negatively by investors based upon external events (for example, volatility in the emerging markets, monetary policies in the United States and the Eurozone, continued violence in Syria and Iraq or a slowdown in China’s growth) than more developed markets, and financial turmoil in any emerging market (or global markets generally) could have a “contagion” effect and disrupt the business environment in Turkey. Moreover, financial turmoil in any emerging market country tends to adversely affect the prices of equity and debt securities of issuers in other emerging market countries, as investors may move their investments to more stable, developed markets. An increase in the perceived risks associated with investing in emerging economies could dampen capital flows to Turkey and adversely affect the Turkish and the Municipality’s economy. There can be no assurance that investors’ interest in Turkey and in the Municipality will not be negatively affected by events in other emerging markets or the global economy in general.

Turkey has been adversely affected by such contagion effects on a number of occasions, including following the two financial crises in 1994 and 2000/2001 and the 2008-2009 global economic crisis. Additionally, possible volatility in the markets stemming from concerns over China’s economic growth may adversely affect economic growth in other emerging economies with close trade links with China. Although China is not a major trading partner of Turkey, no assurance can be given that these developments will not have a negative effect on the economic or financial conditions of Turkey and of the Municipality. In addition, similar developments can be expected to affect the Turkish and the Municipality’s economy in the future.

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

#### ***There are risks associated with the political and economic environment in Turkey.***

Turkey has from time to time experienced volatile political, economic and social conditions, including two financial crises in 1994 and 2000/2001 and a failed coup d’état attempt in July 2016. The Turkish economy was also impacted by the 2008-2009 global financial crisis. If similar conditions recur or if the current global economic slowdown persists or worsens, this may adversely affect Turkey’s and the Municipality’s economy and financial condition. Turkey has not defaulted on any principal or interest of any external debt represented by bonds issued in public international markets since it began issuing such bonds in 1988.

Turkey had been a parliamentary democracy since its formation in 1923, until the launch of the new executive presidential system in 2018. Following the November 2015 elections, the Turkish government started

negotiations to replace the existing constitution, which had been enacted after the military coup of 1980. On 10 December 2016, a new constitutional reform package was submitted to the Parliament by the AKP ruling party and the Nationalist Movement Party (“MHP”) opposition party. The constitutional reform package included the creation of vice-presidents and the abolition of the office of prime minister, granting new executive powers to the president (such as the ability to appoint and dismiss ministers, vice presidents, high level diplomats and public officers), lowering the age of candidacy for parliament from 25 to 18, and increasing the number of parliamentarians from 550 to 600. On 30 December 2016, the constitutional reform package was approved by the Constitutional Committee. On 20 January 2017, the constitutional reform package was approved by Parliament, and, on 10 February 2017, the constitutional reform package was approved by the President. The constitutional reform package was approved in the public referendum held on 16 April 2017. According to the official results announced by the Supreme Election Council on 27 April 2017, the turnout rate was 85.43%. Supporters of the package had 51.41% of the votes cast and opponents had 48.59% of the votes cast. The package of constitutional amendments allowed the winner of the presidential election to assume full control of the government and transform the parliamentary system into an executive presidential system. Among the articles in the constitutional reform package, the article that gives the President the right to have a political party affiliation and the articles related to changes in the judicial system became effective immediately. The new executive presidential system became fully effective after the first parliamentary and presidential elections under the new constitution were held on 24 June 2018. Both presidential and parliamentary elections will be held every five years on the same date.

On 24 June 2018, the general and presidential elections were held to elect the first president and deputies, marking the beginning of the transition towards an executive presidential system. According to the official results announced by the Supreme Election Council on 4 July 2018, Recep Tayyip Erdoğan won an absolute majority in the presidential election with 52.59% of the vote. The AKP garnered 42.56% of the votes, the Republican People’s Party (“CHP”), 22.65%, MHP, 11.10%, the Peoples’ Democratic Party (“HDP”), 11.70% and the Good Party (“İYİ”), 9.96%. Other parties and independent candidates received 2.03% of votes. After the elections, a series of decrees were issued, aiming to integrate the contents of a new governmental system into the existing legislation. As a step towards this transition into the new system, Statutory Decree No. 703, published on 9 July 2018, abolished some laws on the organisations and functions of some ministries and institutions. This decree also merged some ministries. On the same day, in accordance with the new governmental structure, President Erdoğan announced the new government.

The Turkish military establishment has historically been an important factor in Turkish government and politics, interfering with civilian authority three times between 1959 and 2015 (in 1960, 1971 and 1980). Each time, the military withdrew after the election of a new civilian government and the introduction of changes to the legal and political systems. In July 2016, a faction of the Turkish military attempted a coup that ultimately failed.

On 15 July 2016, a coup d’état was attempted in Turkey against state institutions, including, but not limited to, the Turkish government by a faction within the army that is linked to the terrorist group called Fethullah Terrorist Organisation (“FETÖ”). The coup plotters attempted to overthrow the government by seizing control of several key institutions and buildings in Ankara, Istanbul, and elsewhere, but failed to do so as there was strong public opposition. During the coup attempt, around 250 people were killed and more than 2,200 were injured while many government buildings, including the Turkish Parliament and the Presidential Palace, were damaged. On 21 July 2016, the Parliament approved the declaration of a three-month state of emergency, under Article 120 of the Constitution, in order to enable the authorities to take action against those responsible for the failed coup, which also resulted in the temporary suspension of the European Convention on Human Rights pursuant to Article 15 of the Convention. On 7 August 2016, several million people gathered in Istanbul for an anti-coup rally organised by the Turkish authorities. The President, Prime Minister and the two leaders of the opposition parties participated in the anti-coup rally. On each of 3 October 2016, 3 January 2017, 18 April 2017, 17 July 2017, 17 October 2017, 18 January 2018, and 18 April 2018, the Parliament approved an extension of

the state of emergency, declared after the country's failed military coup, by a further three months. The state of emergency was not extended beyond 18 July 2018.

Turkish authorities are continuing to search for coup participants and others with alleged links to the FETÖ, and may detain, arrest, prosecute, fire or suspend more people. These actions have been the subject of criticism by the EU and others and may lead to strain in Turkey's relationships with other countries, such as the tension with the United States associated with Turkish requests to extradite Fethullah Gülen.

Any further negative changes in the political environment may affect the stability of Turkey's and the Municipality's economy or their institutions. In addition, any instability in the Turkish economy and financial system may adversely affect Turkey's credit quality. Turkey's gross domestic product recorded two consecutive quarters (quarter over quarter) of slowing economic growth in 2018. The Turkish economy contracted 2.7% year-on-year in the fourth quarter of 2018, after growing by 2.5% in the third quarter (from 7.5% in the first quarter and 5.8% in the second quarter), according to the Turkish Statistical Institute. While gross domestic product ("GDP") in the first and second quarters of 2019 decreased by 2.6% and 1.7%, respectively; it increased by 1.0% and 6.4% in the third and fourth quarters, against the same periods in the previous year. In 2020, GDP increased by 4.4% in the first quarter and decreased by 9.9% in the second quarter compared to the same periods in 2019.

The failure of the Turkish government to implement its proposed economic and financial policies, including those set forth in the Economic Reform Agenda and the 2021-2023 New Economy Program, may also adversely affect Turkey's economy and credit quality, which could in turn adversely affect the Municipality's financial condition.

***Turkey is located in a region with on-going political and security concerns.***

As a result of recent economic instability in many developed and emerging markets, the international financial markets have experienced a significant amount of volatility and many financial market indices have declined significantly. The potential impact of such volatility on the Turkish market and on securities issued by the Municipality, including the Notes, is uncertain.

Turkey is located in a region that includes neighbouring countries Iran, Iraq, Georgia, Armenia and Syria, and which has been subject to ongoing political and security concerns, especially in recent years. Further, since December 2010, political instability has increased markedly in a number of countries in the Middle East and North Africa, such as Libya, Tunisia, Egypt, Syria, Jordan, Bahrain and Yemen. As a result of the anti-government uprising in Syria, more than three million Syrian refugees have fled to Turkey and more can be expected to cross the Turkish-Syrian border if the unrest in Syria continues or escalates. The ongoing conflict in Syria has been the subject of significant international attention and its impact and resolution is difficult to predict. Any continuation or escalation of political instability or international military intervention in Syria and/or a more aggressive stance by Syrian President Bashar al Assad's allies, Russia, Iran, and/or China against Turkey and opposition supporters may act as a destabilising factor for Turkey. The high number of refugees within Turkey's borders and foreign intelligence agents infiltrating both refugee camps and local communities remain current threats. Unrest in other countries may affect Turkey's relationships with its neighbours, have political implications in Turkey or otherwise have a negative impact on Turkey's and the Municipality's economy.

Terrorist incidents (especially in 2015 and 2016) contributed to a significant reduction in levels of tourism and tourism receipts in 2016, which led to a decrease in GDP in the third quarter of 2016. However, tourism revenue also recovered to a certain extent in 2017, 2018 and 2019. If additional attacks occur in the future, Turkey's capital markets, levels of tourism in Turkey, including to the Municipality, and foreign investment in Turkey, including in the Municipality, among other things, may be adversely affected.



On 20 January 2018, Turkey launched “Operation Olive Branch”, a military operation in Syria’s northern Afrin district along the Turkish-Syrian border to neutralise terrorist elements. Operation Olive Branch aims to clear the region of armed forces aligned with the so called Kurdistan Workers Party (“PKK”), including the Democratic Union Party (“PYD”) and the People’s Protection Units (“YPG”), that control the territory and who threaten Turkey’s national security and civilians in the region. According to statements released by the Turkish Presidency and the Turkish Armed Forces, Operation Olive Branch is based on Turkey’s right to self-defence under international law, as outlined in Article 51 of the UN Charter and the relevant UN Security Council resolutions 1373(2001), 1624(2005), 2170(2014) and 2178(2014) and has been carried out with full respect of Syria’s territorial integrity. The current phase of the operation is focused on ensuring security and stability (de-mining, establishing order, local governance and security, facilitating the return of internally displaced persons (“IDPs”) and refugees originally from Afrin) based on the principle of “local ownership”. On 9 October 2019, the Turkish Armed Forces, together with the Syrian National Army, launched “Operation Peace Spring” against the PKK/YPG and DAESH terrorists in northern Syria. Turkey has paused Operation Peace Spring after the agreement reached with the US on 17 October 2019. On 22 October 2019, Turkey and Russia agreed on a memorandum of understanding in terms of combatting terror, ensuring Syria’s territorial integrity and political unity, and facilitating the return of refugees. The continuation of the conflict in Syria and/or its further deterioration could have a material negative impact on the economies of Turkey and the Municipality.

Relations between Armenia and Azerbaijan have been tense since 1991, when the Armenian military occupied Upper Karabakh, an internationally recognised territory of Azerbaijan. Four United Nations Security Council (“UNSC”) and two United Nations (“UN”) General Assembly resolutions, as well as many international organisations, have demanded the withdrawal of the occupying forces. The Organisation for Security and Co-operation in Europe (“OSCE”) Minsk Group, co-chaired by France, Russia, and the US, was formed in 1992 to find a peaceful solution to the conflict. A ceasefire was agreed in 1994.

On 27 September 2020, border clashes broke out when Armenian armed forces attacked the Azerbaijani army in violation of the ceasefire along the contact line. Turkey condemned the Armenian attacks as a clear violation of international law. On 28 September 2020, the Russian foreign minister exhorted Armenia and Azerbaijan to exercise restraint and, on 30 September 2020, the Iranian President, Hassan Rouhani, called for a halt in the hostilities between Armenia and Azerbaijan and for a peaceful solution under international law. On the same day, Russia offered to host talks to end the conflict in the Caucasus. Additionally, on 30 September 2020, Turkey’s Ministry of Defence denied Armenian claims that Turkish aircraft and drones were used against Armenia.

On 16 October 2020, following unconfirmed allegations of Turkey’s testing of its S-400 air and missile defense system, the U.S. Department of Defense reiterated that an operational S-400 system is not consistent with Turkey’s commitments to its allies. On 22 October 2020, Turkey’s Defense Minister Hulusi Akar said that the S-400 missile system will not be integrated into North Atlantic Treaty Organisation (“NATO”) systems and will instead be deployed independently. He also reassured that the purchase of the S-400 system addressed Turkey’s legitimate security concerns and that their use will not distance Turkey from NATO.

Regional conflicts, terrorist attacks and the threat of future terrorism have had and could continue to have a material adverse effect on Turkey’s capital markets, the level of tourism, foreign investment, exports and other elements of Turkey’s and the Municipality’s economy. The escalation of political instability in the Middle East could also be a destabilising factor for Turkey and the region as a whole. Turkey’s drilling activities in the Eastern Mediterranean may lead to political reactions from the littoral states and other international bodies, such as the European Union, and adversely affect its economic and financial indicators.

The above circumstances could have a material adverse effect on the economies of Turkey and the Municipality.

***There are risks associated with the foreign exchange rate of the Turkish Lira.***

The depreciation of the Turkish Lira against the US Dollar, Euro or other major currencies might adversely affect the financial condition of the Municipality, such as through potential unhedged foreign currency positions of Turkish banks and the deterioration of bank asset quality. The Turkish corporate sector may also be susceptible to additional foreign exchange risk because a large volume of corporate loans is denominated in foreign currencies, resulting in additional risk if the Turkish Lira depreciates. Turkish corporate borrowers may not have sufficient foreign currency reserves or adequate hedging, particularly if Turkish Lira depreciation is compounded by macroeconomic factors that particularly impact certain sectors or clients (such as the potential combined impact of Turkish Lira depreciation and global oil price reductions in the energy sector). An exchange rate shock could have negative implications for the Turkish banking sector, the main lenders of corporate debt, as well as the credit quality of Turkish corporate entities. Accordingly, Turkey's economy faces risks associated with the refinancing of private sector external debt, which constituted 58.80% of its gross external debt as at the first quarter of 2020, which risks are exacerbated by Turkish Lira depreciation.

In addition, depreciation of the Turkish Lira may increase the price of imported goods, which may increase the trade deficit and the current account deficit ("CAD"). Any significant depreciation of the Turkish Lira against the US Dollar or other major currencies might also have a negative effect on the Municipality's ability to repay its debt denominated in currencies other than the Turkish Lira, including the amounts due under the notes. From time to time, the Turkish Lira may be subject to increased volatility. For example, on 13 August 2018, the Turkish Lira depreciated from TL 3.7652 per US Dollar as at 2 January 2018 to TL 6.8798 per US 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. On 13 September 2018, the Central Bank decided to increase the policy rate from 17.75% to 24%. After the Central Bank's decision, the Turkish Lira appreciated against the US Dollar. After a series of rate cuts in the second half of 2019 and in the first half of 2020, the Central Bank decided to increase the policy rate from 8.25% to 10.25%. As at 19 November 2020, the Central Bank's policy rate was 15.00% and the exchange rate was TL 7.6699 per US Dollar.

***There are risks associated with Turkey's current account deficit.***

The size of Turkey's current account deficit or adverse changes in its balance of payments position (including the availability of external financing for Turkey) could lead to exchange rate adjustments and higher inflation, which could have a material adverse effect on the Municipality's financial condition. Turkey's CAD has widened considerably in recent years mainly due to the widening trade deficit. In 2013, the CAD was US\$55.9 billion (5.9% of GDP), then decreased to US\$38.8 billion (4.2% of GDP) in 2014. In 2015, the CAD decreased to US\$27.3 billion (3.2% of GDP) and US\$26.8 billion (3.1% of GDP) in 2016. In 2017, the CAD increased to US\$40.6 billion (4.8% of GDP). In 2018, the CAD was approximately US\$20.7 billion (2.6% of GDP). In 2019, the current account balance posted a US\$8.8 billion surplus (1.1% of GDP). From January through September 2020, the CAD was US\$27.973 billion. Financing the CAD might be difficult in the event of a global liquidity crisis and/or declining interest of foreign investors in Turkey. A widening CAD may result in an increase in the levels of borrowing by Turkey, a decline in the Central Bank's reserves to finance the CAD and/or depreciation of the Turkish Lira. A widening CAD may also affect the capacity of the Turkish economy to generate foreign currency assets sufficient to cover liabilities arising from external debt. Any of these events could have a material adverse effect on the financial and economic condition of the Municipality.

***There are risks associated with potential inflation in the Turkish economy***

In the past, Turkey has experienced substantial inflationary pressures in the past, and, during the 2000 to 2008 period, inflation was one of the most serious problems faced by the Turkish economy. Due to government policies intended to combat high levels of inflation, inflation in Turkey has decreased substantially in recent

years. Turkey's producer price inflation ("PPI") and consumer price inflation ("CPI") for the December 2014 to December 2015 period were 5.71% and 8.81%, respectively, for the December 2015 to December 2016 period were 9.94% and 8.53%, respectively, for the December 2016 to December 2017 period were 15.47% and 11.92%, respectively, for the December 2017 to December 2018 period were 33.64% and 20.30%, respectively, and for the December 2018 to December 2019 period were 7.36% and 11.84%, respectively. On 28 October 2020, the Central Bank released its October 2020 Inflation Report and revised its inflation forecast for 2020 as 11.76%. In a statement released after the Monetary Policy Committee meeting on 19 November 2020, the Central Bank stated that the lagged effects of depreciation in Turkish Lira, increasing international food prices and deterioration in inflation expectations all adversely affect the inflation outlook. The Central Bank added that while tracked data for November point to an increase in inflation due to recent exchange rate depreciation, the Central Bank believed that the increased inflationary trend will be temporary due to the Republic's decisive monetary policy decision to raise interest rates to 15% on 19 November 2020.

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 unprocessed food prices and adjustments in tobacco prices, which have contributed to recent increases in inflation, may increase inflation again in the future. 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. A significant increase in inflation may cause the Turkish government to take action that could inhibit Turkey's economic growth. In addition, inflation can result in greater market volatility by causing economic uncertainties and reduced consumption, GDP growth and consumer confidence. Inflation measures to combat inflation and speculation about possible additional actions to combat inflation may lead to economic uncertainty. Any of these factors could adversely impact the Municipality and its economy.

### **Risks related to the Notes**

#### ***The conditions of the Notes contain provisions which may permit their modification without the consent of all investors***

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally or to pass resolutions in writing or through the use of electronic consent. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority or who did not participate in the process of any written resolution or electronic consent.

In addition, the terms of the Notes permit "cross-series modifications" to be made to more than one series of debt securities, provided that each affected series of debt securities also contains a cross-series modification provision. Under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the conditions of the Notes), such cross-series modification may be made to more than one series of debt securities with the approval of the applicable percentage of the aggregate principal amount of the outstanding debt securities of all affected series and without requiring the approval of a particular percentage of the holders of any individual affected series of debt securities.

There is therefore a risk that the terms of the Notes may be modified in circumstances where the holders of debt securities approving the modification may be holders of different series of debt securities and the majority of Noteholders would not necessarily have approved such modification. In addition, there is a risk that the provisions allowing for aggregation across multiple series of debt securities may make the Notes less attractive

to purchasers in the secondary market and adversely affect the market value of the Notes in circumstances where such modification or a proposal for such modification is expected to be made by the Issuer.

The terms of the Notes also provide that the Notes, their terms and conditions and the provisions of the Agency Agreement and the Deed of Covenant may be amended by the Issuer without the consent of the Noteholders for the purpose of any modification which is (a) of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or (b) (except in the case of any such modification in respect of a Reserved Matter (as defined in Condition 13.5)) not prejudicial to the interests of the Noteholders.

For further information, see “*Terms and Condition of the Notes - Meetings of Noteholders, Modification and Waiver*”.

***The Issuer may create and issue further Notes***

The Issuer may from time to time without the consent of the Noteholders create and issue further Notes, having terms and conditions that are the same as those of the Notes, or the same except for the amount of the first payment of interest, which new Notes may be consolidated and form a single series with the outstanding Notes even if doing so may adversely affect the value of the original Notes.

***It may not be possible for investors to enforce foreign judgments against the Issuer or its management***

The officers of the Issuer reside inside Turkey and all or a substantial portion of the assets of such persons may be, and substantially all of the assets of the Issuer are, located in Turkey. As a result, it may not be possible for investors to effect service of process upon such persons outside Turkey or to enforce against them in the courts of jurisdictions other than Turkey any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

In addition, under the Turkish International Private and Procedure Law (Law No. 5718), a judgment of a court established in a country other than Turkey may not be enforced in Turkish courts in certain circumstances. Although Turkish courts generally recognise enforceable judgments of English courts on the basis that there is *de facto* reciprocity between the United Kingdom and Turkey with respect to the enforcement of judgments of their respective courts, there is no treaty between the United Kingdom and Turkey providing for reciprocal enforcement of judgments.

Furthermore, any claim against the Issuer which is denominated in a foreign currency would, upon pronouncement of bankruptcy of the Issuer, only be payable in Turkish Lira, thereby shifting the currency exchange risk from the Issuer to the holders of the Notes. The relevant exchange rate for determining the Turkish Lira amount of any such claim would be the exchange rate of the Central Bank Of The Republic Of Turkey for the purchase of the relevant currency which is effective on the date when the relevant court’s decision on the bankruptcy is rendered in accordance with Turkish law. Such exchange rate may be less favourable to a holder of the Notes than the rate of exchange prevailing at the relevant time.

Under the laws of Turkey, (i) any property or assets of the Issuer used solely or mainly for governmental or public purposes in Turkey or elsewhere, (ii) incomes generated in consideration of a project, (iii) conditional donations, (iv) real properties located in urban transformation project areas acquired within the scope of Article 73/7, and (v) the tax, levy and fee amounts collected by the Issuer including the amounts allocated to municipalities from the general budget tax revenues and any amount which is allocated to the municipalities under other laws are also immune from attachment or other forms of execution, whether before or after judgment.

***A Turkish court may not recognise English law as the governing law of certain non-contractual obligations***

The terms and conditions of the Notes provide that the Notes, the Agency Agreement and the Deed of Covenant, and any non-contractual obligations arising out of or in connection with the Notes, the Agency Agreement and the Deed of Covenant, are governed by, and will be construed in accordance with, English law.

However, the Turkish International Private and Procedure Law (Law No. 5718), which entered into force upon announcement in the Official Gazette dated 12 December 2007 and numbered 26728, imposes certain restrictions in relation to the choice of law for certain non-contractual obligations. In particular, the Turkish International Private and Procedure Law (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 English law to any such non-contractual obligations arising out of or in connection with the Notes, the Agency Agreement and the Deed of Covenant, which could have an adverse impact on a party seeking recourse under English law in a Turkish court.

***There is no public trading market for the Notes and an active trading market may not develop or be sustained in the future***

There is no active trading market for investments in the Notes. If investments in the Notes are traded after their initial issuance, then they might trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the Issuer's financial condition. Although application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on its regulated market, there can be no assurance that such application will be accepted, that an active trading market will develop or, if developed, that it can be sustained. If an active trading market for investments in the Notes is not developed or maintained, then the market or trading price and liquidity of investments in the Notes may be adversely affected.

***The market price of the Notes is subject to a high degree of volatility***

The market price of investments in the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale by the Issuer of other debt securities, as well as other factors, including the trading market for notes issued by Turkey. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the market price of investments in the Notes without regard to the Issuer's financial condition or results of operations.

The market price of investments in the Notes is also influenced by economic and market conditions in Turkey and, to varying degrees, economic and market conditions in emerging markets generally. Although economic conditions differ in each country, the reaction of investors to developments in one country may cause capital markets in other countries to fluctuate. Developments or economic conditions in other emerging market countries have at times significantly affected the availability of credit to the Turkish economy and resulted in considerable outflows of funds and declines in the amount of foreign investments in Turkey. Crises in other emerging market countries may diminish investor interest in securities of Turkish issuers, including the Issuer's, which could adversely affect the market price of investments in the Notes.

***Credit ratings may not reflect all risks associated with an investment in the Notes***

In addition to the ratings on the Notes provided by Fitch and Moody's, one or more other independent credit rating agencies may assign credit ratings to the Notes. The ratings might not reflect the potential impact of all risks related to structure, market and other factors that may affect the value of the Notes. Credit ratings assigned

to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The initial ratings by Fitch and Moody's will not address the likelihood that the principal on the Notes will be prepaid or paid on the scheduled maturity date. Such ratings also will not address the marketability of investments in the Notes or any market price. Any change in the credit ratings of the Notes or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for investments in the Notes. The significance of each rating should be analysed independently from any other rating.

***Investors in the Notes must rely on DTC, Euroclear and Clearstream, Luxembourg procedures***

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

The Rule 144A Notes will be represented on issue by one or more Restricted Global Certificates that will be deposited with a nominee for DTC. Except in the circumstances described in the relevant Restricted Global Certificate, investors will not be entitled to receive Notes in definitive form. DTC and its direct and indirect participants will maintain records of the beneficial interests in the relevant Restricted Global Certificate. While the Notes are represented by the Restricted Global Certificate, investors will be able to trade their beneficial interests only through DTC. While the Notes are represented by the Restricted Global Certificate, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate. Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Notes. 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.

***The Notes may not be a suitable investment for all investors seeking exposure to “development finance” assets***

There is currently no market consensus on what precise attributes are required for a particular project or financing to be defined as “development”, and therefore no assurance can be provided to investors that the Notes and the use of proceeds by the Issuer or any development impact projects, will satisfy, whether in whole or in part, any expectations or requirements of any investor or any present or future expectations or requirements with respect to development finance or sustainability. Neither the Issuer nor the Development Finance Structuring Agent makes any representations or assurances as to whether (and are not responsible for ensuring that) the characterisation of the Notes as development finance or the level of its expected development intensity rating impact will (i) comport with any investor's definition of development finance, (ii) meet any investor's criteria and expectations with regard to developmental impact, or (iii) comport with the characterisation or definitions used by any other development finance institution in the public or private sectors. The Notes do not constitute “green” or “social” bonds for purposes of the International Capital Markets Association principles. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular regarding the use of proceeds and its purchase of Notes should be based upon such investigation as it deems necessary.

Furthermore, there can be no assurance that the projects or financings set out in “*Development Impact*” will be capable of being implemented in such a manner and that, accordingly, such proceeds will be totally or partially disbursed in the manner and on the timetable anticipated. Nor can there be any assurance that such projects will be completed within any specified period or at all or with the results or outcome as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an event of default under the Conditions of the Notes.

## USE OF PROCEEDS

The estimated net proceeds of the issue of the Notes, after deduction of commissions, fees and estimated expenses, will be US\$571,395,500 and will be used to finance the following projects related to the Municipality's metro railway lines: the Kaynarca-Pendik-Tuzla Metro Line Project, the Çekmeköy-Sancaktepe-Sultanbeyli Metro Line Project; the Kirazlı-Halkalı Metro Line Project and the Mahmutbey-Bahçeşehir-Esenyurt Metro Line Project. For further information on these projects, see "*Development Impact*" and "*Description of the Municipality—Key Infrastructure Projects—Metro Line Improvements*".



## DEVELOPMENT IMPACT

The Municipality provides services to Istanbul including emergency services, information services, environmental services, cultural services, social services and transportation services. With regard to transportation services, the Municipality has received approval to finance four metro railway projects on the European and Anatolian sides of Istanbul with proceeds from the Notes. According to a November 2018 report, “Smarter Cities 2025”, prepared by ESI Thought Lab, residents of Istanbul spent approximately 157 hours in traffic each year as of 2018, a significant amount of time relative to other metropolitan areas in emerging markets. Since March 2020, there has been an estimated 10% increase in the number of individual vehicles used and a 35% increase in traffic congestion in Istanbul. To address the rising levels of congestion, decrease individuals’ time in traffic, improve residents’ quality of life and enhance the environmental sustainability of the transportation system in Istanbul, the Municipality has accelerated the construction timeline of its metro railway projects.

The net proceeds to be received by the Municipality from the Offering are expected to finance and enable the construction of the following four railway metro projects and related development outputs:

- The Kirazlı-Halkalı Metro Line is being constructed as an extension of the Yenikapı-Kirazlı Metro Line and is expected to be 9.7 km long, have 10 stations and serve an estimated 70,000 passengers per hour per direction. The line will pass through three districts and will be integrated with four major metro lines. Completion of the project is expected in 2022.
- The Çekmeköy-Sancaktepe-Sultanbeyli Metro Line is expected to be 10.9 km long, have 9 stations and serve an estimated 65,000 passengers per hour per direction. This metro line is expected to begin at the tail tunnel of Üsküdar-Ümraniye-Çekmeköy Metro Line and then pass through Meclis Mahallesi, Sarıgazi, Samandıra, Abdurrahmangazi, Sancaktepe, Veysel Karani, Hasanpaşa and Sultanbeyli Stations, respectively, and finish at the end of the tail tunnel on Sultanbeyli TEM road side. Completion of the project is expected in 2023.
- The Kaynarca-Pendik-Tuzla Metro Line is expected to be 13 km long, have eight stations and serve an estimated 70,000 passengers per hour per direction. The line will be integrated with three different lines including the Ankara-İstanbul High Speed Train, the Marmaray line and the Sabiha Gökçen Airport line. Completion of the project is expected in 2022.
- The Mahmutbey-Bahçeşehir-Esenyurt Metro Line is expected to be 18.5 km long, have 12 stations and serve an estimated 70,000 passengers per hour per direction. The line will pass through five highly populated districts and will be integrated with three metro lines. The most recent station on this line, Hastane, connects to a new hospital, which the Central Administration opened during the COVID-19 pandemic. Completion of the project is expected in 2024.

These four projects will have accessible stations and vehicles for disabled passengers, which will ensure that disabled people can easily board the vehicles and have safe journeys through the use of smoothly functioning elevators and escalators, ramps conforming to applicable standards, routing signs, alternative information and tactile ground surface applications. Disabled passengers can travel in the Municipality’s metro railway network with free travel cards. The projects are expected to result in an increase in the number of female employees as the Municipality expects to train more female drivers and hire more female machinists following the metro railway expansion, with a target of 60% female machinists upon completion. More broadly, the Municipality expects to hire personnel for positions such as machinists, security guards, cleaners and buffet managers inside the new stations, thus leading to an increase in job opportunities and in the Municipality’s overall number of employees. For additional information on the Municipality’s metro line projects, see “*Description of the Municipality—Key Infrastructure Projects—Metro Line Improvements*”.

The Municipality plans to report progress on the development outputs above through its annual report. The anticipated impact of the development outputs above aligns with the United Nations Sustainable Development Goals (“SDGs”), particularly SDGs #3, #5, #8 and #11, which outline specific targets applicable to the Municipality’s metro railway projects, including:

- *SDG Target 3.6:* By 2030, halve the number of global deaths and injuries from road traffic accidents;
- *SDG Target 5.5:* Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life;
- *SDG Target 8.3:* Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services;
- *SDG Target 8.5:* By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value;
- *SDG Target 11.2:* By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons;
- *SDG Target 11.3:* By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries; and
- *SDG Target 11.6:* By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

## SELECTED FINANCIAL DATA

The following tables set forth the financial data for the Municipality as at and for each of the years ended 31 December 2017, 2018 and 2019 (the “Annual Financial Data”) and the Interim Financial Data. The Annual Financial Data has been extracted from selected portions of the Municipality’s financial statements prepared in accordance with government accounting procedures as at and for the years ended 31 December 2017, 2018 and 2019, selected portions of the Municipality’s annual budget and information derived by external audits conducted by the Court of Accounts included elsewhere in the Offering Circular. The Interim Financial Data is derived from monthly information produced by the Municipality and is preliminary and unaudited. This section should be read together with the information contained in “*Presentation of Information*” and “*Description of the Municipality*” included elsewhere in this Offering Circular.

### Balance Sheet Data

The table below sets forth the Municipality’s balance sheet data as at 31 December 2017, 2018 and 2019.

	As at 31 December		
	2017	2018	2019
	(TL millions)		
<b>Current Assets</b> .....	<b>7,285.51</b>	<b>9,158.30</b>	<b>10,475.24</b>
<b>Liquid Assets</b> .....	<b>288.38</b>	<b>834.44</b>	<b>1,765.19</b>
Bank Account.....	181.73	102.91	594.23
The Issued Checks and Transfer Orders on Bank Account (-) .....	(236.01)	(508.79)	(80.36)
Bank Account For Special Projects.....	0.03	1.78	1,237.46
Foreign Exchange Account.....	2.39	5.06	3.91
Foreign Exchange Transfer Orders on Bank Account ( - ).....	(10.13)	—	(0.01)
Liquid Assets.....	—	—	—
Default Value .....	343.34	1,224.17	—
Receivables From Bank Credit Cards .....	7.06	9.32	9.96
<b>Operating Receivables</b> .....	<b>1,323.05</b>	<b>1,824.48</b>	<b>1,823.66</b>
Receivables From Operating Activities .....	467.98	481.43	834.10
Overdue Operating Receivables.....	781.92	832.01	919.42
Deferred and Postponed Operating Receivables .....	9.0	34.20	25.42
Receivables From Given Deposit .....	7.41	9.95	9.90
Receivables from other activities .....	56.75	466.89	34.82
<b>Other Receivables</b> .....	<b>499.93</b>	<b>615.25</b>	<b>714.72</b>
<b>Stocks</b> .....	<b>261.15</b>	<b>223.33</b>	<b>234.87</b>
<b>Advances and Credits</b> .....	<b>21.25</b>	<b>30.18</b>	<b>30.62</b>
<b>Prepaid Expenses Relevant To Future Months</b> .....	<b>1.61</b>	<b>4.20</b>	<b>4.62</b>
<b>Other Current Assets</b> .....	<b>4,890.15</b>	<b>5,626.41</b>	<b>5,901.54</b>
<b>Fixed Assets</b> .....	<b>79,298.99</b>	<b>89,938.27</b>	<b>97,413.87</b>
<b>Operating Receivables</b> .....	<b>85.81</b>	<b>142.11</b>	<b>143.05</b>
Receivables From Operating Activities .....	1.23	8.65	2.09
Deferred and postponed Operating Receivables.....	4.19	33.55	8.00
Deposits and Guarantees Given Account.....	0.79	7.16	8.80
Receivables From Other Activities .....	79.60	92.74	124.17
<b>Loans (Receivables from institutions)</b> .....	<b>830.64</b>	<b>975.87</b>	<b>720.95</b>
<b>Shares</b> .....	<b>5,160.93</b>	<b>8,803.16</b>	<b>9,133.40</b>

## As at 31 December

	2017	2018	2019
		<i>(TL millions)</i>	
Shares on Financial Corporation.....	2,178.40	2,440.32	2,718.30
Shares on Nonfinancial Corporation.....	6,435.33	6,415.10	6,415.10
Capital Commitments Account.....	(3,452.80)	(52.26)	0.00
<b>Tangible Fixed Assets</b> .....	<b>73,221.60</b>	<b>80,017.14</b>	<b>87,416.47</b>
Property, plant and equipment.....	—	—	—
Land.....	25,566.85	22,478.76	23,088.79
Land improvements.....	25,197.79	26,452.64	30,554.18
Buildings.....	2,596.58	3,001.09	3,514.34
Plant, machinery, equipment and tool.....	261.95	375.81	382.59
Vehicles.....	1,577.98	1,603.49	1,622.79
Furniture and Fixtures.....	686.87	786.01	750.31
Other Tangible Asset.....	1,129.54	1,129.54	1,129.54
Accumulated Depreciation (-).....	(1,644.62)	(1,919.73)	(2,083.36)
Construction in progress.....	16,882.60	25,431.52	27,936.65
Investment Advance Account.....	966.08	678.02	520.66
<b>Intangible Assets</b> .....	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Rights.....	54.47	63.97	69.91
Accumulated Depreciation (-).....	(54.47)	(63.97)	(69.91)
<b>Income Relating to Future Periods and Expense Accruals</b> .....	—	—	—
<b>Other Tangible Assets</b> .....	—	—	—
Fixed assets and inventories to be sold.....	1.16	2.29	0.18
Accumulated Depreciation (-).....	(1.16)	(2.29)	(0.18)
<b>Assets Total</b> .....	<b>86,584.50</b>	<b>99,096.58</b>	<b>107,889.10</b>
<b>Short Term Liabilities</b> .....	<b>7,312.84</b>	<b>8,176.32</b>	<b>11,372.80</b>
<b>Short Term Domestic Financial Debts</b> .....	<b>1,508.28</b>	<b>878.51</b>	<b>1,929.67</b>
Loans from banks.....	138.78	732.10	1,929.67
Financial debts to the public institution.....	369.50	146.41	—
Short-term other domestic financial debt.....	1,000.00	—	—
<b>Short Term Foreign Financial Debts</b> .....	<b>1,037.43</b>	<b>1,595.68</b>	<b>1,676.69</b>
<b>Operating Liabilities</b> .....	<b>3,815.73</b>	<b>4,338.58</b>	<b>6,315.26</b>
<b>Depository</b> .....	<b>599.20</b>	<b>845.32</b>	<b>811.16</b>
Accounts Payable From Received Deposit.....	71.47	86.64	183.02
Deposits.....	527.73	758.68	628.14
<b>Other Liabilities Payable</b> .....	<b>211.14</b>	<b>332.41</b>	<b>396.68</b>
Taxes and Funds Payable.....	96.55	83.24	86.03
Payable related Social Security Contributions.....	23.28	24.87	27.96
Funds or other cash receipts done on behalf of public ins. ....	4.12	7.47	10.65
Funds to be transferred to public inst. ....	87.18	216.83	272.04
<b>Provisions For Liabilities and Charges</b> .....	<b>117.59</b>	<b>139.13</b>	<b>150.94</b>
<b>Precollected Revenues and Expense Accruals For Following Years</b> .....	<b>23.48</b>	<b>46.70</b>	<b>92.38</b>
<b>Long Term Liabilities</b> .....	<b>12,325.24</b>	<b>18,584.13</b>	<b>19,486.05</b>
<b>Long Term Domestic Financial Debts</b> .....	<b>4,963.76</b>	<b>8,023.36</b>	<b>7,137.27</b>
Loans from banks.....	763.76	2,599.83	3,262.62
Financial debts to the public institution.....	4,200.00	3,683.53	2,532.53

	As at 31 December		
	2017	2018	2019
	<i>(TL millions)</i>		
Long-term other domestic financial debt .....	0.00	1,740.00	1,342.12
<b>Long Term Foreign Financial Debts .....</b>	<b>6,787.31</b>	<b>9,717.09</b>	<b>11,599.18</b>
<b>Operating Debts .....</b>	<b>327.33</b>	<b>326.38</b>	<b>14.33</b>
<b>Other Debts.....</b>	<b>23.89</b>	<b>53.55</b>	<b>86.14</b>
<b>Provisions For Liabilities and Charges .....</b>	<b>222.94</b>	<b>248.71</b>	<b>280.68</b>
<b>Precollected Revenues and Expense Accruals For Following Years .....</b>	<b>0.00</b>	<b>215.05</b>	<b>382.79</b>
<b>Equity/Net Worth.....</b>	<b>66,946.42</b>	<b>72,336.12</b>	<b>77,030.26</b>
Net Worth .....	49,743.87	56,653.05	64,300.39
Holding Gains and Losses of Nonfinancial Assets .....	—	—	—
Past Years Operating Positive Balances .....	13,788.16	13,612.36	11,362.19
Current Operating Balances.....	3,414.38	2,070.71	1,367.67
<b>Liabilities Total .....</b>	<b>86,584.50</b>	<b>99,096.58</b>	<b>107,889.10</b>

## Revenue Data

The table below sets forth the Municipality's revenues for the years ended 31 December 2017, 2018 and 2019.

	For the year ended 31 December								
	2017			2018			2019		
	Budget	Realisation	Rate of Realisation	Budget	Realisation	Rate of Realisation	Budget	Realisation	Rate of Realisation
	<i>(TL millions)</i>		<i>(%)</i>	<i>(TL millions)</i>		<i>(%)</i>	<i>(TL millions)</i>		<i>(%)</i>
<b>Tax Revenues</b> .....	122.00	124.89	102.37%	123.00	133.14	108.96%	135.00	146.68	108.65%
Revenues from sales of Goods and Services .....	87.90	89.27	101.56%	93.20	96.25	103.28%	99.50	102.14	102.65%
Charges .....	34.10	35.62	104.46%	29.80	36.88	123.77%	35.50	44.54	125.48%
<b>Enterprise and Ownership Revenues</b> .....	3,015.00	3,008.69	99.79%	2,170.00	2,364.53	108.96%	1,742.00	1,362.05	78.19%
Revenues from sales of Goods and Services .....	301.30	431.60	143.25%	352.25	348.29	98.88%	360.00	384.50	106.81%
Profit of company .....	2,274.00	2,103.27	92.49%	1,400.00	1,490.07	106.43%	965.00	566.65	58.72%
Rental Incomes .....	439.70	473.82	107.76%	417.75	526.17	125.95%	417.00	410.90	98.54%
<b>Received Grants and Aids</b> .....	10.00	9.28	92.78%	12.00	11.77	98.12%	12.00	11.06	92.16%
<b>Other Revenues</b> .....	10,161.00	11,085.33	109.10%	12,025.00	13,109.08	109.02%	15,006.00	14,067.59	93.75%
Interest Revenue .....	22.10	8.72	39.5%	12.95	7.85	60.62%	11.00	13.76	125.07%
Shares Received From Central Administration Tax Revenues .....	10,161.00	11,085.33	109.10%	11,790.10	12,797.24	108.54%	14,850.00	13,708.08	92.31%
Shares of Bank of Provinces in regard to Law Nr. 5779 .....	1,450.00	1,547.33	106.71%	1,700.00	1,808.78	106.40%	2,100.00	1,912.74	91.08%
Shares of Ministry of Treasury and Finance in regard to Law Nr. 5779 .....	8,250.00	8,856.95	107.36%	9,800.00	10,711.63	109.30%	12,400.00	11,368.26	91.68%
Other .....	—	—	—	290.10	276.82	95.42%	350.00	427.08	122.02%
Fines .....	33.20	52.35	157.7%	36.00	50.48	140.22%	40.20	78.41	195.04%

**For the year ended 31 December**

	2017			2018			2019		
	Budget	Realisation	Rate of Realisation	Budget	Realisation	Rate of Realisation	Budget	Realisation	Rate of Realisation
	<i>(TL millions)</i>		<i>(%)</i>	<i>(TL millions)</i>		<i>(%)</i>	<i>(TL millions)</i>		<i>(%)</i>
Other Misc. Revenues.....	204.00	260.34	127.62%	185.95	253.51	136.33%	104.80	267.34	255.10%
Returns on Capital .....	1,466.00	227.61	15.53%	3,857.00	2,721.85	70.57%	3,535.00	3,718.73	105.20%
Collections from Receivables .....	275.00	166.19	60.43%	290.00	106.77	36.82%	180.00	250.97	139.43%
Dismissal and Returns (-) .....	(10.00)	(11.53)	115.27%	(10.00)	(22.19)	221.93%	(10.00)	(19.77)	197.71%
<b>Total.....</b>	<b>15,039.00</b>	<b>14,610.46</b>	<b>97.15%</b>	<b>18,467.00</b>	<b>18,424.95</b>	<b>99.77%</b>	<b>20,600.00</b>	<b>19,537.30</b>	<b>94.84%</b>

## Selected Cash Flow Information

The tables below set forth selected information regarding the Municipality's cash flows for the years ended 31 December 2018 and 2019.

	<b>For the year ended 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>(TL millions)</i>	
<b>Operating Cash Flow</b>		
<b>Operating Revenues<sup>(1)</sup></b> .....	<b>15,703</b>	<b>15,819</b>
Current Revenues .....	15,703	15,819
<b>Operating Expenses<sup>(2)</sup></b> .....	<b>(9,793)</b>	<b>(12,718)</b>
Current Expenditures .....	(9,356)	(11,910)
Interest Expense.....	(437)	(808)
<b>Operating Balance<sup>(3)</sup></b> .....	<b>5,910</b>	<b>3,101</b>
<b>Investing Cash Flow</b>		
Operating Balance .....	5,910	3,101
Capital Revenues .....	2,722	3,719
Capital Expenditures.....	(12,355)	(8,699)
<b>Net Cash Flow Before Financing</b> .....	<b>(3,723)</b>	<b>(1,879)</b>
<b>Financing Cash Flow</b>		
Debt Payments.....	(3,159)	(4,476)
Debt Disbursements.....	6,604	5,334

Notes:

- (1) The Municipality had operating revenues of TL 10.1 billion, 11.0 billion and 14.2 billion for the years ended 31 December 2015, 2016 and 2017, respectively.
- (2) The Municipality had operating expenses of TL 6.0 billion, 7.0 billion and 8.4 billion for the years ended 31 December 2015, 2016 and 2017, respectively.
- (3) The Municipality had operating balances of TL 4.1 billion, TL 4.0 billion and TL 5.8 billion for the years ended 31 December 2015, 2016 and 2017, respectively.

	<b>As at and for the years ended 31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>(TL millions)</i>	
Operating Balance .....	5,910	3,101
Capital Revenues .....	2,722	3,719
Total Financing Outflows .....	(3,159)	(4,476)
<b>Net Cash Available for Capital Expenditures</b> .....	<b>5,473</b>	<b>2,344</b>



## Unaudited Interim Financial Data

The table below sets forth the Municipality's unaudited revenues and expenses for the six months ended 30 June 2019 and 2020.

	<b>For the six months ended 30 June</b>	
	<b>2019<sup>(1)</sup></b>	<b>2020<sup>(1)</sup></b>
	<i>(TL millions)</i>	
<b>Revenues</b> .....	<b>8,918</b>	<b>8,027</b>
Capital Income.....	1,724	43
Non-Tax Revenues.....	820	838
Other Taxes.....	88	82
Tax Income.....	6,247	7,037
<b>Expenses</b> .....	<b>10,116</b>	<b>7,835</b>
Capital Expenses.....	5,627	3,239
Current Transfers.....	590	1,170
Interest.....	343	444
Goods and Services.....	2,711	2,076
Personnel and SSI.....	845	906
<b>Balance</b> .....	<b>(1,198)</b>	<b>192</b>

Note:

(1) Interim financial information is preliminary and unaudited.

## Subsidiary and Affiliate Data

The table below sets forth certain audited financial data of the Municipality's key subsidiaries and the unaudited financial data of the Municipality's key affiliates as at and for the year ended 31 December 2019.

As at and for the year ended 31 December 2019

	İGDAŞ	METRO İSTANBUL	İSTAÇ	KİPTAŞ	İSTGÜVEN	İSTANBUL ULAŞIM	İSKİ
	<i>(TL millions)</i>						
Revenue.....	8,452	1,042	1,038	1,038	879	652	6,171
EBITDA .....	682	(47)	59	384	37	4	2,000
Net Profit.....	491	(115)	13	279	19	1	—
Asset Size .....	9,597	695	706	2,773	183	311	—
Net Debt .....	(523)	(1,316)	(34)	97	(23)	(8)	—
Leverage .....	—	—	—	0.25	—	—	—

## DESCRIPTION OF THE MUNICIPALITY

### Introduction

İstanbul Büyükşehir Belediyesi (the “Municipality”) is the largest city in Turkey by population and is known for its transcontinental location, natural sights and 8,500 years of historical heritage. Located on the Bosphorus Strait between the continents of Europe and Asia, the Municipality geographically comprises a European side and an Asian side (also known as the Anatolian side) and is divided into 39 districts and 936 neighbourhoods. The total land area within the jurisdiction of the Municipality is 5,461 sq. km., of which 1,864 sq. km (34.9%) are located in the Anatolian side, and the remaining 3,479 sq. km (65.1%) are located on the European side. With approximately 16 million inhabitants, the Municipality’s population represents nearly one-fifth of the total population of Turkey and is the largest city and second largest municipality in Europe based on population.

Istanbul has been the site of human settlement for approximately three thousand years. Founded under the name of Byzantium on the site of an earlier Thracian settlement around 660 BCE, the city quickly grew in size and influence due to its strategic position between the Black Sea and the Mediterranean Sea. After its reestablishment as Constantinople in 330 CE, the city served as an imperial capital and centre of global economic and political influence for almost sixteen centuries, during the Roman/Byzantine (330-1204), Latin (1204-1261), Byzantine (1261-1453) and Ottoman (1453-1922) empires. In 1923, after the Turkish War of Independence, Ankara was chosen as the new Turkish capital, and Constantinople’s name was changed to Istanbul. Since then, Istanbul has continued to grow as a modern metropolis with a rich history, vibrant culture, developed infrastructure and fast-growing economy.

Istanbul is the economic centre of Turkey, hosts the headquarters of many Turkish companies and accounts for approximately one third of Turkey’s GDP. Istanbul is a major global city for business and foreign direct investment (“FDI”). The GDP of Istanbul in 2018 was TL 1,155,254,285, which represented approximately 31% of Turkey’s GDP in that year and was the highest of any city in Turkey. In 2018, per capita GDP in Istanbul was TL 76,769, representing a more than fivefold increase in GDP per capita since 2001. Furthermore, in 2019 the Municipality, its subsidiaries and affiliates generated annual gross sales of TL 64 billion.

Turkey is a unitary state where the public administration in Turkey is divided between a national government (the “Central Administration”) and local administrations. Within the Central Administration, there are (i) the executive branch and its regional divisions, (ii) autonomous bodies (i.e. regulatory authorities); (iii) 81 provinces (*il*) and (iv) 976 districts (*ilçe*), being sub-divisions of provinces. In each province and district, there is a governor (*vali*) and a district governor (*kaymakam*), respectively, appointed by the Central Administration. The governor and the district governor act as the representatives of the Central Administration within the province and district, respectively. The Central Administration is responsible for Turkey’s broader policies in relation to, *inter alia*, the state budget, monetary decisions, national defence, foreign relations, national transportation, energy, health, education, employment, agriculture and economic development. In the Municipality, the Central Administration conducts and funds many Istanbul-related projects through the operations of its ministries. For example, the Ministry of Health is responsible for hospitals and all the major public health services, and the Ministry of National Education is responsible for all schools and education. Additionally, the Ministry of Transport and Infrastructure is responsible for providing transportation services and constructing major transportation infrastructure. In conjunction with the projects undertaken by the Central Administration, the Municipality plays a supportive role in most of such projects and services, such as providing additional ambulance services for hospitals.

Local administrations are organised into three autonomous types of local government which are locally elected: special provincial administrations, municipalities and villages. The Municipality is one of 30 “metropolitan municipalities” (each with at least 750,000 inhabitants) in Turkey. In 2013, the local governmental system in

provinces containing metropolitan municipalities was reorganised so that the boundaries of the metropolitan municipalities were extended to those of their respective provinces. The special provincial administrations and villages in such provinces were then abolished, leaving the relevant metropolitan municipality as the sole local government. The Municipality is therefore responsible for the governance of both urban and rural administration within its province. The principal responsibilities of the Municipality include land development, infrastructure development, environmental and agricultural protection, recycling and waste disposal, water and sewer management, transportation services, parks and recreational development and the provision of emergency services.

The following figure shows the districts within Istanbul, as well as Istanbul's location within Turkey:



## Recent Developments

### *The Municipality's Response to COVID-19*

Since the onset of the COVID-19 outbreak in Turkey in early 2020, the Municipality has experienced severe disruptions to social and economic life. Since March 2020, the Turkish government has implemented several protective measures to address the COVID-19 pandemic such as the cancellation of international flights, the closing of schools and introduction of remote education, restrictions on inter-city travel, mandatory curfews and bans on vehicles leaving or entering certain provinces, including Istanbul. As at the date of this Offering Circular, the effects of COVID-19 have resulted in a TL 1.2 billion revenue loss for the Municipality (particularly due to a decrease in transportation-related revenues and rental revenues), which has been partially offset by higher tax rates introduced by the Central Administration (thus increasing the amount of tax revenues distributed to the Municipality by the Central Administration). The Municipality has also incurred TL 800 million in COVID-19 related expenditures, which have been partially offset by additional cost-cutting measures. On a national level, Turkey's GDP increased by 4.4% and decreased by 9.9% in the first and second quarters of 2020, respectively, compared to the same periods in 2019. However, Turkey's unemployment rate has remained steady at 13.4% as of June 2020, compared to 13.7% as of June 2019.

To face these unprecedented challenges, with the cooperation of citizens of Istanbul and businesses, the Municipality is taking steps to maintain socioeconomic activity while seeking to prevent further spread of the virus. As part of its COVID-19 response, the Municipality has, to date, approved emergency spending in excess of TL 800 million in the aggregate. As the Municipality strives to address the ongoing economic, social and health challenges raised by COVID-19, it will continue to consider further measures or expansions to its COVID-19-related spending.

The Municipality's COVID-19 emergency measures are intended to address five areas of focus:

- Social measures to provide targeted support to vulnerable groups, including the elderly, migrants and refugees, the homeless, women, children and families in need, such as the creation of an online network for basic food and hygiene distribution, the repurposing of centres in order to provide shelter services and the provision of free shopping cards and food packages to the Municipality's most vulnerable residents;
- Economic relief measures to help individuals in need, such as income support, basic material assistance, freezing rent payments for individuals in social housing, supplementing health services with aid packages and offering public transportation free of charge to healthcare professionals;
- Economic measures to support the local economy, such as the expansion of irrigable agricultural land in order to aid farmers, the provision of milk and other agricultural goods from local farms to families in need within the Municipality and the cleaning and disinfecting of all public transport vehicles to safeguard those traveling to work;
- Housing measures, such as the transformation of the IMM Sports Hall into a shelter for homeless citizens, the repurposing of other sports halls into field hospitals and the creation of a mobile hygiene fleet in order to regularly disinfect city squares, places of worship, public sites and parks, beaches, banks and public institutions; and
- Recovery measures such as the acceleration of important infrastructure projects, the creation of the Istanbul Aid and Coordination Center, the installation of thermal imaging cameras on public transportation and the creation of a city-specific website which enables tracking of information and cases.

Despite the difficult conditions imposed by the COVID-19 pandemic, the Municipality managed to increase its operating surplus in the six months ended 30 June 2020 compared to the same period in 2019. In addition, the Municipality registered an overall surplus of TL 192 million and an operating balance of TL 3,388 million for the six months ended 30 June 2020 compared to an overall deficit of TL 1,198 million and an operating balance of TL 2,705 million over the same period in 2019. Tax income, including Central Administration shares, increased by 12.6% in the six months ended 30 June 2020 compared to the same period in 2019. While higher transfers and discretionary expenses were required to address needs related to the COVID-19 pandemic, the impact was partially offset by a reduction in goods and services expenses resulting from more efficient cost management and the procurement of cost-efficient services. Furthermore, lower capital revenues from asset sales were more than offset by a decrease in capital expenses linked to lower property expenses in the first half of 2020. However, these lower property expenses have not affected investment in infrastructure or altered the completion calendar of the Municipality's ongoing infrastructure projects. The Municipality has also recently embarked on a plan to restructure its subsidiaries and affiliates with the objective of controlling costs and increasing revenues. See "*Economy—Subsidiaries and Affiliates*".

## **Administration**

The principal administrative structure of the Municipality comprises the Municipal Council (the “Municipal Council”), Metropolitan Municipal Executive Committee (the “Executive Committee”) and Metropolitan Municipality Mayor (the “Mayor”).

### ***Organisational Structure***

The Municipality has a hierarchical structure of eight levels comprising the Mayor, secretary general, deputy secretaries general, department heads, heads of directorates, deputy managers, chiefs, civil servant staff, worker staff and contracted personnel.

Departments are responsible for planning and budgeting and directorates are responsible for the operations of their relevant areas. Units such as the Mayor, secretary general, deputy secretaries general, Municipal Council and Executive Committee constitute the high-level administration where strategic decisions are made and implementing instructions are given.

### ***Municipality Mayor***

The Mayor is the head of the Municipality’s administration and is the representative of its legal entity. He or she is directly elected by the voters within the metropolitan municipality borders and is elected for a five-year term. The Mayor is responsible for managing the Municipality in accordance with the strategic plan, operating and governing municipal resources and organisation and implementing the decisions taken by the Municipal Council and the Executive Committee. He or she chairs the Municipal Council and the Executive Committee.

Ekrem İmamoğlu was elected the Mayor of the Municipality on 23 June 2019 after winning 54.1% of the votes, the highest vote share in Istanbul in over 50 years. He is assisted by three mayoral advisors: Murat Ogun (Press and Public Relations), Ertan Yıldız (Management of Subsidiary Companies and Financial Affairs) and Yiğit Oğuz Duman (Human Resources and Organization Management).

### ***Municipal Council***

The Municipal Council is the decision-making body of the Municipality. It comprises 39 district mayors, as well as additional members who are elected officials within their district. The number of council members for each district is relative to each district’s respective population. The Municipal Council meets on the second week of every month for five days and it is prorogued in August. Currently, there are 311 members of the Municipal Council in addition to the Mayor, who is the chairman. The members of the Municipal Council are elected for a five-year term.

The Municipal Council is responsible for establishing general service policies and strategies such as the approval of strategic plans, activity reports and loans, the determination of budget and performance standards, the naming of venues, streets, squares, parks and facilities, the approval of city environmental plans and zoning plans, the granting of powers for making protocols and the decision to privatise municipality affiliates or proceed with capital increases.

There are currently 26 specialised commissions founded under the Municipal Council. These are Housing and Public Works, Plan and Budget, Health and Epidemic, Transportation and Traffic, Education, Law, Tariff, Map, EU and Foreign Relations, Tourism, Earthquake and Natural Disasters, Life Without Barriers, Women-Family and Children, Urban Economy-Trade Associations and Trade Unions, Public Relations, Infrastructure-Residence and Real Estate, Fundamental Rights, Agriculture-Forestry-Livestock and Aquaculture, Environment-Renewable Energy and Climate Change, Youth and Sports, Culture and Art, Social Services-Addiction Control and Rehabilitation, Urban Renewal, Affiliates and Subsidiaries, Smart City and IT, Immigration-Immigrants and Refugees. Each year commissions can be changed except for the Housing and

Public Works, Environment and Health, Plan and Budget, Education, Culture, Youth and Sports, and Transportation commissions.

### ***Municipal Executive Committee***

The Executive Committee consists of 11 members – five members elected each year through secret ballot from among the members of the Municipal Council, five members selected each year by the Mayor from among unit chiefs (one of whom is the secretary general and another is the financial services unit chief) and the Mayor, who is chairman of the Executive Committee.

The Executive Committee examines the strategic plan, budget and financial accounts and communicates its opinion to the Municipal Council. It also makes decisions on expropriations and tenders, determines penalties as a result of inspections, controls Bosphorus development applications, implements the Municipal Council's decisions with regard to real estate, trade and exchange and serves as the high disciplinary board.

### ***Key Administrative Departments***

#### *Transport Coordination Centre ("TCC")*

The TCC makes decisions regarding transportation and traffic and ensures planning and coordination in the areas that are within the powers and responsibility of the Municipality.

#### *Infrastructure Coordination Centre ("ICC")*

The ICC is a coordination board that holds meetings with representatives of public institutions and organisations, as well as private organisations identified by regulators, and ensures the coordination of infrastructure services in the Municipality.

District municipality mayors take part in the coordination centre as members for discussing matters that relate to their municipalities. Additionally, representatives of professional organisations that are in the nature of public institutions (or of the supreme organisation in areas where a supreme chamber organisation is available) are also invited to the infrastructure coordination meetings and are consulted with regard to matters in the agenda.

#### *Department of Internal Auditing*

The Department of Internal Auditing conducts independent and objective auditing, assessment and consultation works with regard to the operations, activities and projects orchestrated by units of the Municipality based on risks and processes in line with the public and international auditing standards.

#### *Inspection Board*

The Inspection Board is responsible for conducting examinations, research, inspections and investigations on behalf of the Mayor, covering all of the works, actions and activities of the Municipality and its affiliates, as well as their personnel, except for the works of the Department of Internal Auditing.

#### *First Legal Consultancy*

The First Legal Consultancy files lawsuits in judicial authorities or conducts follow-ups on lawsuits filed by execution authorities on behalf of the Municipality, protects the benefits of the Municipality and provides legal counsel for the Municipality.

### **Short-Term Strategic Plans**

Periodically, the Municipality develops strategic plans as an implementation tool for achieving its short-term goals and strategies. The plans consist of phases of assessment, predictions of future outcomes, determinations of organisational targets and methods for achievement and performance measurement. The Municipality's strategic plans contain five-year purposes and goals for investments, services and activities in a wide range of sectors across the Municipality. Currently, the Municipality is transitioning from its recently completed plan for

2015 to 2019 to a new plan for 2020 to 2024. The two priorities of the Municipality's current administration are (i) to reduce wasteful expenditures, with over US\$2.5 billion saved since June 2019, and (ii) to expand infrastructure investments required to develop Istanbul as a 21<sup>st</sup> century city.

### ***Strategic Plan for 2015 to 2019***

The Municipality has recently completed its 2015-2019 Strategic Plan, which has formed the basis of the Municipality's core service areas since 2015. The mission of the 2015-2019 Strategic Plan was to enhance the Municipality's services in line with the 21<sup>st</sup> century needs of its residents and to highlight the cultural identity of the city. The Municipality adopted seven core principles under the 2015-2019 Strategic Plan, which included justice, trust, transparency, quality, productivity, participation and leadership. In line with these principles, the 2015-2019 Strategic Plan placed a renewed emphasis on urban planning and the provision of sustainable, innovative solutions to the Municipality's needs.

### ***Strategic Plan for 2020 to 2024***

The new 2020-2024 Strategic Plan was developed by a team consisting of the Strategic Plan Coordination Board, Strategic Plan Specialised Commissions, Work Groups, the Strategy Development Unit and the Board of Strategy Development, which comprises the Mayor and senior directors. In developing the plan, the team considered many factors that may affect the Municipality internally and externally and analysed the Municipality's goals and service areas. Additional factors in the development of the plan included the history of the Municipality and analyses of legislation and policy documents. Additionally, the Municipality involved all Istanbul residents in the process of creating the 2020-2024 Strategic Plan through its promotional initiative, "Istanbul is Yours!". Through this initiative, the Municipality used multiple methods for collecting public responses and conducted stakeholder analysis of feedback from more than 200,000 residents. As a result of these endeavours, the strategic plan team identified key products, services and areas of activity on which the Municipality will focus during the term of the plan. The 2020-2024 Strategic Plan was unanimously adopted by the Municipal Council.

The 2020-2024 Strategic Plan consists of nine objectives and 48 goals, each of which falls under eight themes further described below. The plan's core objectives broadly correspond with the UN's "Sustainable Development Goals" and include the following:

- *Accessible Istanbul*: Building quality and functional living space and creating a resilient city, and improving urban transportation with sustainable mobility;
- *Environmentally Friendly*: Reinforcing sustainable environmental and energy management;
- *Productive Istanbul*: Contributing to the increase in the city's economic value;
- *Istanbul as a Sharing Community*: Building a city that meets social needs equally and inclusively, and a community that shares;
- *Living Istanbul*: Developing social means of living, including providing, among others, health, sports and library services, and building a vibrant city;
- *Unique Heritage*: Protecting and developing cultural, architectural and natural city heritage;
- *Financial Sustainability*: Maintaining financial sustainability; and
- *Participative and Innovative Management*: Developing the Municipality's organisational structure and business model with fair, participative and innovative methods.

As part of the 2020-2024 Strategic Plan, the Municipality is focusing on several infrastructural upgrades in relation to transportation and sustainability. The most significant projects are aimed at the expansion of the



city's metro railway systems, with the goal of increasing metro lines from 233 km in 2019 to 550 km in 2024. Other transportation initiatives involve increasing the share of marine transportation from 4% to 10% over the next four years, as well as creating an additional 100,000 parking spaces in the Municipality, which would bring the number from approximately 95,000 in 2019 to approximately 195,000 by 2024. With respect to sustainability, the Municipality aims to improve the percentage of recycled waste from 16% to 50% over the next four years.

### **Vision 2050**

In February 2020, the Municipality established the Vision 2050 Office as a component of the Istanbul Planning Agency, with the objective of creating a long-term vision, policy and strategy that is prepared in a coordinated manner. The Vision 2050 study brings the participation of Istanbul residents to the centre of the city's planning and development.

The Vision 2050 builds on development policies and strategies prepared on international, national and local scales, with particular consideration given to the Sustainable Development Goals established by the UN. The Municipality has identified research areas for the Vision 2050 study that cover all aspects of urban life. The Vision 2050 Office aims to determine the policies and strategies needed with respect to these issues through participatory methods that will allow every citizen to take part in the decision-making processes for issues in the Municipality. The Vision 2050 Office will produce spatial and strategic plans for a safe and healthy Istanbul that lives, produces, creates resources, protects and shares. Additionally, it will propose detailed projects that rely on the framework of the common vision of the city and will directly touch on the lives of residents in Istanbul.

In the first stage of study, the Vision 2050 Office intends to identify those issues, problems and opportunities within the Municipality that are already waiting for improvement. In the second stage, the Vision 2050 Office will determine the goals that will make the Municipality fairer and more liveable, as well as the policies, concrete decisions and action plans to be implemented for achieving these goals. At the end of the process, the Municipality plans to produce a comprehensive document titled "Istanbul 2050 Vision and Spatial Development Strategies" or simply the "Istanbul Vision 2050" that will serve as a guide for its long-term development.

### **Municipal Services**

The Municipality's operations are organised within eight main service areas described below.

#### ***Disaster and Emergency Response Management***

The Municipality regularly assesses the risks presented by disasters, such as earthquakes, and its ability to effectively respond to emergencies. In the scope of disaster management, the Municipality conducts earthquake-oriented risk analyses, prepares disaster and emergency plans and provides emergency management and awareness-raising training. The Municipality has also prepared an earthquake master plan and has completed microzoning works, earthquake risk analyses and megacity indication systems. Earthquake activity near the city of Istanbul is continuously monitored in real time, and faults and landslides that may affect settlement areas are also monitored. Additionally, the Municipality has developed scenarios to ensure it can handle any possible disaster in Istanbul with minimum damage during and after the disaster.

For example, in 2011, a research project was carried out on the vulnerability of structures in earthquakes and associated losses in Turkey. The final product was called the Earthquake Loss Estimation Routine ("ELER") program. With the ELER program, post-earthquake loss of life, number of injured and damage analysis can be made within minutes of an earthquake. The most appropriate disaster plan can then be put into use by determining the spread and severity of the damage by comparing the data received from the field after the earthquake. Additionally, the Municipality's Disaster Coordination Center conducts studies on disaster response coordination, risk mitigation, planning and crisis management. Recently, the Directorate of Earthquake and

Ground Analysis completed the Istanbul Province Probable Earthquake Loss Estimates Update Project (2019), which analysed and mapped risks specific to the Municipality's districts. As a result of this research, the Municipality published and distributed a District Probable Earthquake Loss Estimation Booklet for each of the 39 districts of Istanbul.

Furthermore, the Municipality uses advanced technology, tools and materials at global standards in case of weather-related emergencies, fire or rescue-related events. Improvement activities are carried out as needed to increase the intervention capacity of the Municipality. Trainings are also delivered to non-governmental organisations, public organisations, schools, volunteers, worksites, education organisations and professional chambers in order to prepare against possible disaster in Istanbul and to increase awareness of first aid responses.

The Flood Early Warning System or "TEUS" was established by the Municipality after the flood disaster in Istanbul in 2009 with the aim of minimising the loss of life and property that may occur as a result of floods and overflows. TEUS, making use of, among other things, meteorological satellite and radar data, weather forecast models and current observation stations data, estimates the flood and informs the relevant authorities about the point of overflow from approximately one to three hours before a possible flood.

Within the framework of the protocol made with the General Directorate of Meteorology, 10 Automatic Meteorology Observation Stations or "AWOS" were established at various locations in Istanbul. Current weather conditions are measured with the data obtained from these stations and forward-looking weather forecasts are made using this information.

Ice Early Warning Systems or "BEUS" have been established at 60 different points on critical routes in Istanbul to reduce the negative effects of precipitation and icing on the transportation network. Instant road and weather information is transmitted to citizens from DMS (Variable Message System), SMS and IMM Traffic Density map. The icing time and snow thickness are estimated three hours in advance, enabling the snow plows to be directed to the area where icing is predicted faster. Alternative energy sources (wind and solar energy) are used in the project in order to save energy.

In the future, the Municipality plans to carry out further projects and activities to improve disaster and emergency intervention capacity, raise awareness regarding disasters and emergencies, contribute to effective delivery of emergency health services, increase disaster intervention performance in the scope of winter recovery activities, and prevent rainwater floods that may affect transport.

### ***Transportation Services Management***

Effective transportation services allow the Municipality's residents to participate in economic, social and cultural life and to communicate and interact with each other. It also ensures mobility and the circulation of services and information throughout the Municipality. Particularly given Istanbul's status as a megacity, the administration and presentation of urban transportation systems is one of the most essential yet challenging responsibilities of the Municipality. In response to this need, the Municipality has developed the Istanbul Transportation Master Plan (the "Transportation Master Plan"), which guides transportation policies for meeting the demands of residents by establishing a sustainable transportation system, depending on future land use and population structure, providing solutions to transportation and traffic problems and taking into account issues such as environment, energy, sustainability, participation and social balance.

The Municipality aims to develop transportation infrastructure by engaging in new project designs for the implementation of a healthy transportation infrastructure. As part of the Transportation Master Plan, the Municipality focuses on increasing mass transportation services, decreasing private car dependence, improving and developing road networks, using effective traffic management policies and increasing traffic safety.

Infrastructure projects such as roads, crossroads, and car parks are planned and constructed by the Municipality in order to create transportation systems that are optimised in terms of technical and economic features so as to ensure faster, more comfortable and safer pedestrian and vehicular traffic. The Municipality also reviews regulations to ensure traffic order and conducts regular maintenance and repair activities as needed. The installation of smart transportation and signalling systems that meet relevant standards, and ensuring operation of these in order to ensure systematic and controlled flow of pedestrian and vehicular traffic are among the significant services carried out by the Municipality with respect to transportation.

Transportation has become a priority for the Municipality, and it has developed strategies for the future in order to find effective solutions to urban transportation in the face of a growing city population.

### ***Social Support Services Management***

The Municipality aims to improve and extend its support services towards the social needs of its residents, with the goal of providing a human-oriented, habitable and living city. Improving the social support investments in line with the requirements of a modern megacity and producing relevant and targeted activities and projects are the Municipality's priorities in the field of social support services.

For example, the Municipality provides services for disabled citizens such as medical and social rehabilitation, sports rehabilitation, summer camps, notification and consultancy, training, psychological support, employment support and transportation to ensure access to these services. Additionally, the Municipality offers public relief and financial aid to families in need, as well as educational support for students and social support for women and families. In-patient and day care, healthcare and rehabilitation services are offered for elderly people and those who need care in the Almshouse Campus and other nursing homes and life houses in order to make services offered to elderly people more effective and to improve care and service standards.

Social support services also focus on the recreational enjoyment of its citizens, such as ensuring access for city residents to sports activities through sports complexes and sports facilities spread across Istanbul. In this regard, residents of the city are offered the facilities to enjoy sports such as football, volleyball, basketball, swimming and ice skating. Furthermore, the Istanbul Metropolitan Municipality Art and Vocational Training Courses offer services in many areas in the form of non-formal training, seminars, symposiums, attendance in domestic and overseas trade fairs, exhibitions, trips, competitions, guidance for employment of trainees, social and cultural events and publications in order to enable and disseminate vocational course activities.

### ***City and Social Order Management***

The Municipality recognises its historical responsibility to manage the city of Istanbul and to maintain peace, health and order in the city. This responsibility includes the provision of municipal police services in a reliable, fair, individual and community-oriented manner in order to increase the city's quality of life, to reinforce Istanbul's unique identity and to ensure that it becomes a reputable world city.

In this regard, the Municipality carries out activities such as licensing vehicles and businesses, assessing the conditions of marketplaces, enterprises and public transportation vehicles including buses and taxis. The Municipality also works to inform and raise awareness of consumer and producer rights and conducts pricing inspections of goods and services throughout the city.

### ***Zoning Management***

The Municipality conducts land surveying operations for the improvement of infrastructure, planning activities which determine the city's developmental course and its future and transformation and design operations which involve the implementation of these planning activities. Primary zoning activities include, for example, design implementations on the main arterial roads with map production in various sizes and with various technologies, upper scale plan production with 1/50,000 and 1/100,000 scale, assessments and approvals regarding lower scale plan adjustments, specialised area and structure licences, inspections, transportation projects and building

applications with a holistic approach. In particular, mechanisms for preserving natural, historical and cultural values and accommodating these values for public use are of special importance for the Municipality.

These services need to be managed with a modern urbanisation approach in accordance with the requirements of modern life in order for the city to develop in a healthy way. Planning activities are conducted in line with the developing needs of the Municipality and are supported with technological infrastructure and new approaches. Inspection processes are carried out using various methods such as satellite and air photos and land inspections within the organisation of district municipalities as well as at the Municipality.

Furthermore, the Municipality seeks to address areas of the city which are worn or dilapidated, as well as the emerging need for housing, by modernising older areas with new design works and attempting to ensure these areas fulfil the needs of residents. Reconstruction activities are important for the future of the city in the strategic management works of the Municipality. Accordingly, organisational strategic planning works are integrated with spatial strategic planning works and they shape the future of Istanbul.

### ***Cultural Services Management***

The history of Istanbul is a prominent part of its identity. Unique areas and values such as the Bosphorus, the picnic areas and groves, the city walls and the historical centre comprising the Historical Peninsula, Galata and Golden Horn, are crucial for the city's authenticity and identity. The Municipality provides services in order to ensure this cultural heritage is preserved, developed and is promoted in the international arena.

The Municipality promotes awareness for the preservation of historical works and conducts regional plans and projects under the scope of protecting its cultural and natural assets. Additionally, cultural activities such as exhibitions, movie displays, seminars and conversation programs, concerts, panel discussions, symposiums and poetry programs are organised in many areas, and the Municipality is currently attempting to diversify and increase the activities offered in order to reach more people.

In the coming years, priority will be given to increasing library and museum activities, city theatre activities, and activities offered in culture centres, as well as improving the number of cultural centres, theatres, libraries and museums where these activities take place. Through these services, the Municipality aims to enable the residents of Istanbul to have more convenient access to cultural activities.

### ***Health Services Management***

In terms of healthcare services management, the Central Administration conducts works such as establishing and executing healthcare policies while the Municipality conducts first tier healthcare procedures such as protective and therapeutic healthcare services and environmental health services to support the general healthcare policy in coordination with the Central Administration in Turkey. The Ministry of Health in Turkey is primarily responsible for healthcare services in Turkey, with the Municipality providing preventative healthcare services and first tier health procedures. The Municipality offers many services such as emergency healthcare and life rescue, outpatient diagnosis and treatment, home medical services, sanitary laboratory services, protective public health services, vector control/disinfestation services and veterinary public health services to residents to support its general health policy. All the activities of the Municipality in the area of health are carried out pursuant to goals of improvement, transparency, dialogue and predictability. Advanced scientific and technological methods are employed in all health services and attention is paid to continuity and collaboration with stakeholders.

The Municipality continues its protective, preventive, therapeutic and rehabilitative healthcare services with an understanding of service that has good quality, that is continuous, open to development and collaboration, scientific, effective, efficient and that gives priority to risk groups in order to enhance the quality of life for Istanbul residents.

### ***Environmental Management***

The Municipality is faced with ever-increasing environmental issues, and there is a need for developing new environmental policies in order to ensure quality and sustainability in environmental management. Accordingly, the Municipality attaches great significance to environmental activities and projects and acknowledges the right of its citizens to live in a healthy and balanced environment.

Management of urban green spaces and environmental sustainability are among the main objectives of the Municipality. Planning and implementation activities are carried out in five main branches in the scope of the legislative authorisations for creating and protecting a healthy and balanced environment. These cover green space management, environment protection, waste management, water and waste water management and energy management areas.

In 2012, construction was completed on the Bosphorus Water Tunnel, part of the Greater Melen Water Supply Project (“GMP”). The Bosphorus Water Tunnel transfers water from the Melen Creek in Düzce Province to the European side of Istanbul to ensure the water supply for Istanbul. The GMP is planned to be completed in 2021, at a cost of approximately TL 150 million. With respect to current water supply, the Municipality employs a variety of dams, regulators, potable water distribution lines, treatment plants, potable water networks, water storages and elevation centres to meet the need for potable water and to provide uninterrupted water supply to the city. For the year ended 31 December 2019, an average of 2,908,958 m<sup>3</sup> of potable water was supplied to the city per day through 21 potable water treatment plants offering a treatment capacity of 4,352,220 m<sup>3</sup> per day. Furthermore, the construction of additional water treatment plants, such as the Terkos Potable Water Treatment Plant (120,000 m<sup>3</sup> per day capacity), the Taşoluk Potable Water Treatment Plant (100,000 m<sup>3</sup> per day capacity) and the Şile Darlık Potable Water Treatment Plant (20,000 m<sup>3</sup> per day capacity), is ongoing.

The Municipality supplies power through a tendering process involving several independent electricity suppliers and also develops renewable energy systems to support energy efficiency, renewable energy and awareness activities. The majority of the Municipality’s energy consumption is derived from natural gas. Investments for natural gas services were continued at full speed in 2019 to meet the increasing demand for domestic and industrial natural gas. In this regard, approximately 465 km of polyethylene lines, steel lines and service lines were installed in 2019. The Municipality’s total consumption of natural gas for the year ended 31 December 2019 was 6,206 million m<sup>3</sup> compared to a total consumption of 6,402 million m<sup>3</sup> for the year ended 31 December 2018. Furthermore, the Municipality has undertaken a number of energy management and efficiency measures, including, in 2019, new technology applications for invoice tracking, compensation works and energy procurement from the free market, which resulted in savings of approximately TL 1,431,845 in the annual budget.

The Municipality has commissioned sludge drying facilities in Ambarlı, Büyükçekmece, Tuzla, Paşaköy, Baltalimanı. These facilities are expected to be completed in 2021 at a cost of approximately TL 120 million. Additional waste management facilities under construction include the Başakşehir Solid Waste Transfer Station and the Esenler Solid Waste Transfer Station. For the year ended 31 December 2019, the Municipality transferred about 97% of approximately 12,820 tonnes of daily solid waste to sanitary landfills, with the remainder transferred to recovery plants in disposal sites.

The Municipality’s environmental initiatives for a better, cleaner and more habitable Istanbul are carried out with the supports of its citizens. Additionally, the Municipality’s activities, projects and investments in this field constitute an example around Turkey and represent important contributions towards environmental protection and raising environmental awareness at both the local and national level.

### **Key Infrastructure Projects**

The Municipality has recently completed or is in the process of completing a number of significant infrastructure projects, with a particular emphasis on improving railway transportation within the city. The

current value of projects in the pipeline due to be completed by 2024 is approximately €3.7 billion. The Municipality aims to fund its capital expenditures through a combination of own funds (particularly from operating surpluses and account receivables from its transport system), asset sales (primarily in real estate) and other capital revenues, with the remainder being funded through new debt. The Municipality's key infrastructure projects are discussed below.

### ***Metro Line Improvements***

Beginning with the election of new management in June 2019, the Municipality is currently prioritising its capital expenditures towards the improvement and extension of its metro railway lines. Due to the rapid population growth and development of the city of Istanbul, the Municipality's public bus lines are insufficient in terms of capacity. Therefore, one of the Municipality's strategic goals is to increase the share of railway lines within its transportation network, and construction of new railway lines, which is currently underway on a total of 226.2 km of new railway lines (124.7 km of which is being overseen by the Municipality and 91.5 km of which is being overseen by the Ministry of Transport and Infrastructure). The most significant projects in relation to this goal include the following:

- *Kaynarca-Pendik-Tuzla Metro Line:* Kaynarca-Pendik-Tuzla Metro Line has been planned as two separate rail system lines that will be integrated at Kaynarca (Tavşantepe) Station with the Pendik Merkez-Kaynarca (Tavşantepe) - Hastane (Sabiha Gökçen Airport) Line and the Kaynarca (Tavşantepe)-Tuzla Line. In addition to its integration with the airport line, this line will also allow passengers to more easily reach the Ankara-İstanbul High Speed Train and the Marmaray line through various integration points. The new metro line is planned to have 8 stations in total and a length of 13 km, and it will serve an estimated 70,000 passengers per hour per direction. As at 31 December 2019, surface excavations and shaft concrete productions were proceeding in some stations of the new line. The estimated cost of the project is €446 million, and to date the project has been financed through external loans of €86 million. An additional €34 million is expected to be financed from the proceeds of the Offering, which will enable a partial opening of the Pendik Hospital stations. The remainder of the construction costs are expected to be financed through external loans. Completion of the project is expected by November 2022.
- *Çekmeköy-Sancaktepe-Sultanbeyli Metro Line:* The Çekmeköy-Sancaktepe-Sultanbeyli Metro Line will be 10.9 km long with nine stations and an estimated capacity of 65,000 passengers per hour per direction. Starting from the end of the tail tunnel of the completed Üsküdar-Ümraniye-Çekmeköy Metro Line, it will pass through the Meclis Mahallesi, Sarıgazi, Samandıra, Abdurrahmangazi, Sancaktepe, Veysel Karani, Hasanpaşa and Sultanbeyli Stations on the Anatolian Side. Construction on the line was stopped on December 29, 2017 and then resumed in November 2019. The mobilisation of the construction sites is ongoing and after the completion of these mobilisations, tunnel-excavation works will be started. As at August 2020, the physical progress of the line was at 5%, together with the work completed before the construction was halted. The estimated cost of the project is €393 million, of which €110 million has been financed through external loans to date. An additional €60 million is expected to be financed from the proceeds of the Offering, with the remainder to be financed through external loans. Completion of the project is expected by May 2023.
- *Kirazlı-Halkalı Metro Line:* The Kirazlı-Halkalı Metro Line is being constructed as an extension of the existing Yenikapı-Kirazlı Metro Line. When the line is complete, it will be integrated with the Kirazlı station of the Kirazlı-Metrokent/Başakşehir Metro Line and the Bakırköy-Kirazlı Metro Line (under construction), Mimar Sinan station of the Ataköy-Olimpiyat Metro Line, Halkalı station of Marmaray Metro Line and the İstanbul Airport-Halkalı Metro Line (under construction). This project will add an additional 9.7 km and nine new stations to the Yenikapı-Kirazlı Metro Line and will have a capacity of 70,000 passengers per hour per direction. The estimated cost of the project is €425 million, of which

€170 million is expected to be financed from the proceeds of the Offering, with the remainder to be financed through external loans. Completion of the project is expected in November 2022.

- *Mahmutbey-Bahçeşehir-Esenyurt Metro Line:* The Mahmutbey-Bahçeşehir-Esenyurt Metro Line is being constructed as the third phase of the Kabatas-Mahmutbey Metro Line. The new line will pass through five highly populated districts, moving westward after Mahmutbey Station, passing through Bahçeşehir and heading towards Esenkent. When complete, it will be integrated with the Ataköy-İkitelli Metro Line at Mehmet Akif station and the Temapark Station for connection with the Halkalı-Istanbul-Havalimanı Metro Line. The most recent station on this line, Hastane, connects to a new hospital, which the Central Administration opened during the COVID-19 pandemic. This project will add an additional 18.5 km to the Kabataş-Mahmutbey Metro Line and will have a capacity of 70,000 passengers per hour per direction. The estimated cost of the project is €856 million, of which €220 million is expected to be financed from the proceeds of the Offering, with the remainder to be financed through external loans. Completion of the project is expected in May 2024.
- *Ümraniye-Ataşehir-Göztepe Metro Line:* The Ümraniye-Ataşehir-Göztepe Metro Line will be a 13 km fully automated, driverless line consisting of 11 stations. The new line will have a capacity of 45,000 passengers per hour per direction and will be integrated with the Üsküdar-Çekmeköy Metro Line at Çarşı Station, the Kadıköy-Tavşantepe Metro Line at Yenisahra Station and Marmaray at Göztepe Station. Construction on the line was stopped in 2017 and was resumed in September 2019. The estimated cost of the project is €683 million, of which €175 million has been financed through external loans to date, with the remainder also expected to be financed through external loans. Completion of the project is expected in 2022.
- *Dudullu-Bostancı Metro Line:* The Dudullu-Bostancı Metro Line will be a 14.3 km fully automated, driverless railway line consisting of 13 stations a transport capacity of 45,000 passengers per hour per direction. The line will pass through densely populated districts on the Anatolian Side and will be integrated with three rail systems: the Marmaray line at the Bostancı station, Kadıköy-Tavşantepe Metro Line at the Kozyatağı station and the Üsküdar-Ümraniye-Çekmeköy Metro Line at the Dudullu station. The estimated cost of the project is €558.8 million, of which €190 million has been financed through domestic loans to date, with the remainder expected to be financed through external loans. Completion of the project is expected in 2021.

### ***Waste Incineration and Energy Plant***

The new waste incineration and energy plant will be Europe's largest incineration plant with an annual capacity of 1 million tonnes and will provide electricity for 1.4 million people. The plant will incinerate 15% of Istanbul's household waste and will eliminate 1.38 million tonnes of greenhouse gases primarily through a reduced dependency on fossil fuels for electricity generation. The estimated cost of the project is €318,126,167 and is being financed through loans. Partial completion of this project (the first of two phases) is expected by December 2020.

### ***Recently Completed Projects***

Since June 2019, the Municipality has completed a number of significant infrastructure projects, including the following:

- *Mecidiyeköy-Mahmutbey Metro Line:* The Mecidiyeköy-Mahmutbey Metro Line is an 18 km driverless metro line with 15 stations, 80 train sets and a capacity of 70,000 passengers per hour per direction.
- *Seymen Landfill Gas to Energy Plant:* The plant is currently operating at partial capacity of 17 MW and sells electricity to the grid at preferential rates. With a planned final capacity of 90 MW, the plant is expected to create total profits for the Municipality of US\$776 million over the next 26 years.

- *Ataköy Advanced Biological Wastewater Treatment Plant*: The plant serves a population of 2.4 million inhabitants and provides additional treatment capacity of 240,000 cubic metres per day.
- *Silivri Affordable Housing Project*: Phase 3 of the project is now complete, with 1,513 flats constructed and delivered to new owners. Phase 4 of the project has now begun and is expected to deliver 1,396 new flats.
- *Water and Wastewater Pipes*: The Municipality has completed the construction of 143 km of water pipes, 600 km of wastewater pipes, 58 km of pipes for water transmission and 32 km of rainwater pipes. Additionally, 12 km of river rehabilitation has been completed.
- *Bus Network Expansion*: The Municipality has purchased 130 new buses in connection with its public transportation services.
- *New Gas Pipes*: The Municipality has constructed 251 km of new natural gas pipes and added 174,000 new gas subscribers.
- *New City Squares*: Istanbul's major squares are being redesigned with involvement of public participation. New designs for the main squares of Taksim, Bakırköy, Salacak and Kadıköy have been put to a public vote.

## **Economy**

### ***General Overview of Istanbul Economy and GDP***

Istanbul is the economic centre of Turkey, hosts the headquarters of many Turkish companies and accounts for approximately one third of Turkey's economic output, including exports of US\$86.1 billion, or 50.2% of Turkey's total exports, and imports of US\$105.6 billion, or 52.1% of Turkey's total imports, for the year ended 31 December 2019. Its economy is larger than approximately 130 other countries and in 2019 it ranked as the 18<sup>th</sup> largest city in the world in terms of GDP. Istanbul is a major global city for business and FDI, particularly given its young and educated labour market and its recent commitment to technological development and knowledge-based industries. In the year ended 31 December 2019, 12,644 foreign investors established companies in Istanbul, representing a total investment of TL 3,366,653,810. Additionally, over 40,000 companies based in Istanbul have foreign partners, representing 61% Turkey's total foreign partnerships, and over 75,000 companies in Istanbul are engaged in international trade, with an annual foreign trade volume of approximately US\$206 billion in 2019. This is partly due to Istanbul's strategic geographic location with access to markets valued at approximately US\$30 trillion within a four-hour flight of the city. The GDP of Istanbul in 2017 was US\$257 billion, which represented approximately 40% of Turkey's economy in that year. In 2017, per capita GDP in Istanbul was US\$17,100, representing a more than fivefold increase in GDP per capita since 2001.

Recently, Istanbul has attracted and retained domestic and international investors through a combination of its large economic base, developed infrastructures and an investment-friendly regulatory and tax environment. In particular, the city has offered investment incentives including:

- *Interest Support*: A certain portion of the interest/profit share regarding the loan equivalent of at least 70% of the fixed investment amount registered in an investment certificate will be covered by the Ministry of Economy up to TL 50 million or 5% of the total investment cost.
- *VAT Exemption*: Purchases of imported and/or domestically provided machinery are exempt from VAT.
- *Customs Duty Exemption*: Purchases of imported machinery and equipment are exempt from customs duty.



- *Tax Reduction:* Income tax (15-35%) or corporate tax (20%) is calculated with rates reduced up to 90%.
- *Social Security Premium (“SSP”) Support:* For any additional employment created by an investment, the amount corresponding to the employer’s share of the social security premium on legal minimum wage, paid by the investor, is covered by the Ministry of Economy.
- *Land Allocation:* Government land may be allocated for investments with an incentive certificate based on large scale, strategic and regional incentive schemes determined by the Ministry of Finance.
- *VAT Refund:* VAT collected on building and construction expenses related to qualifying investments will be rebated, provided that the fixed investment amount is over TL 500 million.

Istanbul also benefits from a favourable demographic profile that forms the basis of its abundant labour force. The city’s population is expected to grow by 6.5% from 2019 to 2024 and currently 71% of its residents are between the ages of 15-64. Istanbul’s labour force currently includes 6.6 million people and continues to grow as the city recently ranked eighth in Europe based on human capital and lifestyle.

### ***Subsidiaries and Affiliates***

Operating in many different fields including transportation, energy, housing and environmental investments, the Municipality’s subsidiaries and affiliate entities have had a long history of leading their respective sectors in Turkey, with the Municipality’s economic activity constituting 4% of Istanbul’s total economic output and its subsidiaries and affiliates generating gross sales of TL 27 billion in 2019. These subsidiaries and affiliates are managed by the Municipality’s Directorate of Subsidiaries Coordination, which is responsible for managing, planning, scheduling and operating subsidiaries economically and efficiently. Coordinating effective communication and reporting activities between the Municipality and its subsidiaries, managing the obligations and risks of the Municipality’s affiliate entities, improving existing resources and ensuring that resources are used according to the requirements of the Municipality and the benefit of the local community are key areas of focus.

The Municipality’s subsidiaries are administratively independent and have their own boards of directors. They are also financially independent but report to the Directorate of Subsidiaries Coordination to ensure alignment with the Municipality’s general strategy. The Municipality generates revenue from its subsidiaries through the payment of dividends based on a proportion of net proceeds according to a percentage set by the Municipal Council. The operating profit of the Municipality’s 28 subsidiaries was TL 906 million for the year ended 31 December 2019.

Six of the Municipality’s subsidiaries were ranked in Fortune Magazine’s 2020 list of the top 500 Turkish companies, which is based on net sales figures for the year ended 31 December 2019. These companies were as follows:

- İGDAŞ (41<sup>st</sup>): İGDAŞ provides natural gas services to approximately 6.7 million subscribers and had net sales of TL 8.452 billion for the year ended 31 December 2019;
- METRO İSTANBUL (302<sup>nd</sup>): METRO İSTANBUL provides travel and transportation services with 844 metro cars and had net sales of TL 1.042 billion for the year ended 31 December 2019;
- İSTAÇ (304<sup>th</sup>): İSTAÇ provides industrial waste management services and had net sales of TL 1.038 billion for the year ended 31 December 2019;
- KİPTAŞ (305<sup>th</sup>): KİPTAŞ provides residential construction services and constructed 74,000 houses with net sales of TL 1.038 billion for the year ended 31 December 2019;

- İSTGÜVEN (362<sup>nd</sup>): İSTGÜVEN provides 24/7 high-level security services and had net sales of TL 879 million for the year ended 31 December 2019; and
- İSTANBUL ULAŞIM (457<sup>th</sup>): İSTANBUL ULAŞIM provides public transportation services with 944 buses and had net sales of TL 652 million for the year ended 31 December 2019.

The Municipality also manages two affiliate entities: Istanbul Water and Sewage Administration (“İSKİ”) and Istanbul Electric Tram and Tunnel Operations (“İETT”). İSKİ is a public utility of the Municipality with approximately 6.6 million subscribers and operates with an independent budget. For the year ended 31 December 2019, İSKİ had net sales of TL 6.171 billion. The General Director of İSKİ is elected upon the proposal of the Mayor and approved by the Minister of Interior Affairs. İETT is a public institution connected to the Municipality that provides urban public transportation within the provincial boundaries of Istanbul through its fleet of 3,065 buses. It consists of a number of formerly privately owned companies that were first nationalised and then transferred to İETT in 1939 by law no. 3645. For the year ended 31 December 2019, İETT had net sales of TL 2.6 billion. The Municipality earns revenue from these affiliates through the transfer of any surplus in the balance of income and expenditures in their final accounts.

Recently, the Municipality has adopted a strategy to improve the profitability of its subsidiaries and affiliates, which contribute to the Municipality’s revenues through the payment of dividends. In particular, the Municipality plans to restructure some of these entities in order to reduce costs and increase efficiency. While this strategy has been delayed in part due to COVID-19, the Municipality continues to focus on the long-term financial strength of its subsidiaries and affiliates as a driver of dividend revenue.

The total budget of the Municipality together with its subsidiaries and affiliates for the year 2020 was TL 63.5 billion, with 40.7% of that amount designated for the Municipality, 42.4% designated for its 28 subsidiaries, 12.3% designated for İSKİ and 4.6% designated for İETT.

## ***Key Economic Sectors***

### *Finance*

The financial services sector employs more than 85,000 people in Istanbul, with approximately 47 local and international banks and over 2,800 bank branches operating within the city. A robust, diversified economy and a favourable tax environment have grown Istanbul’s financial services sector with increasing activities in banking, insurance, pension funds, international financial transactions and venture capital investment. Additionally, the International Finance Corporation, the World Bank’s finance arm, now has its largest office (outside Washington, D.C.) in Istanbul, from which it manages business with over 50 countries in Eastern and Southern Europe, the Middle East and North Africa. Istanbul currently ranks 59<sup>th</sup> out of 102 countries listed on the Global Financial Centres Index.

Borsa Istanbul, or the Istanbul Stock Exchange, offers the opportunity to invest in various products in an organised, transparent and reliable trading environment to local and international investors with its modern technological capabilities. Borsa Istanbul ranks second globally with a stock exchange velocity of 242% and has the eighth highest annual debt instrument trading volume at TL 4.5 trillion. Recently, NASDAQ and Borsa Istanbul signed a partnership agreement, which aims to expand Borsa Istanbul’s global presence while substantially strengthening Istanbul’s position as a regional hub for capital markets. Borsa Istanbul plans to integrate and operate NASDAQ OMX’s suite of world-class market technologies for trading, clearing, market surveillance and risk management, covering all asset classes, including energy contracts, and the two companies will actively collaborate in the region. This strategic partnership points to a long-term commitment which would benefit member firms and customers of both exchanges.

### *Healthcare*

Each year, hundreds of thousands of foreign patients travel to Turkey to receive treatment in private hospitals in Turkish cities. Istanbul offers a particularly strong medical infrastructure with 238 hospitals and a bed capacity of 36,000. Additionally, 29 of the 44 Joint Commission International (“JCI”) accredited hospitals in Turkey are located within Istanbul.

### *Tourism and Culture*

Tourism in Istanbul is a major industry and contributor to the Municipality’s economy, and the city accounts for approximately 20-25% of Turkey’s total annual tourism revenues. With approximately 13.4 million people visiting each year, Istanbul is the third most visited city in Europe and the eighth most visited city globally. Additionally, the city ranks 15<sup>th</sup> globally in terms of overnight spending by international visitors. Istanbul’s competitive tourism sector is based on its unique juxtaposition of natural beauty and a diverse, historical, cosmopolitan and exciting city, which attracts a diverse tourism base from around the world. Furthermore, Istanbul has become a leading retail destination and ranks second globally in terms of number of retail shops, behind only Paris. In order to accommodate this increasing popularity, the expansion of the Istanbul Airport was completed in 2019 and is now the largest airport in the world with a capacity of 200 million passengers annually.

### *Information and Communication Technologies*

Istanbul’s Information and Communication Technologies (“ICT”) sector has become an important source of growth for the local economy, driven by its young, well-qualified and large labour market. The median age of Istanbul’s residents is 31 and 71% of its population remains in the labour pool, making it one of the youngest cities in Europe. The size of the city’s labour pool, combined with its 61 universities and over 900,000 higher education students and 354 vocational and technical schools, has yielded a rapid increase in the awareness of technology and intellectual property rights. Patent applications per year have risen by over 20 times compared to figures from 2000, and Istanbul has become the technological hub of Turkey, ranking first in every single category of patent applications, utility model applications, brand name applications and industrial design applications. The city now captures almost 50% of Turkey’s total intellectual property application numbers, with 3,342 innovative patents filed in Istanbul compared to 4,007 patents from the rest of Turkey in 2018. Moreover, the Municipality is attempting to boost its ICT sector by increasing access to broadband infrastructure, as its young population demands more and more online services. For example, the Municipality recently completed the Istanbul Camlica TV and Radio Tower, a 369-metre telecommunications tower that combines an estimated 125 broadcasting transmitters into one structure. International companies are increasingly interested in establishing operations in Istanbul, where a young, educated and skilled population offers several opportunities to develop research and development centres for the region.

### *Creative Industries*

Istanbul is a growing hub for creative industries including performing arts, audio and visual publications, new media, creative services, design, press and publications and visual arts, and the city accounts for over 70% of Turkey’s economic output in this sector. In particular, Istanbul is the centre of the Turkish gaming industry, a market that includes over 30 million users and was valued at approximately US\$755 million in 2016. There are currently over 600 large and small game developers in Turkey, and Istanbul’s universities are opening departments specifically geared towards game development. Istanbul also offers nearly 800 movie theatres and over 200 theatre stages, with 19,277 films released and 13,178 shows performed in 2017.

### *Education*

Education and training have long been recognised as key drivers of social and economic development. With a population of approximately 16 million, Istanbul has more than 4 million students from primary school to universities. Out of these 4 million students, approximately 943,000 study in higher education programmes at

the city's 61 universities. Istanbul has also seen a recent increase in international enrolment due to Turkey's participation in the EU's Erasmus student exchange program, with Istanbul's universities now accepting thousands of foreign exchange students each year.

### *Logistics*

The Turkish logistics sector produces US\$6.5 billion worth of goods and services per year and employs approximately 400,000 workers. In particular, Istanbul has become a major inter-continental trade hub and plays an important role in retail and logistics due to its strategic transcontinental location. The city has two international seaports, one on the European side and one on the Anatolian side, that offer a combined container capacity of over 3.6 million tonnes per year, and Istanbul's Ambarli Port is Europe's ninth busiest seaport with over three million twenty-foot equivalent units ("TEUs") transported annually. Moreover, Ataturk Airport and Sabiha Gokcen Airport provide efficient logistical options for cargo planes, as demonstrated by Turkish Airlines' continued expansion of its cargo network and operations. On the ground, Istanbul benefits from extensive railway systems, which originate in China and extend as far as England, thus providing the city with access to the farthest corners of both Europe and Asia. Additional major infrastructure plans for the next five to ten years are expected to create substantial additional logistics capacity within the city.

## **Revenue and Expenditure**

### *Budget Overview*

The Municipality prepares an annual budget in order to contribute to financial transparency and accountability and in accordance with the rules and principles stipulated by Public Financial Management and Control Law no. 5018. The annual budget also demonstrates the Municipality's tangible priorities with respect to its services and goals.

Each unit of the Municipality submits a budget to their respective manager in order to prepare the expense budget in accordance with the Strategic Plan and Performance Programme. The units prepare expense proposals, expense estimates for the next two years, appropriation schedules and detailed expenditure programmes under the coordination of the Financial Services Unit and then submits them to the Financial Services Unit. The Financial Services Unit consolidates all the expense proposals from the units and prepares the expense budget and the estimates for the next two years. It then creates a draft budget, which is referred to the Executive Committee. The draft budget and realisations regarding the current year and the previous year are sent to the Ministry of Environment and Urbanisation. The draft budget is presented to the Municipal Council in November of each year and discussed with the Commission of Planning and Budget. The meeting period coinciding with the budget meeting is no more than 20 days. Once the draft budget is approved by the Municipal Council it is sent to the Governorship of Istanbul. The final budget comes into force by the beginning of the following fiscal year. The Municipality prepares its accounts on a monthly basis. All budget items are calculated and realised at the end of each month. In the process of composing the Municipality's annual budget, the Central Administration does not exert any control.

Any material changes to the Municipality's budget are addressed through two types of allowances: Additional allowances and reserve allowances. An additional allowance is created by opening a scheme for a service (i) that is understood to be insufficient to meet the needs for which it is designed (although it has a composition in the budget) or (ii) that was not considered or included during the preparation and negotiation of the budget, but nevertheless is obligatory. The additional allowance offer is taken to the Municipal Council for approval, and a new income or source must be provided for the additional allowance.

A reserve allowance is used in order to fulfil the services and objectives foreseen in the budget, to eliminate an insufficient allocation or to meet the expenses related to those services that were not considered during the preparation and negotiation of the original budget. In each annual budget, a reserve allowance of at least 5% is

made, provided that the items requiring the reserve allowance amount to no more than 10% of total budget revenues. The reserve allowances must be used for the items to which they are allocated. Any transfers from this scheme to other arrangements is made by the decision of the Executive Committee.

### ***Borrowing Capacity***

The Municipality may borrow where the apportionments from the state budget and own revenues are insufficient. Investments in infrastructure are usually financed by borrowing.

Financing transactions of the Municipality mainly fall within the scope of the Municipality Law No. 5393, the Law No. 4749 and the respective secondary legislations. The Municipality can conduct borrowing transactions pursuant to Article 68 of the Municipality Law No. 5393.

The domestic and foreign debt stock of the Municipality, including interest, cannot exceed one-and-a-half times the total amount of its latest final budget revenues, increased by the revaluation rate provided by the Law No. 213 on Tax Procedures. However, borrowings made for infrastructure investment projects that have been approved by the President and which require higher technology and substantial funding are not included in the calculation of the borrowing limit. Borrowing in violation of these limits and procedures results in financial liability to the relevant officials.

Any domestic borrowing which does not exceed 10% of the latest final budget revenues, increased by the revaluation rate provided by the Law No. 213 on Tax Procedures, in a given year is subject to the resolution of the Municipal Council. Domestic borrowings exceeding this 10% threshold require a resolution of the Municipal Council with an absolute majority of the council's members and the approval of the Ministry of Environment and Urbanisation.

Borrowing from foreign sources is similarly possible only in the case of infrastructure investments and upon the approval of the Ministry of Treasury and Finance. Before granting the approval, the Ministry of Treasury and Finance consults with the Ministry of Development in relation to the project and related details, such as the total amount determined under the annual investment plan and relevant financing needs.

### ***Structure of Taxation***

In Turkey, municipal revenues consist of revenues collected by municipalities themselves and the apportionments from the central government tax revenues. Only the Central Administration collects taxes on revenues and expenditures and distributes shares to local governments. State tax revenues are allocated to municipalities in three categories: metropolitan municipalities, district municipalities within metropolitan municipalities and other municipalities. Metropolitan municipalities are first allocated 6% of the tax proceeds collected by the Central Administration within the respective metropolitan municipality. Metropolitan district municipalities are allocated 4.5% of the state tax revenues. Non-metropolitan municipalities are allocated 1.5% of the state tax revenues. Metropolitan municipalities receive 60% of their respective apportionments directly. The remaining 40% of all allocations to metropolitan municipalities is pooled in a special account from which 70% is redistributed to metropolitan municipalities by population and 30% by surface area.

In addition to taxes on revenue and expenditures collected and allocated by the Central Administration, municipalities collect a variety of other taxes on the local level. These municipal taxes include the following:

- *Announcements and advertisement tax*: For all announcements and advertisements made within municipal boundaries, an announcement and advertisement tax of 20-100 Turkish Lira per square metre per annum is levied.
- *Electricity and coal gas consumption tax*: For electricity and coal gas consumed within municipal boundaries, a tax is charged at a rate of 5% of total consumption.

- *Entertainment tax:* The operation of entertainment businesses within municipal boundaries is subject to an entertainment tax at a rate of 20% for domestic cinema films and 50% for foreign cinema films at cinema theatres, 20% for other ticketed events and 5% for betting games.
- *Fire Insurance tax:* With respect to movable and immovable properties within municipal boundaries and adjacent areas, any premiums received for fire insurance are subject to a fire insurance tax at a rate of 10% of each insurance policy. The Municipality collects this tax directly from the insurance companies.

The Municipality's tax revenues therefore consist of two main sources: (i) shares received from Central Administration shares and other revenues and (ii) municipal taxes administered directly by the Municipality. The most important share in the Municipality's total revenues is the Central Administration shares and other revenues item, comprising shares taken from the state's general budget tax revenue, shares taken from institutions, interests and penalty revenue. Estimated as TL 15,006,000,000 in the budget for 2019, TL 14,067,588,991 was realised at year end.

The Municipality receives municipal tax revenue from announcement and advertisement, entertainment, fire insurance and electricity and coal gas consumption tax and duties, which were estimated at TL 135,000,000 in the income budget for 2019. Actual tax income realised by the end of the year was TL 146,680,711.

With respect to municipal tax revenues, the Municipality has recently implemented an online tax payment system which is expected to begin operation in 2021. This system will allow outstanding tax debts to be restructured and paid in several instalments, which is expected to increase the collection rate of debts from the current 50-55% to approximately 80-90%. The Municipality is responsible for the collection of any outstanding amounts and does not have engagements with any debt collection agencies.

### ***Liquidity and Reserves***

Cash flow is tracked and monitored by the Municipality on a daily, weekly and monthly basis. Funding requirements are determined after the calculation of revenues and expenditures. Additionally, the deposit interest rate, foreign exchange rates and loan interest rates are considered before making decision on borrowing. While making decisions regarding cash flow management, the Municipality always considers the balance of revenues and expenditures. In order to minimise foreign exchange risks, the Municipality's deposits are kept in Turkish Lira or other currencies according to the current foreign exchange rates. Because it is a governmental entity, the Municipality seeks to maintain a high amount of liquidity. the Municipality's main tax revenue item, which is Central Administration shares, is received on the last business day of each month. This visibility in relation to the exact date of the Municipality's primary revenue item helps the Municipality to plan and manage its cashflow efficiently.

### **Expense Budget**

The table below sets forth the Municipality's Budget Expenditures and Realised Expenditures for the years ended 31 December 2015 to 2019.

	<b>For the year ended 31 December</b>									
	<b>2015<sup>(1)</sup></b>		<b>2016</b>		<b>2017</b>		<b>2018</b>		<b>2019</b>	
	<b>Budget</b>	<b>Realisation</b>	<b>Budget</b>	<b>Realisation</b>	<b>Budget</b>	<b>Realisation</b>	<b>Budget</b>	<b>Realisation</b>	<b>Budget</b>	<b>Realisation</b>
	<i>(TL millions)</i>									
Personnel Expenses .....	874.33	864.70	970.85	965.21	1,097.27	1,022.18	1,181.26	1,151.66	1,492.38	1,476.87
SSI State Premium Expenses .....	144.43	136.04	160.19	155.19	174.77	165.66	197.33	186.70	225.27	221.79
Expenditures for Purchasing Goods and Services.....	2,974.24.	2,873.31	3,940.63	3,801.06	5,125.05	5,113.79	6,121.16	6,100.66	7,263.93	6,767.82
Interest Expenses .....	108.08	108.08	91.27	91.27	173.61	173.61	520.00	436.61	870.91	808.37
Current Transfers .....	911.26	909.72	905.28	905.11	1,077.49	1,077.16	1,310.64	1,309.94	2,188.58	2,108.45
Capital Expenses.....	6,120.08	5,170.17	8,925.51	8,044.28	11,139.21	11,133.23	12,379.28	12,355.11	10,335.93	8,699.15
Capital Transfers.....	682.33	682.33	285.00	285.00	350.00	350.00	355.34	355.34	1,370.75	1,283.20
Lending.....	435.25	435.25	821.27	821.27	501.61	501.61	252.00	252.00	52.26	52.26
<b>Total.....</b>	<b>12,250.00</b>	<b>11,179.61</b>	<b>16,100.00</b>	<b>15,068.39</b>	<b>19,639.00</b>	<b>19,537.24</b>	<b>22,317.00</b>	<b>22,148.03</b>	<b>23,800.00</b>	<b>21,417.91</b>

Note:

- (1) Starting in 2016, the Municipality's methodology for the preparation of its financial and budget information was altered following certain regulatory and internal computational changes. As a result of these changes, financial and budget information presented for 2015 may not be directly comparable with the information presented for 2016, 2017, 2018 and 2019.

The Municipality's expense budget consists of nine main items: personnel expenses and SSI state premium expenses, goods and service procurement expenses, interest expenses, current transfers, capital expenditures, capital transfers and lending.

The Municipality's estimated expense budget at the beginning of 2019 was TL 23,800,000,000, and its realised expenses were TL 21,417,911,796, which amounted to a budget realisation of 90.0% for the year.

The Municipality's realised expenses decreased by 3.3% to TL 21,417,911,796 in the year ended 31 December 2019, compared with TL 22,148,025,366 in the year ended 31 December 2018. This decrease was primarily due to decreases in capital expenditures and lending. The Municipality's realised expenses increased by TL 13.4% to TL 22,148,025,366 in the year ended 31 December 2018, compared with TL 19,537,237,836 in the year ended 31 December 2017. This increase was primarily due to increases in goods and service procurement expenses and capital expenditures. The Municipality's realised expenses increased by 29.7%, to TL 19,537,237,836 in the year ended 31 December 2017, compared with TL 15,068,391,099 in the year ended 31 December 2016. This increase was primarily due to increases in goods and service procurement expenses and capital expenditures. The Municipality's realised expenses increased by 34.8% to TL 15,068,391,099 in the year ended 31 December 2016, compared with TL 11,179,608,646 in the year ended 31 December 2015. This increase was primarily due to increases in goods and service procurement expenses, capital expenditures and lending.

The main items included in the Municipality's expense budget are described in further detail below.

#### *Personnel expenses and social security institution ("SSI") state premium expenses*

Personnel expenses and SSI state premium expenses include payments such as salaries and SSI for public servants, workers and contracted personnel employed in the Municipality. In 2019, a total budget of TL 1,717,649,277 was assigned for this item with TL 1,698,651,987 realised at year end. Within the total budget realisation, personnel expenses comprised 6.90% and the share of state premium expenses for SSIs was 1.04%. These expenses have increased since 2015 as the number of public servants, workers and contracted personnel employed in the Municipality has increased.

#### *Goods and service procurement expenses*

This item covers expenditures made for the activities conducted in areas such as health, social support, zoning and urban planning, environmental protection, waste management, parks, gardens and green areas, fire brigade, graveyard, theatre, cultural activities, professional skills and training, building maintenance and repair, urban transformation project works and cleaning works as well as expenditures made for personnel.

In 2019, a budget of TL 7,263,930,814 was assigned for goods and services procurement, a majority of which consists of expenditures for services procurement and TL 6,767,823,030 was realised. The share of goods and service procurement expenses accounted for 31.60% of the total realised expenses. Due to the implementation of a tightened budget strategy in June 2019, actual expenditures were lower than the budgeted amount.

#### *Interest expenses*

In 2019, a budget of TL 870,905,335 was allocated to interest expenses, which tracks the interest payments for the internal and external loans used by the Municipality during the year and TL 808,373,834 was realised. The share of interest expenses accounted for 3.77% of the total realised expenses.

#### *Current transfers*

This item consists of expenses such as real and cash relief for low-income citizens, aid for those who were affected by natural disasters, aid for charitable organisations and associations, membership fees for national and international unions, Olympics contribution and partnership interest for the Provincial Bank.



A budget of TL 2,188,582,748 was allocated in 2019, and TL 2,108,454,266 was realised. Current transfers also include tariff subsidisation for transportation (for students and citizens aged 65 plus), which had a significant contribution to the increase in current transfers in 2019 over 2018. The share of this expenditure item accounted for 9.84% of the total realised expenses.

#### *Capital expenditures*

In 2019, a budget of TL 10,335,928,633 was projected for capital expenditures comprising investments in rail systems, roads, interchanges, crossover roads, viaducts, parking areas, tunnels, asphalt works, river improvements, square and beach arrangements, traffic and lighting systems, landscaping, indoor sports hall for schools, sports complex, culture and congress centre, sea transportation structures, graveyard, park, garden and green area construction, maintenance and repair works, amongst others, and TL 8,699,151,774 was realised. After June 2019, with the new management in the Municipality, the investment strategy and the prioritised projects have been updated and re-organised so that the main focus is on Metro projects. See “*Description of the Municipality—Key Infrastructure Projects*”. The share of capital expenditures accounted for 40.62% of the total realised expenses.

#### *Capital transfers*

A budget of TL 1,370,747,184 was allocated in 2019 for capital transfers for financing the capital expenditures of the Municipality’s affiliates and district municipalities in the nature of investment regarding urban transformation and Development Agency’s share and TL 1,283,200,894 was realised. The share of this expense item accounted for 5.99% of the total realised expenses. Prior to 2018, affiliates and district municipality investments were tracked under the lending account.

Capital transfers increased in 2019 because a subsidisation strategy was prioritised instead of lending to the affiliates by means of social support.

#### *Lending*

This item covers the capital increases of companies of the Municipality and the loans granted to affiliates. A budget of TL 52,256,010 was allocated for this expense item in 2019 and this entire budget was realised. The share of this expense item accounted for 0.24% of the total realised expenses.

### **Income Budget**

The table below sets forth the Municipality's Budget Revenue and Realised Revenue for the years ended 31 December 2015 to 2019.

	<b>For the year ended 31 December</b>									
	<b>2015<sup>(1)</sup></b>		<b>2016</b>		<b>2017</b>		<b>2018</b>		<b>2019</b>	
	<b>Budget</b>	<b>Realisation</b>	<b>Budget</b>	<b>Realisation</b>	<b>Budget</b>	<b>Realisation</b>	<b>Budget</b>	<b>Realisation</b>	<b>Budget</b>	<b>Realisation</b>
	<i>(TL millions)</i>									
Tax Revenues .....	126.00	113.43	121.00	118.52	122.00	124.89	123.00	133.14	135.00	146.68
Enterprise and Property Incomes .....	1,403.50	1,486.99	2,230.00	1,312.47	3,015.00	3,008.69	2,170.00	2,364.53	1,742.00	1,362.05
Collected Donations and Grants and Special Incomes .....	12.00	7.08	15.00	7.35	10.00	9.28	12.00	11.77	12.00	11.06
Central Administration Shares and Other Revenues .....	7,589.50	8,475.22	8,863.00	9,521.03	10,161.00	11,085.33	12,025.00	13,109.08	15,006.00	14,067.59
Returns on Capital .....	713.00	312.24	881.00	291.99	1,466.00	227.61	3,857.00	2,721.85	3,535.00	3,718.73
Collections of Receivables.....	10.00	131.20	600.00	550.73	275.00	166.19	290.00	106.77	180.00	250.97
Rejections and Returns (-).....	(4.00)	(11.64)	(10.00)	(84.42)	(10.00)	(11.53)	(10.00)	(22.19)	(10.00)	(19.77)
<b>Total.....</b>	<b>9,850.00</b>	<b>10,514.53</b>	<b>12,700.00</b>	<b>11,717.66</b>	<b>15,039.00</b>	<b>14,610.46</b>	<b>18,467.00</b>	<b>18,424.95</b>	<b>20,600.00</b>	<b>19,537.30</b>

Note:

- (1) Starting in 2016, the Municipality's methodology for the preparation of its financial and budget information was altered following certain regulatory and internal computational changes. As a result of these changes, financial and budget information presented for 2015 may not be directly comparable with the information presented for 2016, 2017, 2018 and 2019.

The Municipality's income budget consists of six main items: Central Administration shares and other revenues, capital revenues, enterprise and property revenues, collection of receivables, tax revenues and collected donations and grants.

The Municipality's estimated income budget at the beginning of 2019 was TL 20,600,000,000, and its realised income was TL 19,537,299,033, which was a budget realisation of 94.8% for the year.

The Municipality's realised income increased by 6.0% to TL 19,537,299,033 in the year ended 31 December 2019, compared with TL 18,424,947,829 in the year ended 31 December 2018. This increase was primarily due to increases in Central Administration shares and other revenues, as well as capital revenues. The Municipality's realised income increased by 26.1% to TL 18,424,947,829 in the year ended 31 December 2018, compared with TL 14,610,463,282 in the year ended 31 December 2017. This increase was primarily due to increases in collected donations and grants, Central Administration shares and other revenues and capital revenues. The Municipality's realised income increased by 24.7% to TL 14,610,463,282 in the year ended 31 December 2017, compared with TL 11,717,664,936 in the year ended 31 December 2016. This increase was primarily due to increases in enterprise and property revenues, Central Administration shares and other revenues and capital revenues. The Municipality's realised income increased by 11.4% to TL 11,717,664,936 in the year ended 31 December 2016, compared with TL 10,514,526,248 in the year ended 31 December 2015. This increase was primarily due to increases in Central Administration shares and other revenues and collections of receivables.

The main items in the Municipality's income budget are described below.

#### *Central Administration shares and other revenues*

The most important share in total revenues is the Central Administration shares and other revenues item, comprising shares taken from general budget tax revenue, shares taken from institutions, interests and penalty revenue. Estimated as TL 15,006,000,000 in the budget for 2019, TL 14,067,588,991, or 93.8%, was realised at year end. The Municipality's tax share of Central Administration revenues is set by law, which provides the Municipality with reliable visibility over this revenue stream, which constitutes approximately 70% of its annual income. See "*—Structure of Taxation*".

#### *Capital revenues*

Capital revenues consists of movable and immovable goods sale incomes, and in the past five years has come particularly from land disposals. The budget for 2019 was estimated as TL 3,535,000,000, and TL 3,718,726,104, or 105.2%, was realised at year end. Subject to the zoning status of a property, the Municipality may sell any of its lands with the approval of the Municipal Council. Land disposals have comprised approximately 15-20% of the Municipality's total revenue per year over the past five years. Land disposal revenues are discretionary and driven by market conditions, and are likely to be lower in 2020 and in the near term given weak real estate and economic conditions.

#### *Enterprise and property revenues*

Enterprise and property revenues consists of goods and service procurement revenues, organisational profits and rental revenues. Estimated as TL 1,742,000,000 in the income budget for 2019, TL 1,362,045,906, or 78.2%, was realised at year end.

#### *Collections of receivables*

Collections of receivables consists of collections made from payables of subsidiaries. Estimated as TL 180,000,000 in the budget for 2019, TL 250,969,706, or 139.4%, was realised at year end.

### *Tax revenues*

Tax revenues consists of the Municipality's own revenues from announcement and advertisement, entertainment and fire insurance tax and duties. Estimated as TL 135,000,000 in the income budget for 2019, TL 146,680,711, or 108.7%, was realised at year end.

### *Collected donations and grants*

Collected donations and grants consists of treasury aids, donations and grants received from various organisations and persons. A budget of TL 12,000,000 was estimated for 2019 and TL 11,058,952, or 92.2%, was realised at year end.

### **Assets and Liabilities**

The table below sets forth the Municipality's assets, liabilities and equities as at 31 December 2015, 2016, 2017, 2018 and 2019.

	As at 31 December				
	2015 <sup>(1)</sup>	2016	2017	2018	2019
	<i>(TL millions)</i>				
<b>Current Assets</b> .....	<b>7,225.11</b>	<b>7,091.84</b>	<b>7,285.51</b>	<b>9,158.30</b>	<b>10,475.24</b>
Liquid Assets.....	1,031.02	456.37	288.38.	834.44	1,765.19
Operational Receivables.....	1,268.01	1,156.79	1,323.05	1,824.48	1,823.66
Other Receivables.....	424.05	479.01	499.93	615.25	714.72
Stocks.....	457.82	601.98	261.15	233.33	234.87
Prepayments.....	78.70	77.04	21.25	30.18	30.62
Expenses for Future Months.....	—	—	1.61	4.20	4.62
Other Current Assets.....	3,965.51	4,320.65	4,890.15	5,626.41	5,901.54
<b>Fixed Assets</b> .....	<b>57,300.68</b>	<b>69,269.02</b>	<b>79,298.99</b>	<b>89,938.28</b>	<b>97,413.87</b>
Operational Receivables.....	54.03	81.44	85.81	142.11	143.05
Corporate Receivables.....	534.52	537.93	830.64	975.87	720.95
Financial Fixed Assets.....	4,720.67	4,900.30	5,160.93	8,803.16	9,133.40
Tangible Fixed Assets.....	51,991.44	63,749.35	73,221.60	80,017.14	87,416.47
Other Fixed Assets.....	18.54	—	—	—	—
<b>Total Assets</b> .....	<b>64,525.78</b>	<b>76,360.86</b>	<b>86,584.50</b>	<b>99,096.58</b>	<b>107,889.10</b>
<b>Short Term Liabilities</b> .....	<b>3,230.56</b>	<b>3,773.90</b>	<b>7,312.84</b>	<b>8,176.32</b>	<b>11,372.80</b>
Short Term Internal Financial Liabilities....	504.95	502.98	1,508.28	878.51	1,929.67
Short Term External Financial Liabilities...	879.43	953.95	1,037.43	1,595.68	1,676.69
Operational Liabilities.....	1,475.79	1,892.86	3,815.73	4,338.58	6,315.26
Depository Foreign Resources.....	159.37	194.16	599.20	845.32	811.16
Other Liabilities Payable.....	101.65	110.80	211.14	332.41	396.68
Provisions for Liabilities and Expenses.....	98.95	105.82	117.59	139.13	150.94
Revenues and Expenditure Accruals for Future Months.....	10.42	13.33	23.48	46.70	92.38
<b>Long Term Liabilities</b> .....	<b>6,040.16</b>	<b>9,312.71</b>	<b>12,325.24</b>	<b>18,584.13</b>	<b>19,486.05</b>
Long Term Internal Financial Liabilities....	1,924.73	3,221.76	4,963.76	8,023.36	7,137.27
Long Term External Financial Liabilities...	3,915.70	5,543.20	6,787.31	9,717.09	11,599.18

**As at 31 December**

	<b>2015<sup>(1)</sup></b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(TL millions)</i>				
Operational Liabilities .....	—	328.38	327.33	326.38	—
Other Liabilities .....	8.49	11.67	23.89	53.55	86.14
Debt and Expenditure Provision Account...	191.24	207.70	222.94	248.71	280.68
Revenues and Expenditure Accruals for Future Years .....	—	—	—	215.05	382.79
<b>Equities</b> .....	<b>55,255.06</b>	<b>63,274.25</b>	<b>66,946.42</b>	<b>72,336.12</b>	<b>77,030.26</b>
Net Value <sup>(2)</sup> .....	37,943.54	46,037.64	49,743.87	56,653.05	64,300.39
Positive/Negative Operational Outcomes from Previous Years .....	13,997.05	14,673.98	13,788.16	13,612.36	11,362.19
Operational Outcomes of Current Period....	3,314.47	2,562.62	3,414.38	2,070.71	1,367.67
<b>Total Liabilities</b> .....	<b>64,525.78</b>	<b>76,360.86</b>	<b>86,584.50</b>	<b>99,096.58</b>	<b>107,889.10</b>

Notes:

- (1) Starting in 2016, the Municipality's methodology for the preparation of its financial and budget information was altered following certain regulatory and internal computational changes. As a result of these changes, financial and budget information presented for 2015 may not be directly comparable with the information presented for 2016, 2017, 2018 and 2019.
- (2) Net Value is defined as Total Assets, less the sum of (Foreign liabilities + value movements + revaluation differences + previous years positive - Negative operating results + period operating results).

**Assets**

As at 31 December 2019, the Municipality's Total Assets stood at TL 107,889,102,937, of which Current Assets comprised TL 10,475,236,205, or 9.7%, and Fixed Assets comprised TL 97,413,866,732, or 90.3%. Of the Municipality's Current Assets as at 31 December 2019, TL 5,901,542,578, or 56.3%, consisted of Other Current Assets, which primarily include value added tax accounts. The majority of the Municipality's Fixed Assets consisted of Tangible Fixed Assets, which stood at TL 87,416,467,771, or 89.7% of Fixed Assets, as at 31 December 2019. The Municipality's Tangible Fixed Assets primarily include the Municipality's real estate portfolio.

**Liabilities**

As at 31 December 2019, the Municipality's Total Liabilities stood at TL 107,889,102,937, of which Short Term Liabilities comprised TL 11,372,795,541, or 10.5%, Long Term Liabilities comprised TL 19,486,050,187, or 18.1% and Equities comprised TL 77,030,257,209, or 71.4%. Of the Municipality's Short Term Liabilities as at 31 December 2019, TL 6,315,264,896, or 55.5%, consisted of Operational Liabilities, which primarily include amounts payable to suppliers. The Municipality's Long Term Liabilities primarily consisted of Long Term External Financial Liabilities, which stood at TL 11,599,180,424, or 59.5% of Long Term Liabilities, as at 31 December 2019. Long Term External Liabilities represent the Municipality's external borrowings used to finance infrastructure projects and are primarily impacted by fluctuations in foreign exchange rates. The majority of Equities for the year ended 31 December 2019 consisted of Net Value, which stood at TL 64,300,393,631, or 83.5% of Equities. Net Value is calculated as total assets minus the sum of foreign sources,

value movements, revaluation differences, previous years' positive and negative operating results and operating results for the period.

## Indebtedness

### Overview

The Municipality incurs domestic and external debt in order to fund budget deficits and infrastructure projects. Service-related deficits are generally financed through domestic loans from local banks, whereas investment-related projects are financed through external borrowing. In the year ended 31 December 2019, the average cumulative interest rate for the Municipality's domestic borrowings was 17.8%, with an average cumulative maturity of 1 year. In the year ended 31 December 2019, the average cumulative interest rate for the Municipality's external borrowings was 3.5%, with an average cumulative maturity of 4 years. The estimated interest charges on the Municipality's debt for the years ending 31 December 2020 and 2021 are TL 920 million and TL 1,300 million, respectively. The Municipality's external borrowings are subject to standard covenants including, among others, requirements to maintain specified debt service coverage ratios and certain ratios of net financial debt to the previous year's operating debt. Additionally, the Municipality has available credit lines with local and international banks including Iller Bank, a specialised institution that provides financing to Turkish municipalities. The Municipality's ratio of Net Debt to Total Revenue for the year ended 31 December 2019 was 101%, compared to 105% and 96% for the years ended 31 December 2018 and 2017, respectively. In addition, the Municipality had a ratio of Total Debt to Equity of 29% as at 31 December 2019, compared to 27.9% and 21.3% for the years ended 31 December 2018 and 2017, respectively. The Municipality's ratio of Debt Service to Total Revenue was 25.8% for the year ended 31 December 2019, compared to 18.4% and 8% for the years ended 31 December 2018 and 2017, respectively. As at 30 September 2020, the Municipality had total financial indebtedness equivalent to TL 23.77 billion, of which 81.9% was denominated in Euros, 17.8% in Turkish Lira and 0.3% in US Dollars. Of the Municipality's indebtedness as at 30 September 2020, 18.9% was held by domestic banks and 29.0% was held by foreign banks, with the remaining 52.1% held by multilateral banks.

The table below sets forth the economic classification of the Municipality's financing arrangements for the years ended 31 December 2018 and 2019.

	<b>For the year ended 31 December</b>			
	<b>2018</b>		<b>2019</b>	
	<b>Estimated Amount</b>	<b>Realisation</b>	<b>Estimated Amount</b>	<b>Realisation</b>
	<i>(TL millions)</i>			
Domestic Loan.....	1,635.37	2,316.84	1,525.00	107.97
Banks .....	422.00	1,001.76	880.00	1,917.74
Disbursement.....	450.00	1,207.80	1,300.00	2,399.65
Payment.....	(28.00)	(206.04)	(420.00)	(481.91)
Provisional Bank.....	1,082.87	1,314.64	645.00	(114.48)
Disbursement.....	1,222.43	1,584.84	1,030.00	400.00
Payment.....	(139.57)	(270.20)	(385.00)	(514.48)
Other Financial Organisations	130.50	0.44	—	(1,695.29)
Disbursement.....	1,500.00	1,354.03	2,000.00	231.92

**For the year ended 31 December**

	<b>2018</b>		<b>2019</b>	
	<b>Estimated Amount</b>	<b>Realisation</b>	<b>Estimated Amount</b>	<b>Realisation</b>
	<i>(TL millions)</i>			
Payment.....	(1,369.50)	(1,353.59)	(2,000.00)	(1,927.21)
External Loan .....	2,214.63	588.04	1,675.00	750.15
Banks .....	2,214.63	588.04	1,675.00	750.15
Disbursement.....	3,249.00	1,917.19	3,500.00	2,302.25
Payment.....	(1,034.37)	(1,329.15)	(1,825.00)	(1,552.10)
<b>Total.....</b>	<b>3,850.00</b>	<b>2,904.87</b>	<b>3,200.00</b>	<b>858.12</b>

The total loans from internal and external financing sources for projects in progress and conducted by the Municipality was TL 19,810,288,594 as at 31 December 2019. TL 6,534,413,887 of this amount consisted of domestic loans due 2027 to Provincial Bank, domestic banks and İGDAŞ A.Ş., which is a subsidiary of the Municipality, while TL 13,275,874,706 consisted of external loans due 2036 to international finance organisations, including Société Générale in connection with the procuring and commissioning of 120 subway cars for the Dudullu-Bostancı and Mahmutbey-Esenyurt Metro Line Project, the European Bank for Reconstruction and Development and the Black Sea Trade and Development Bank (“BSTDB”) in connection with the Ümraniye-Ataşehir-Göztepe Metro Project, Deutsche Bank in connection with the Çekmeköy-Sancaktepe-Sultanbeyli Metro Project, Agence Française de Développement in connection with the Kaynarca-Pendik-Tuzla Metro Project and BNP Paribas, Société Générale and BSTDB in connection with the construction of the IMM Waste Incineration and Energy Production Plant.

Furthermore, TL 2,532,528,108 remains from the amount that the Municipality borrowed from İSKİ, which is its subsidiary, in the previous years and in 2019 in order to finance its realised and ongoing projects. This debt is planned to be settled in 2020.

A total payment of TL 5,284,073,337 in the form of principal and interest was made for internal and external loans in 2019. Of this amount, a total of TL 3,573,172,207 comprises domestic loans including TL 2,923,598,406 principal and TL 649,573,801 interest, while a total of TL 1,710,901,130 comprises of external loans including TL 1,552,101,097 principal and TL 158,800,033 interest.

Pursuant to the Municipality’s budget goals, a total of TL 7,830,000,000 loan disbursements, including TL 4,330,000,000 from domestic banks, subsidiaries and affiliate organisations and TL 3,500,000,000 loans from international financing organisations was planned in 2019.

In this regard, a total of TL 5,333,823,080 comprising TL 3,031,572,075 loan disbursements from domestic banks, affiliates and subsidiaries and TL 2,302,251,005 loans from international financing organisations was borrowed by the Municipality in 2019.

Moreover, the Municipality plans to pay back a total of TL 2,805,000,000 loans to domestic banks, provincial banks and other organisations and TL 1,825,000,000 loan principal to various international financing organisations this year.

In 2019, the Municipality paid a total of TL 4,475,699,503 in principal repayments, including loan principal repayments of TL 2,923,598,406 to domestic banks, provincial bank and other organisations and loan principal repayments of TL 1,552,101,097 to international finance organisations.



The table below sets forth the Municipality's domestic and external debt maturity profile. The following amounts include only principal and do not include debts to the Municipality's subsidiaries and affiliates.

	Year ending 31 December								
	2020	2021	2022	2023	2024	2025	2026	2027	2028-2036
	<i>(US\$ millions)<sup>(1)</sup></i>								
Domestic.....	324.3	336.5	64.0	48.1	26.3	30.0	34.1	9.2	—
External.....	282.0	259.3	292.7	254.8	228.7	181.2	173.8	164.0	394.4
<b>Total .....</b>	<b>606.3</b>	<b>595.8</b>	<b>356.7</b>	<b>302.9</b>	<b>255.0</b>	<b>211.2</b>	<b>207.9</b>	<b>173.2</b>	<b>394.4</b>

Note:

(1) Based on exchange rates of USD/TL = 7.7662 and EUR/TL = 9.0999 as at 30 September 2020.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes (the “Conditions”) which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Notes:*

The US\$580,000,000 6.375% Notes due 2025 (the “Notes”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 14 and forming a single series with the Notes) of İstanbul Büyükşehir Belediyesi (the “Issuer”) are issued subject to and with the benefit of an Agency Agreement dated 9 December 2020 (such agreement as amended and/or supplemented and/or restated from time to time, the “Agency Agreement”) made between the Issuer, The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the “Registrar”), The Bank of New York Mellon, London Branch as fiscal agent and principal paying agent (the “Fiscal Agent”) and the other agents referred to in the Agency Agreement (together with the Fiscal Agent, the “Paying Agents”, and together with the Fiscal Agent, the Registrar and any other Paying Agents appointed in respect of the Notes from time to time, the “Agents”). The holders of the Notes are entitled to the benefit of a Deed of Covenant (the “Deed of Covenant”) dated 9 December 2020 made by the Issuer. The original copy of the Deed of Covenant is held by the Fiscal Agent on behalf of the Noteholders (as defined below) at its specified office.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the Noteholders at the specified office of each of the Paying Agents or, to the extent such inspection is impracticable, electronic copies of which are available to the Noteholders on request from the Fiscal Agent. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to the Fiscal Agent, the Registrar, the Paying Agents and the Agents shall include any successor appointed under the Agency Agreement.

*The owners shown in the records of Euroclear Bank SA/NV (“Euroclear”), Clearstream Banking S.A. (“Clearstream, Luxembourg”) and the Depository Trust Company (“DTC”) of book-entry interests in Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them.*

### **1 Form, Denomination and Title**

#### **1.1 Form and Denomination**

The Notes are issued in registered form in amounts of US\$200,000 and integral multiples of US\$1,000 in excess thereof (referred to as the “principal amount” of a Note). A note certificate (each a “Certificate”) will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “Register”).

The Notes are issued pursuant to the Public Financing Law No. 4749, the Capital Markets Law (Law No. 6362), the Communiqué No. VII-128.8 on Debt Instruments of the Turkish Capital Markets Board (in Turkish: *Sermaye Piyasası Kurulu*) (the “CMB”) and the Municipality Law (Law No. 5393).

*The Notes are not issuable in bearer form.*

## **1.2 Title**

Title to the Notes passes only by registration in the Register. The holder of any Note will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it 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 issued in respect of it) and no person will be liable for so treating the holder. In these Conditions “Noteholder” and (in relation to a Note) “holder” means the person in whose name a Note is registered in the Register.

*For a description of the procedures for transferring title to book-entry interests in the Notes, see “Book-Entry Clearance Systems”.*

## **2 Transfers of Notes and Issue of Certificates**

### **2.1 Transfers**

A Note may, subject to Condition 2.4, be transferred in whole or in part by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the other Agents.

*For a description of certain restrictions on transfers of interests in the Notes, see “Transfer Restrictions”.*

### **2.2 Delivery of new Certificates**

Each new Certificate to be issued upon transfer of Notes pursuant to Condition 2.1 will, within five business days (as defined below) of receipt by the Registrar or the relevant Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address 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 Agent with whom a Certificate is deposited in connection with a transfer is located.

*Except in the limited circumstances described in “The Global Certificates — Registration of Title”, owners of interests in the Notes will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement and compliance with the legends placed on the Notes as described in “Transfer Restrictions”.*

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

### **2.3 Formalities free of charge**

Registration of a transfer of Notes will be effected without charge by or on behalf of the Issuer or any Agent but upon payment by the Noteholder (or the giving of such indemnity as the Issuer or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

### **2.4 Closed Periods**

No Noteholder may require the transfer of a Note to be registered (i) during the period of seven days ending on (and including) the due date for any payment of principal or interest on that Note; or (ii) after any such Note has been called for redemption.

## **2.5 Regulations**

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer 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 Noteholder who requests one.

## **3 Status**

The Notes are the direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank, and shall at all times rank, *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save only for such obligations as may be preferred by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. This Condition 3 does not require the Issuer to effect equal or rateable payment(s) at any time with respect to any other unsecured and unsubordinated obligations at the same time or as a condition of paying sums due on the Notes and vice versa.

## **4 Negative Pledge**

### **4.1 Negative Pledge**

So long as any of the Notes remains outstanding (as defined in the Agency Agreement), the Issuer will not create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "Security Interest") upon, or with respect to, any of its present or future assets or revenues to secure any Relevant Indebtedness or Sukuk Obligation unless the Issuer, in the case of the creation of the Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes then outstanding are secured by the Security Interest equally and rateably with the Relevant Indebtedness or Sukuk Obligation, as applicable; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in Condition 13) of the Noteholders.

### **4.2 Interpretation**

For the purposes of these Conditions:

- (a) "External Indebtedness" means any indebtedness denominated or payable, or at the option of the creditor or holder thereof payable, in a currency other than the lawful currency from time to time of the Republic of Turkey;
- (b) "Relevant Indebtedness" means (i) any present or future External Indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being or are capable of being quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market and (ii) any guarantee or indemnity in respect of any such indebtedness; and
- (c) "Sukuk Obligation" means any (i) undertaking or other obligation to pay any money given in connection with the issue of trust certificates or other securities intended to be issued in compliance with the principles of Islamic financing whether or not in return for consideration of any kind, which trust certificates or other securities are for the time being or are capable of being

quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market and (ii) any guarantee or indemnity in respect of any such undertaking or other obligation.

## **5 Interest**

### **5.1 Interest Rate and Interest Payment Dates**

The Notes bear interest on their outstanding principal amount from and including 9 December 2020 at the rate of 6.375% per annum, payable semi-annually in arrear on 9 June and 9 December in each year (each an “Interest Payment Date”). The first payment (representing a full six months’ interest) shall be made on 9 June 2021.

### **5.2 Interest Accrual**

Each Note will cease to bear interest from and including its due date for redemption unless, upon surrender of the Certificate representing such Note, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue at the rate referred to in Condition 5.1 until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note up to that fifth day has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 12.

### **5.3 Calculation of Broken Interest**

When interest is required to be calculated in respect of a period of less than a full six months, it shall be calculated by applying the rate of 6.375% per annum to each US\$1,000 principal amount of Notes (the “Calculation Amount”) and on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days. The resultant figure shall be rounded to the nearest cent, half a cent being rounded upwards. The interest payable in respect of a Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the principal amount of the relevant Note, without any further rounding.

## **6 Payments**

### **6.1 Payments in respect of Notes**

Payment of principal and interest will be made by transfer to the registered account of the Noteholder. Payments of principal and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the Register at the close of business on the date (the “Payment Record Date”) being the seventh day before the due date for payment thereof.

For the purposes of this Condition, a Noteholder’s “registered account” means the US Dollar account maintained by or on behalf of it with a bank that processes payments in US Dollars, details of which appear on the Register at the close of business, in the case of principal and interest due otherwise than on an Interest Payment Date, on the second Business Day (as defined in Condition 6.4 below) before the due date for payment and, in the case of interest due on an Interest Payment Date, on the relevant Payment Record Date.

## **6.2 Payments subject to applicable laws**

Payments in respect of principal and interest on the Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the US Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

## **6.3 No commissions**

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 6.

## **6.4 Payment on Business Days**

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 Business Day, for value the first following day which is a Business Day) will be initiated on the Business Day preceding the due date for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, or if the Noteholder is late in surrendering its Certificate (if required to do so).

In these Conditions, “Business Day” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in New York City and, in the case of a presentation of a Certificate, the place in which the Certificate is presented.

## **6.5 Partial Payments**

If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest in fact paid.

## **6.6 Agents**

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents, provided that:

- (a) there will at all times be a Fiscal Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (which may be the Fiscal Agent) having a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or such other relevant authority;
- (c) there will at all times be a Paying Agent (which may be the Fiscal Agent) in the European Union or the United Kingdom; and
- (d) there will at all times be a Registrar.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder. 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.

Notice of any variation, termination or appointment and/or of any changes in specified offices shall be given to the Noteholders promptly by the Issuer in accordance with Condition 12.

## **7 Redemption and Purchase**

### **7.1 Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 9 December 2025 (the “Maturity Date”).

### **7.2 Optional Redemption prior to Maturity Date**

The Issuer may, on giving not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all the Notes, but not some only, at any time during the period commencing on (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date at their principal amount, together with interest accrued to the date fixed for redemption.

### **7.3 Redemption for Taxation Reasons**

If:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 7 December 2020, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 8; and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all the Notes, but not some only, at any time at their principal amount together with interest (if any) accrued to (but excluding) the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent to make available at its specified offices or electronically to the Noteholders (i) a certificate signed by any two Authorised Signatories (as defined in the Agency Agreement) of the Issuer stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer taking reasonable measures available to it and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

### **7.4 Purchases**

The Issuer may at any time purchase Notes in any manner and at any price. The Notes so purchased may be held by or on behalf of the Issuer, re-issued, resold or, at the option of the Issuer, surrendered to any Paying Agent or the Registrar for cancellation. Any Certificates surrendered by the Issuer for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

### **7.5 Notices Final**

Upon the expiry of any notice as is referred to in Condition 7.2 or Condition 7.3 above, the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such Condition.

## **8 Taxation**

### **8.1 Payment without Withholding**

All payments in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, levies, assessments or governmental charges (including related interest and penalties) of whatever nature (“Taxes”) imposed, assessed or levied by or on behalf of any Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

- (a) held by or on behalf of a holder who is liable for such Taxes in respect of the Note by reason of having some connection with the Relevant Jurisdiction other than the mere holding of the Note; or
- (b) in respect of which the Certificate representing it is presented for payment in the Relevant Jurisdiction; or
- (c) in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Business Day (as defined in Condition 6).

Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

### **8.2 Interpretation**

In these Conditions:

- (a) “Relevant Date” means, with respect to any payment, the date on which such payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal 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 has been duly given to the Noteholders by the Issuer in accordance with Condition 12; and
- (b) “Relevant Jurisdiction” means the Republic of Turkey or any political subdivision or any authority thereof or therein having power to tax.

### **8.3 Additional Amounts**

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

## **9 Prescription**

Claims in respect of principal and interest will become prescribed and become void unless made within 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date, as defined in Condition 8.



## 10 Events of Default

### 10.1 Events of Default

If any of the following events (“Events of Default”) shall have occurred and be continuing:

- (a) if the Issuer fails to pay the principal of, or any interest on, any of the Notes when due and such failure continues for a period of seven days in the case of principal or 10 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and either such failure is not capable of remedy or such failure (if capable of remedy) is not remedied within 30 days after written notice of such failure shall have been given to the Issuer by any Noteholder; or
- (c) if (i) any Indebtedness (as defined below) of the Issuer is not paid when due or, as the case may be, within any originally applicable grace period, or (ii) any Indebtedness of the Issuer becomes due and payable prematurely as a result of the holders of such Indebtedness accelerating or declaring such Indebtedness to be so due and payable by reason of any event of default (howsoever described); provided that no event described in this paragraph shall constitute an Event of Default unless the amount of the relevant Indebtedness, either alone or when aggregated (without duplication) with other amounts of Indebtedness due and unpaid in respect of all (if any) other events specified in this paragraph, amounts to at least US\$40 million (or its equivalent in any other currency or currencies); or
- (d) (i) if the Issuer (A) is unable to, or admits inability to, pay all or a substantial part of its debts as they fall due, (B) by reason of actual or anticipated financial difficulties, suspends making payments on all or a substantial part of its debts or commences negotiations with one or more of its creditors with a view to rescheduling all or a substantial part of its indebtedness; or (ii) a moratorium is declared in respect of all or a substantial part of the indebtedness of the Issuer; or
- (e) if the validity of the Notes is contested by the Issuer or the Issuer shall deny any of its obligations under the Notes or it is or becomes unlawful for the Issuer to perform or comply with any or all of its obligations set out in the Notes, the Agency Agreement or the Deed of Covenant, or any of such obligations are or become unenforceable or invalid; or
- (f) if the conduct by the Issuer of its operations is wholly or substantially curtailed by way of appointment of any official receiver, administrator or other officer exercising similar functions, or all or a majority of the revenues or assets of the Issuer are seized or compulsorily acquired; or
- (g) if any regulation, decree, consent, permission, licence, approval, authorisation or other authority necessary to enable the Issuer to enter into or perform its obligations under the Notes, the Agency Agreement or the Deed of Covenant or for the validity or enforceability thereof shall expire or be withheld, revoked or terminated or otherwise ceases to remain in full force and effect or shall be modified in a manner which adversely affects any rights or claims of any of the Noteholders, except in any case where the same is capable of rectification and is so rectified within a period of 30 days from the date of such expiry, revocation, withholding, termination, cessation or modification,

then the holders of at least 25% in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest (if any) to the date of repayment without further action or formality. Notice

of any such declaration shall promptly be given to all other Noteholders by the Issuer in accordance with Condition 12.

If the Issuer receives notice in writing from holders of at least 50% in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

## **10.2 Interpretation**

For the purposes of this Condition 10, “Indebtedness” means all obligations, and guarantees or indemnities in respect of obligations, for moneys borrowed or raised (whether being principal, premium, interest or other amounts, whether or not evidenced by bonds, debentures, notes or other similar instruments and including any equivalent undertaking or obligation given in connection with any Islamic financing arrangement).

## **11 Replacement of Certificates**

If any Certificate is 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, taxes and duties incurred in connection with the replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## **12 Notices**

### **12.1 Notices to the Noteholders**

All notices required to be given to the Noteholders pursuant to these Conditions will be valid if mailed to them at their respective addresses in the Register. The Issuer shall also ensure that such notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading, including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such 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.

### **12.2 Notices from the Noteholders**

Notices to be given by any Noteholder shall be in writing in the English language and given by lodging the same, together with the relevant Certificate, with the Fiscal Agent or, if the Certificates are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

## 13 Meetings of Noteholders, Modification and Waiver

### 13.1 Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions

- (a) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the Agency Agreement. The Issuer will determine the time and place of the meeting. The Issuer will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.
- (b) The Issuer will convene a meeting of Noteholders if the holders of at least 10% in principal amount of the outstanding Notes (as defined in the Agency Agreement and described in Condition 13.9 below) have delivered a written request to the Issuer or the Fiscal Agent (with a copy to the Issuer) setting out the purpose of the meeting. The Issuer will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.
- (c) The Issuer will set the procedures governing the conduct of any meeting in accordance with the Agency Agreement. If the Agency Agreement does not include such procedures, or additional procedures are required, the Issuer will determine such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.
- (d) The notice convening any meeting will specify, *inter alia*:
  - (i) the date, time and location of the meeting;
  - (ii) the agenda and the text of any Extraordinary Resolution (as defined below) to be proposed for adoption at the meeting;
  - (iii) the record date for the meeting, which shall be no more than five business days before the date of the meeting;
  - (iv) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;
  - (v) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;
  - (vi) whether Condition 13.2, or Condition 13.3, or Condition 13.4 shall apply and, if relevant, in relation to which other series of debt securities it applies;
  - (vii) if the proposed modification or action relates to two or more series of debt securities issued by the Issuer and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;
  - (viii) such information that is required to be provided by the Issuer in accordance with Condition 13.6;

- (ix) the identity of the Aggregation Agent and the Calculation Agent (each as defined in these Conditions), if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 13.7; and
  - (x) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.
- (e) All information to be provided pursuant to Condition 13.1(d) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents (as defined in Condition 13.12).
  - (f) A “record date” in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution as set out below.
  - (g) An “Extraordinary Resolution” means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.
  - (h) A “Written Resolution” means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.
  - (i) Any reference to “debt securities” means any notes (including the Notes), bonds, debentures or other debt securities (which for these purposes shall be deemed to include any trust certificates or other securities issued in connection with any Sukuk Obligation of the Issuer) issued directly or indirectly by the Issuer (or on behalf of the Issuer) in one or more series with an original stated maturity of more than one year.
  - (j) “Debt Securities Capable of Aggregation” means those debt securities which include or incorporate by reference this Condition 13 and Condition 14 or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

### **13.2 Modification of this series of Notes only**

- (a) Any modification of any provision of, or any action in respect of, the Notes, these Conditions, the Agency Agreement and/or the Deed of Covenant may be made or taken if approved by a Single Series Ordinary Resolution, a Single Series Extraordinary Resolution or a Single Series Written Resolution, as set out below.
- (b) For the purposes of a meeting of Noteholders convened in respect of this series of Notes only and for the purposes of passing a Single Series Ordinary Resolution and/or a Single Series Extraordinary Resolution (each as defined below) (a “Single Series Meeting”), at any such Single Series Meeting any one or more persons present in person holding Notes or proxies or representatives and holding or representing in the aggregate not less than 50% in principal amount of the Notes for the time being outstanding (or, in the case of an adjourned meeting, one or more persons present in person holding Notes or being proxies or representatives (whatever the principal amount of Notes so held or represented)) shall (except for the purposes of passing a

Single Series Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted at any such Single Series Meeting unless the requisite quorum be present at the commencement of business. The quorum at any such Single Series Meeting convened for the purpose of passing a Single Series Extraordinary Resolution shall be one or more persons present in person holding Notes or being proxies or representatives and holding or representing in the aggregate not less than 66.67% of the principal amount of the Notes for the time being outstanding (or, in the case of an adjourned meeting, one or more persons so present in person holding Notes or being proxies or representatives and holding or representing in the aggregate not less than 33.34% in the principal amount of Notes for the time being outstanding).

- (c) A “Single Series Ordinary Resolution” means a resolution passed at a Single Series Meeting duly convened and held in accordance with the procedures prescribed by the Issuer and the Fiscal Agent pursuant to Conditions 13.1 and 13.2(b) in respect of any matter other than a Reserved Matter, by a majority of at least 66.67% of the votes cast.
- (d) A “Single Series Extraordinary Resolution” means a resolution passed at a Single Series Meeting duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Conditions 13.1 and 13.2(b) in respect of a Reserved Matter by a majority of at least 75% of the votes cast.
- (e) A “Single Series Written Resolution” means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:
  - (i) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Notes; or
  - (ii) in the case of a matter other than a Reserved Matter, at least 50% of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

- (f) Any Single Series Ordinary Resolution, Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended such Single Series Meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

### **13.3 Multiple Series Aggregation – Single limb voting**

- (a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.
- (b) A “Multiple Series Single Limb Extraordinary Resolution” means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 13.1, as supplemented if necessary, which is passed by a majority of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

- (c) A “Multiple Series Single Limb Written Resolution” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.
- (d) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.
- (e) The “Uniformly Applicable” condition will be satisfied if:
  - (i) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
  - (ii) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).
- (f) It is understood that a proposal under Condition 13.3(c) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).
- (g) Any modification or action proposed under Condition 13.3(a) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 13.3 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

### **13.4 Multiple Series Aggregation – Two limb voting**

- (a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution, as set out below.
- (b) A “Multiple Series Two Limb Extraordinary Resolution” means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 13.1, as supplemented if necessary, which is passed by a majority of:
  - (i) at least 66.67% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
  - (ii) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).
- (c) A “Multiple Series Two Limb Written Resolution” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:
  - (i) at least 66.67% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
  - (ii) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

- (d) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.
- (e) Any modification or action proposed under Condition 13.4(a) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 13.4 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

### **13.5 Reserved Matters**

In these Conditions, “Reserved Matter” means any proposal:

- (a) to change the dates, or the method of determining the dates, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of

calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;

- (b) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;
- (c) to change the majority or quorum required to pass a Single Series Ordinary Resolution, an Electronic Consent, an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;
- (d) to change this definition, or the definition of “Electronic Consent”, “Extraordinary Resolution”, “Single Series Ordinary Resolution”, “Single Series Extraordinary Resolution”, “Multiple Series Single Limb Extraordinary Resolution”, “Multiple Series Two Limb Extraordinary Resolution”, “Written Resolution”, “Single Series Written Resolution”, “Multiple Series Single Limb Written Resolution” or “Multiple Series Two Limb Written Resolution”;
- (e) to change the definition of “debt securities” or “Debt Securities Capable of Aggregation”;
- (f) to change the definition of “Uniformly Applicable”;
- (g) to change the definition of “outstanding” or to modify the provisions of Condition 13.9;
- (h) to change the legal ranking of the Notes;
- (i) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 10(c);
- (j) to change the law governing the Notes, the courts to the jurisdiction of which the Issuer has submitted in the Notes, the Issuer’s obligation to maintain an agent for service of process in England, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer’s waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 16;
- (k) to impose any condition on or otherwise change the Issuer’s obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;
- (l) to modify the provisions of this Condition 13.5;
- (m) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security; or
- (n) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:
  - (i) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or



- (ii) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

### **13.6 Information**

Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 13.2, Condition 13.3 or Condition 13.4, the Issuer shall publish in accordance with Condition 14, and provide the Fiscal Agent with the following information:

- (a) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;
- (b) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement;
- (c) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and
- (d) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 13.1(d)(vii).

### **13.7 Claims Valuation**

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 13.3 and Condition 13.4, the Issuer may appoint a calculation agent (the "Calculation Agent"). The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

### **13.8 Manifest error, etc.**

The Notes, these Conditions and the provisions of the Agency Agreement may be amended by the Issuer without the consent of the Noteholders for the purpose of any modification which is (a) of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or (b) (except in the case of any such modification in respect of a Reserved Matter) not prejudicial to the interests of the Noteholders. Any such modification shall be binding on the Noteholders and shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

### **13.9 Notes controlled by the Issuer**

For the purposes of (a) determining the right to attend and vote at any meeting of Noteholders, the right to give an Electronic Consent, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution, (b) this Condition 13 and (c) Condition 10, any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled

directly or indirectly by the Issuer or by any public sector instrumentality shall be disregarded and be deemed not to remain outstanding, where:

- (a) “public sector instrumentality” means the Central Bank of the Republic of Turkey, any other department, ministry or agency of the government of the Republic of Turkey or any corporation, trust, financial institution or other entity owned or controlled by the government of the Republic of Turkey or any of the foregoing; and
- (b) “control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Electronic Consent or Written Resolution, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to Condition 14.5, which includes information on the total number of Notes which are for the time being held by any person (including, but not limited to, the Issuer) on behalf of the Issuer or by any public body owned or controlled, directly or indirectly, by the Issuer or by any public sector instrumentality and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its specified office and, upon reasonable request, will allow copies of such certificate to be taken or, to the extent such inspection is impracticable, the Fiscal Agent shall provide an electronic copy to the Noteholders on request.

#### **13.10 Publication**

The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 14.8.

#### **13.11 Exchange and Conversion**

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer’s option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

#### **13.12 Written Resolutions and Electronic Consents**

A Written Resolution may be contained in one document or in several documents in like form, each signed by or on behalf of one or more of the Noteholders.

For so long as any Notes are represented by a Global Certificate held on behalf of one or more of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system (the “relevant clearing system(s)”), then:

- (a) Approval of a resolution proposed by the Issuer given by way of electronic consent communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures (i) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders or (ii) (where such holders have been given at least 21 days’ notice of such resolution) by or on behalf of:
  - (A) in respect of a proposal that falls within paragraphs (c), (d) and (e) of Condition 13.2, the persons holding at least 75% of the aggregate principal amount of the outstanding Notes in the case of a Reserved Matter or at least 66.67% (or 50%, in the case of a Single Series Written Resolution) of the aggregate principal amount of the outstanding Notes, in the case of a matter other than a Reserved Matter;
  - (B) in respect of a proposal that falls within paragraphs (b) and (c) of Condition 13.3, the persons holding at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate);
  - (C) in respect of a proposal that falls within paragraphs (b) and (c) of Condition 13.4, (x) the persons holding at least 66.67% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and (y) the persons holding more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually),

(in the case of paragraphs (A), (B) and (C), each an “Electronic Consent”) shall, for all purposes (including Reserved Matters) take effect as (i) a Single Series Extraordinary Resolution (in the case of paragraph (A) above), (ii) a Multiple Series Single Limb Extraordinary Resolution (in the case of paragraph (B) above) or (iii) a Multiple Series Two Limb Extraordinary Resolution (in the case of paragraph (C) above), as applicable.

The notice given to Noteholders shall specify, in sufficient detail to enable Noteholders to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the “Relevant Date for Receipt”) by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).

If, on the Relevant Date for Receipt on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the required proportion for approval, the resolution shall, if the party proposing such resolution (the “Proposer”) so determines, be deemed to be defeated. Alternatively, the Proposer may give a further notice to Noteholders that the resolution will be proposed again on such date and for such period as shall be agreed with the Issuer (unless the Issuer is the Proposer). Such notice must inform Noteholders that insufficient consents were received in relation to the original resolution and the information specified in the previous paragraph. For the purpose of such further notice, references to “Relevant Date for Receipt” shall be construed accordingly.

An Electronic Consent may only be used in relation to a resolution proposed by the Issuer which is not then the subject of a meeting that has been validly convened above, unless that meeting is or shall be cancelled or dissolved.

- (b) Where Electronic Consent has not been sought, for the purposes of determining whether a Written Resolution has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer (a) by accountholders in the relevant clearing system(s) with entitlements to any Global Certificate and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of item (a) above, the relevant clearing system(s) and, in the case of item (b) above, the relevant clearing system(s) and the accountholder identified by the relevant clearing system(s). Any such certificate or other document (i) shall be conclusive and binding for all purposes and (ii) may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified, together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

All information to be provided pursuant to paragraph (d) of Condition 13.1 shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents.

A Written Resolution and/or Electronic Consent (i) shall take effect as an Extraordinary Resolution and (ii) will be binding on all Noteholders, whether or not they participated in such Written Resolution and/or Electronic Consent, even if the relevant consent or instruction proves to be defective.

## **14 Aggregation Agent; Aggregation Procedures**

### **14.1 Appointment**

The Issuer will appoint an aggregation agent (the "Aggregation Agent") to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes, and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

### **14.2 Extraordinary Resolutions**

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the

Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

#### **14.3 Written Resolutions**

If a Written Resolution has been proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

#### **14.4 Electronic Consents**

If approval of a resolution proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, is proposed to be given by way of Electronic Consent, the Aggregation Agent will, as soon as reasonably practicable after the relevant Electronic Consent has been given, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have consented to the resolution by way of Electronic Consent such that the resolution is approved. If so, the Aggregation Agent will determine that the resolution has been duly approved.

#### **14.5 Certificate**

For the purposes of Condition 14.2, Condition 14.3 and Condition 14.4, the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 13.2, Condition 13.3 or Condition 13.4, as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

- (a) list the total principal amount of Notes outstanding and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and
- (b) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 13.9 on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

#### **14.6 Notification**

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 14 to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

#### **14.7 Binding nature of determinations; no liability**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 14 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

#### **14.8 Manner of publication**

The Issuer will publish all notices and other matters required to be published pursuant to this Condition 14, including any matters required to be published pursuant to Condition 10 and Condition 13:

- (a) on the website of the Issuer: *https://www.ibb.istanbul/en*;
- (b) through the systems of Clearstream, Luxembourg, Euroclear, DTC and/or any other international or domestic clearing system(s) through which the Notes are for the time being cleared and otherwise in accordance with Condition 14; and
- (c) in such other places and in such other manner as may be required by applicable law or regulation.

### **15 Further Issues**

The Issuer may from time to time without the consent of the Noteholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes, provided that any such further notes are fungible with the outstanding Notes for US federal income tax purposes.

### **16 Governing Law and Submission to Jurisdiction**

#### **16.1 Governing Law**

The Agency Agreement, the Deed of Covenant and the Notes, and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant and the Notes, are governed by, and will be construed in accordance with, English law.

#### **16.2 Submission to Jurisdiction**

- (a) Subject to Condition 16.2(c), the Issuer irrevocably agrees for the benefit of the Noteholders that the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) has exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes (a "Dispute"), and each of the Issuer and any Noteholders in relation to any Dispute submits to the exclusive jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales).
- (b) The Issuer waives any objection to the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

- (c) To the extent permitted by law, the Noteholders may, in respect of any Dispute or Disputes, take
- (i) any suit, action or proceeding arising out of or in connection with the Notes (including any suit, action or proceeding relating to any non-contractual obligations arising out of or in connection with the Notes) (together referred to as “Proceedings”) against the Issuer in any other court of competent jurisdiction and
  - (ii) concurrent Proceedings in any number of jurisdictions.

### **16.3 Consent to Enforcement**

The Issuer agrees, without prejudice to the enforcement of a judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) according to the provisions of Article 54 of the International Private and Procedural Law of Turkey (Law No. 5718), that, in the event that any action is brought in relation to the Issuer in a court in the Republic of Turkey in connection with the Notes, in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Turkey (Law No. 6100), any judgment obtained in the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer, pursuant to the provisions of the first sentence of Article 193 of the Civil Procedure Code of Turkey (Law No. 6100) and Articles 58 and 59 of the International Private and Procedural Law of Turkey (Law No. 5718).

### **16.4 Waiver of Immunity**

The Issuer irrevocably and unconditionally with respect to any Dispute (i) waives any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction to the extent permitted by law in such jurisdiction, (ii) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any competent jurisdiction in relation to any Dispute, and (iii) consents to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after final judgment, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Dispute; provided that, notwithstanding the foregoing, the Issuer does not waive the right to immunity with regards to the following:

- (a) actions brought against the Issuer under US federal securities laws or any state securities laws; and
- (a) any property or assets used solely or mainly for governmental or public purposes in the Republic of Turkey or elsewhere.

The foregoing waiver further constitutes only a limited and specific waiver for the purposes of the Notes and under no circumstances should be interpreted as a general waiver by the Issuer or a waiver with respect to proceedings unrelated to the Notes.

### **16.5 Appointment of Process Agent**

The Issuer irrevocably appoints Hackwood Secretaries Limited at One Silk Street, London, EC2Y 8HQ, United Kingdom or its registered office for the time being as its agent for service of process in any proceedings before the English courts in relation to any Dispute and agrees that, in the event of Hackwood Secretaries Limited being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer

agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition 16 shall affect the right to serve process in any other manner permitted by law

#### **16.6 Other Documents**

The Issuer has in the Agency Agreement and the Deed of Covenant (a) submitted to the jurisdiction of the High Court of Justice of England and Wales in London (and any competent United Kingdom appellate court in respect of any appeal relating to any judgment or order originally of the High Court of Justice of England and Wales) and appointed an agent in England for service of process, and (b) waived any rights to immunity and other similar defences which it may have, in each case on terms substantially similar to those set out above.

#### **17 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 this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.



## THE GLOBAL CERTIFICATES

*The Global Certificates contain the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by those Global Certificates, some of which modify the effect of the Conditions of such Notes. Terms defined in the Conditions have the same meaning in paragraphs in this “The Global Certificates” section.*

### **Accountholders**

For so long as any of the Notes are represented by one or more Global Certificate, each person (other than another clearing system) who is for the time being shown in the records of DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an “Accountholder”) (in which regard any certificate or other document issued by DTC or Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression “Noteholders” and references to “holding of Notes” and to a “holder of Notes” shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer, solely in the nominee for the relevant clearing system (the “Relevant Nominee”) in accordance with and subject to the terms of the relevant Global Certificate. Each Accountholder must look solely to DTC or Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

### **Cancellation**

Cancellation of any Note following its redemption or purchase by the Issuer or any of its subsidiaries will be effected by reduction in the aggregate principal amount of the Notes in the Register and by the annotation of the appropriate schedule to the relevant Global Certificate.

### **Payments**

Payments of principal and interest in respect of Notes represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of such Global Certificate to or to the order of the Fiscal Agent or such other Agent as shall have been notified to the holders of the relevant Global Certificate for such purpose.

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Payment Record Date which shall be on the Clearing System Business Day immediately prior to the date for payment, where “Clearing System Business Day” means Monday to Friday inclusive except 25 December and 1 January.

Distributions of amounts with respect to book-entry interests in the Regulation S Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system’s rules and procedures.

Holders of book-entry interests in the Rule 144A Notes holding through DTC will receive, to the extent received by the US Paying Agent, all distribution of amounts with respect to book-entry interests in such Notes from the US Paying Agent through DTC. Distributions in the United States will be subject to relevant US tax laws and regulations.

A record of each payment made will be entered in the Register by or on behalf of the Fiscal Agent and shall be prima facie evidence that payment has been made.

### **Interest Calculation**

For so long as Notes are represented by a Global Certificate, interest payable to the Noteholders will be calculated by applying the rate of 6.375% per annum to the outstanding principal amount of the Notes evidenced by the Global Certificate and on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days. The resultant figure is rounded to the nearest cent (half a cent being rounded upwards).

### **Notices**

So long as the Notes are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices required to be given to Noteholders pursuant to the Conditions may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 12. Any such notice shall be deemed to have been given to such Noteholders on the day after the day on which such notice is delivered to such clearing system.

Whilst any of the Notes held by a Noteholder are represented by a Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures and otherwise in such manner as the Fiscal Agent and the applicable clearing system may approve for this purpose.

### **Registration of Title**

Registration of title to Notes in a name other than that of the Relevant Nominee shall only be permitted upon the occurrence of an Exchange Event (an "Exchange Event"). For these purposes, an Exchange Event means that:

- (a) an Event of Default has occurred and is continuing;
- (b) (i) in the case of the Global Certificate registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or (ii) in the case of the Global Certificate registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and no alternative clearing system is available; or
- (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by a Global Certificate in definitive form.

The Issuer will promptly give notice to the Noteholders in accordance with Condition 12 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC or its custodian, Euroclear and/or Clearstream, Luxembourg, as the case may be, acting on the instructions of any Accountholder may give notice to the Registrar requesting exchange, and in the event of the occurrence of an Exchange Event as described in (c) above, the Issuer may also give notice to the Registrar requesting exchange.

In these circumstances, title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Notes in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal or interest in respect of the Notes.

If only one of the Global Certificates (the “Exchanged Global Certificate”) becomes exchangeable for Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Certificates issued in exchange for beneficial interests in the Exchanged Global Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Certificate.

In the event that (a) the Notes evidenced by a Global Certificate (or any part of a Global Certificate) have become due and repayable in accordance with the Conditions or the Maturity Date has occurred and, in either case, payment in full of the amount due has not been made to the Relevant Nominee or (b) following an Exchange Event, the Global Certificates are not duly exchanged for Certificates by the day provided in the Global Certificate, then from 8.00 p.m. (London time) on such day, each Accountholder will become entitled to proceed directly against the Issuer, on and subject to the terms of the Deed of Covenant, and the Relevant Nominee will have no further rights under the Global Certificate (but without prejudice to the rights which the Relevant Nominee or any other person may have under the Deed of Covenant).

## **Transfers**

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear, Clearstream, Luxembourg and DTC and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and DTC and their respective direct and indirect participants, as more fully described under “*Book-Entry Clearance Systems*”.

## **BOOK-ENTRY CLEARANCE SYSTEMS**

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of each of DTC, Euroclear or Clearstream, Luxembourg (together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Managers takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of such facilities. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of the Clearing Systems or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Pursuant to the Communiqué, the Issuer is required to notify the Central Registry Agency of Turkey within three business days from the issue date of the Notes of the principal amount, the issue date, the ISIN, the interest commencement date, the maturity date, the interest rate, the name of the custodian and the currency of the Notes and the country of issuance.

### **Book-Entry Systems**

#### **Euroclear and Clearstream, Luxembourg**

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

#### **DTC**

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in participants’ accounts. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

#### **Registration and Form**

Book-entry interests in the Notes held through Euroclear and Clearstream, Luxembourg will be represented by the Unrestricted Global Certificate registered in the name of a nominee of, and held by, a common depository for Euroclear and Clearstream, Luxembourg. Book-entry interests in the Notes held through DTC will be

represented by the Restricted Global Certificate registered in the name of Cede & Co., as nominee for DTC, and held by a custodian for DTC. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of Euroclear, Clearstream, Luxembourg and DTC to reflect the amounts of Notes held through Euroclear, Clearstream, Luxembourg and DTC, respectively. Beneficial ownership of book-entry interests in Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

The aggregate holdings of book-entry interests in the Notes in Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Notes will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Notes. The Registrar will be responsible for maintaining a record of the aggregate holdings of Notes registered in the name of a common nominee for Euroclear and Clearstream, Luxembourg, a nominee for DTC and/or, if individual Certificates are issued in the limited circumstances described under “*The Global Certificates — Registration of Title*”, holders of Notes represented by those individual Certificates. The Fiscal Agent will be responsible for ensuring that payments received by it from the Issuer for holders of book-entry interests in the Notes holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be, and the Fiscal Agent will also be responsible for ensuring that payments received by the Fiscal Agent from the Issuer for holders of book-entry interests in the Notes holding through DTC are credited to DTC.

The Issuer will not impose any fees in respect of holding the Notes; however, holders of book-entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream, Luxembourg or DTC.

### **Clearing and Settlement Procedures Initial Settlement**

Upon their original issue, the Notes will be in global form represented by the two Global Certificates. Interests in the Notes will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Notes through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Notes will be credited to Euroclear and Clearstream, Luxembourg participants’ securities clearance accounts on the business day following the closing date of the Offering (the “Closing Date”) against payment (value the Closing Date). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Notes through DTC will follow the delivery practices applicable to securities eligible for DTC’s Same Day Funds Settlement system. DTC participants’ securities accounts will be credited with book-entry interests in the Notes following confirmation of receipt of payment to the Issuer on the Closing Date.

### **Secondary Market Trading**

Secondary market trades in the Notes will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Notes may be transferred within Euroclear and within Clearstream, Luxembourg and between Euroclear and Clearstream, Luxembourg in accordance with procedures established for these purposes by Euroclear and Clearstream, Luxembourg. Book-entry interests in the Notes may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Notes between Euroclear or Clearstream, Luxembourg and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream, Luxembourg and DTC.

## **General**

None of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time. None of the Issuer, the Fiscal Agent or any of their agents will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective participants of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## TAXATION

*This is a general overview of certain United States federal and Turkish income tax considerations in connection with an investment in the Notes. This overview does not address all aspects of United States federal and Turkish income tax laws and does not discuss any state or local tax considerations. While this overview is considered to be a correct interpretation of existing laws in force on the date of this Offering Circular, there can be no assurance that those laws or the interpretation of those laws will not change. This overview does not discuss all of the income tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules, such as regulated investment companies, certain financial institutions or insurance companies. Prospective investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership or disposition of the Notes (or the purchase, ownership or disposition of beneficial interests therein) as well as any tax consequences that may arise under the laws of any state, municipality or other taxing jurisdiction. References to "resident" herein refer to tax residents of Turkey and references to "non-resident" herein refer to persons who are not tax residents of Turkey.*

### CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain US federal income tax consequences of the acquisition, ownership and disposition of Notes by a US Holder (as defined below). This summary deals only with initial purchasers of Notes at the "issue price" (the first price at which a substantial amount of Notes are sold for money, excluding sales to underwriters, placement agents or wholesalers) in the initial offering that are US Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-US or other tax laws (such as estate or gift tax laws). This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes, persons that have ceased to be US citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, US citizens or lawful permanent residents living abroad, investors that are required to take certain amounts into income no later than the time such amounts are reflected on an applicable financial statement or investors whose functional currency is not the US Dollar).

As used herein, the term "US Holder" means a beneficial owner of Notes that is, for US federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to US federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for US federal income tax purposes.

The US federal income tax treatment of a partner in an entity or arrangement treated as a partnership for US federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for US federal income tax purposes should consult their tax advisors concerning the US federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, (the “Code”) its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as at the date hereof and all subject to change at any time, possibly with retroactive effect.

**THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-US AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

### **Payments of Interest**

Interest on a Note will be taxable to a US Holder as ordinary income at the time it is received or accrued, depending on such holder’s method of accounting for US federal income tax purposes. Interest paid by the Issuer on the Notes generally will constitute income from sources outside the United States. Prospective purchasers should consult their tax advisors concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

It is expected, and this discussion assumes, that the Notes will not be considered as issued with original issue discount (“OID”) for US federal income tax purposes. The Notes will be treated as issued without OID if the difference between their principal amount and their issue price is less than the product of one-fourth of one percent (0.25%) of their principal amount multiplied by the number of full years to their maturity. In general, however, if the Notes are issued with OID for US federal income tax purposes, a US Holder will be required to include OID in gross income, as ordinary income, under a “constant-yield method” before the receipt of cash attributable to such income, regardless of the US Holder’s regular method of accounting for US federal income tax purposes.

### **Sale and Retirement of Notes**

A US Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the US Holder’s adjusted tax basis of the Note. A US Holder’s adjusted tax basis in a Note generally will be its US Dollar cost. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the US Holder’s holding period in the Notes exceeds one year. Non-corporate US Holders generally are subject to tax on long-term capital gains at reduced rates. The deductibility of capital losses is subject to limitations.

### **Backup Withholding and Information Reporting**

Payments of principal and interest on, and the proceeds of sale or other disposition of Notes, by a US paying agent or other US intermediary will be reported to the Internal Revenue Service and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain US Holders are not subject to backup withholding. US Holders should consult their tax advisors about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain “specified foreign financial assets”.



## **Certain Turkish Tax Considerations**

The following discussion is a summary of certain Turkish tax considerations relating to an investment by resident or non-resident individuals or corporations of Turkey in Notes of a Turkish company issued abroad. References to “resident” in this section refer to tax residents of Turkey and references to “non-resident” in this section refer to persons who are not tax residents of Turkey.

The discussion is based upon current law and is for general information only. The discussion below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership or disposition of the Notes that may be relevant to a decision to make an investment in the Notes. Furthermore, the discussion only relates to the investment by a person in the Notes where the Notes will not be held in connection with the conduct of a trade or business through a permanent establishment in Turkey. Each investor should consult its own tax advisors concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, possibly with a retroactive effect. In addition, it does not describe any tax consequences: (a) arising under the laws of any taxing jurisdiction other than Turkey or (b) applicable to a resident of Turkey or a permanent establishment in Turkey that is constituted either by the existence of a fixed place of business or appointment of a permanent representative.

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 worldwide income, whereas a non-resident legal entity is only liable for Turkish taxes on its trading income made through a permanent establishment or on income otherwise sourced in Turkey.

An individual is a resident of Turkey if such individual has established domicile in Turkey or stays in Turkey more than six months in a calendar year. On the other hand, foreign individuals who stay in Turkey for six months or more for a specific job or business or particular purposes that are specified in the Turkish Income Tax Law might not be treated as a resident of Turkey depending upon the characteristics of their stay. A resident individual is liable for Turkish taxes on his or her worldwide income, whereas a non-resident individual is only liable for Turkish tax on income sourced in Turkey.

Income from capital investment is sourced in Turkey when the principal is invested in Turkey. Capital gain derived from trading income is considered sourced in Turkey when the activity or transaction generating such income is performed or accounted for in Turkey. The term “accounted for” means that a payment is made in Turkey or, if the payment is made abroad, it is recorded in the books in Turkey or apportioned from the profits of the payer or the person on whose behalf the payment is made in Turkey.

Any withholding tax levied on income derived by a non-resident person is the final tax for the non-resident person and no further declaration is required. Any other income of a non-resident person sourced in Turkey that has not been subject to withholding tax will be subject to taxation through declaration where exemptions are reserved.

Interest paid on notes (such as the Notes) issued abroad by Turkish corporations is subject to withholding tax. Through the Tax Decrees, the withholding tax rates are set according to the original maturity of notes issued abroad as follows:

- 7% withholding tax for notes with an original maturity of less than one year;
- 3% withholding tax for notes with an original maturity of at least one year and less than three years; and
- 0% withholding tax for notes with an original maturity of three years and more.

Such withholding tax is the final tax for a non-resident person and no further declaration is required.

Under current Turkish laws and regulations, the general rate of local withholding tax applicable to interest payments on debt instruments such as notes and lease certificates is 10%, and for the notes issued abroad by a Turkey-resident corporation interest payments will be subject to withholding tax at a reduced rate between 7% and 0% (inclusive) in Turkey depending on maturity, as detailed above. The Turkish legislation setting out the maturity-based withholding tax regime applicable to debt instruments refers to income on the debt instruments issued by resident corporations and does not make any specific reference to debt instruments issued by Metropolitan Municipalities in Turkey. While the position relating to the withholding tax treatment of Metropolitan Municipalities is not specifically addressed, given the novelty of the transaction, we believe that a conventional interpretation of the legislation in this context should be that the withholding tax treatment of the Notes is, in essence, not any different from that for a debt instrument issued by a resident corporation such as a municipality-owned commercial enterprise.

Interest income derived by a resident corporation or individual is subject to further declaration and the withholding tax paid can be offset from the tax calculated on the tax return. For resident individuals, the entire gain is required to be declared if the interest income derived exceeds TL 40,000 for 2020 together with the gains from other marketable securities and income from immovable property that were subjected to withholding. For resident corporations, the total interest income is subject to declaration.

In general, capital gains are not taxed through withholding tax and therefore any capital gain sourced in Turkey with respect to the Notes may be subject to declaration; however, pursuant to Temporary Article 67 of the Turkish Income Tax Law, as amended by laws number 6111 and 6555, special or separate tax returns will not be submitted for capital gains from the notes of a Turkish corporation issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on non-resident persons on capital gains from the Notes and no declaration is required.

A non-resident holder will not be liable for Turkish estate, inheritance or similar tax with respect to its investment in the Notes, nor will it be liable for any Turkish stamp issue, registration or similar tax or duty relating thereto.

Capital gains realised by a resident corporation or individual on the sale or redemption of the Notes (or beneficial interests therein) are subject to income tax or corporate tax declaration. Provisional Article 10 of the Corporate Tax Law (introduced with the amendment dated 28 November 2017) states that corporate tax will be levied at the rate of 22% for the accounting periods of 2019 and 2020. The current rate for individuals ranges from 15% to 40% at progressive rates. For resident individuals, the acquisition cost can be increased at the Producer Price Index's rate of increase for each month except for the month of discharge, so long as such index increased by at least 10%.

### **Reduced Withholding Tax Rates**

Under current Turkish laws and regulations, the general rate of withholding tax applicable to interest payments on notes is 10%, and for notes issued abroad by a Turkey-resident corporation will be subject to withholding tax at a rate between 7% and 0% (inclusive) in Turkey, as detailed above.

If a double taxation treaty is in effect between Turkey and the country of which the holder of the notes is an income tax resident (in some cases, for example, pursuant to the treaties with the United Kingdom and the United States, the term "beneficial owner" is used) that provides for the application of a lower withholding tax rate than the local rate to be applied by the issuer corporation, then the lower rate may be applicable. For the application of withholding at a reduced rate that benefits from the provisions of a double tax treaty concluded between Turkey and the country in which the investor is an income tax resident, an original copy of the certificate of residence signed by the competent authority referred to in Article 3 of the Treaty is required, together with a translated copy translated by a translation office, to verify that the investor is subject to taxation

over its worldwide gains in the relevant country on the basis of resident taxpayer status, as a resident of the relevant jurisdiction to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding. In the event that the certificate of residence is not delivered prior to the application of withholding tax, then upon the subsequent delivery of the certificate of residence, a refund of the excess tax shall be granted pursuant to the provisions of the relevant double taxation treaty and the Turkish tax legislation.

### **Value Added Tax**

Note issuances and interest payments on the bonds are exempt from the Value Added Tax pursuant to Article 17/4(g) of the Value Added Tax Law No. 3065, as amended pursuant to the Turkish Tax Bill Regarding Improvement of the Investment Environment (Law No. 6728), published in the Official Gazette dated 9 August 2016 and numbered 29796.

## SUBSCRIPTION AND SALE

The Issuer intends to offer the Notes through the Joint Bookrunners and their broker-dealer affiliates, as applicable, named below. Subject to the terms and conditions stated in a subscription agreement dated 7 December 2020 among the Managers and the Issuer (the “Subscription Agreement”), each of the Managers has severally agreed to purchase, and the Issuer has agreed to sell to each of the Managers, the principal amount of the Notes set forth opposite each Manager’s name below:

	<b>Principal amount of the Notes</b>
	<i>(US\$)</i>
<b>Manager</b>	
BNP Paribas .....	US\$144,950,000
ING Bank N.V. ....	US\$200,000
J.P. Morgan Securities plc.....	US\$144,950,000
Nomura International plc .....	US\$144,950,000
Société Générale .....	US\$144,950,000
<b>Total</b> .....	<b>US\$580,000,000</b>

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

The Issuer has been informed that the Joint Bookrunners propose to resell beneficial interests in the Notes at the offering price set forth on the cover page of this Offering Circular within the United States to persons reasonably believed to be QIBs in reliance upon Rule 144A, and to persons outside the United States in reliance upon Regulation S. See “*Transfer Restrictions*”. The prices at which beneficial interests in the Notes are offered may be changed at any time without notice.

Offers and sales of the Notes in the United States will be made by those Joint Bookrunners or their affiliates that are registered US broker-dealers under the Exchange Act, or in accordance with Rule 15a-6 thereunder.

The Notes will constitute a new class of securities of the Issuer with no established trading market. The Issuer cannot provide any assurances to investors that the prices at which the Notes (or beneficial interests therein) will sell in the market after this Offering will not be lower than the initial offering price or that an active trading market for such Notes will develop and continue after this Offering. The Joint Bookrunners have advised the Issuer that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. Applications have been made to admit the Notes to listing on the Official List and to have the Notes admitted to trading on the London Stock Exchange’s regulated market; however, no assurance can be given that such applications will be accepted. Accordingly, the Issuer cannot provide any assurances to investors as to the liquidity of or the trading market for the Notes.

In connection with the Offering, one or more Joint Bookrunner(s) may purchase and sell Notes (or beneficial interests therein) in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilisation transactions. Over-allotment involves the sale of Notes (or beneficial interests

therein) in excess of the principal amount of Notes to be purchased by the Joint Bookrunners in this Offering, which creates a short position for the Joint Bookrunners. Covering transactions involve the purchase of the Notes (or beneficial interests therein) in the open market after the distribution has been completed in order to cover short positions. Stabilisation transactions consist of certain bids or purchases of Notes (or beneficial interests therein) made for the purpose of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein) while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein). They may also cause the price of the Notes (or beneficial interests therein) to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Joint Bookrunners may conduct these transactions in the over-the-counter market or otherwise. If the Joint Bookrunners commence any of these transactions, they may discontinue them at any time.

The Issuer expects that delivery of interests in the Notes will be made against payment therefor on the Issue Date specified on the cover page of this Offering Circular, which will be the fifth Business Day following the date of pricing of the Notes (this settlement cycle being referred to as “T+5”). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two New York business days, unless the parties to any such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in the Notes on the date of pricing of the Notes or the next New York business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Investors in the Notes who wish to trade interests in the Notes on the date of pricing of the Notes or the next New York business day should consult their own advisor.

The Managers (including the Development Finance Structuring Agent) and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Managers or their respective affiliates may have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they may have received fees, expenses, reimbursements and/or other compensation. The Managers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Issuer and its affiliates in the ordinary course of their business. Each of the Managers and/or their respective affiliates have acted and expect in the future to act as a lender to the Issuer and/or its subsidiaries and/or otherwise participate in transactions with the Issuer and/or its subsidiaries.

In the ordinary course of their various business activities, the Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and/or instruments of the Issuer or the Issuer’s affiliates. In addition, certain of the Managers and/or their respective affiliates hedge their credit exposure to the Issuer pursuant to their customary risk management policies. These hedging activities could have an adverse effect on the future trading prices of the Notes offered hereby. The Managers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Issuer has agreed to indemnify each Manager against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Managers may be required to make because of those liabilities.

## SELLING RESTRICTIONS

### General

No action has been taken by the Issuer or any of the Managers that would, or is intended to, permit a public offer of the Notes, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

### United States

The Notes have not been, and will not be, registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See “*Transfer Restrictions*”.

The Notes are being offered and sold only (i) to “qualified institutional buyers” as defined in Rule 144A and (ii) outside the United States in offshore transactions in reliance upon an exemption from the registration requirements under the Securities Act pursuant to Regulation S. Offers and sales of the Notes in reliance on Rule 144A will be made only by broker-dealers who are registered as such under the Exchange Act.

In respect of sales outside the United States pursuant to Regulation S, each of the Managers represents, warrants and agrees that, except for sales described herein:

- (a) it has not offered or sold, and will not offer or sell, the Notes as part of their distribution at any time within the United States other than in reliance on Rule 144A;
- (b) no directed selling efforts within the meaning of Regulation S will be used in connection with the offering or sale of the Notes.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Terms used in this paragraph and not otherwise defined in this Offering Circular have the meanings given to them in Regulation S.

### Turkey

The Offering of the Notes has been authorised by the CMB on 22 October 2020 in its letter dated 23 October 2020 and numbered E-29833736-105.02.02-10744 through the approval of the issuance certificate (*ihrac belgesi*) only for the purpose of the sale of the Notes outside Turkey in accordance with Article 11 and by reference, Article 6 and Article 32 of the Capital Markets Law. The Notes (or beneficial interests therein) have to be offered or sold outside Turkey and the CMB has approved the issuance certificate (*ihrac belgesi*); provided that, following the primary sale of the notes, no transaction that may be deemed as a sale of the Notes (or beneficial interests therein) in Turkey by way of private placement or public offering may be engaged in. Pursuant to Article 15(d)(ii) of Decree 32, there is no restriction on the purchase or sale of the Notes (or beneficial interests therein) in offshore transactions on an unsolicited basis by residents of Turkey; provided that such sale or purchase is made through banks authorised by the BRSA and/or licensed brokerage institutions

authorised pursuant to CMB regulations and the purchase price of the notes is transferred abroad through such licensed banks. The issue of the Notes and the issuance certificate relating to the Notes were approved by the CMB on 22 October 2020 and the written approval of the CMB relating to the issue of the Notes (which may be in the form of a tranche issuance certificate (*tertip ihraç belgesi*) is expected to be obtained from the CMB on or before the issue date.

The Managers have agreed that neither they, nor any of their respective affiliates, nor any person acting on behalf of any of the Managers or any of their respective affiliates, have engaged or will engage in any directed selling efforts within Turkey in connection with the Notes. The Managers have further agreed that neither they nor any of their respective affiliates, nor any person acting on behalf of any of the Managers or any of their respective affiliates (i) have engaged or will engage in any form of general solicitation or general advertising in connection with any offer and sale of the Notes in Turkey, or (ii) will make any disclosure in Turkey in relation to the issuer, the Notes or the Offering Circular without the prior consent of the Issuer, save as may be required by applicable law, court order or regulation.

### **United Kingdom**

Each Manager has represented, warranted and agreed that it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000, as amended (the “FSMA”) with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Manager has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates (excluding the Dubai International Financial Centre) other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

### **Dubai International Financial Centre**

Each Manager has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

- (i) an “Exempt Offer” in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (the “DFSA”) rulebook; and
- (ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

### **State of Qatar (including the Qatar Financial Centre)**

Each Manager has represented and agreed that it has not offered, sold or delivered and will not offer, deliver or sell at any time, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre) (“Qatar”), except:

- (i) in compliance with all applicable laws and regulations of Qatar; and
- (ii) 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 Qatar.

This Offering Circular (i) has not been, and will not be, registered with or reviewed or approved by the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre

Regulatory Authority and may not be publicly distributed in Qatar; (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 Qatar and may not be reproduced or used for any other purpose.

## **Republic of Italy**

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian securities legislation and, accordingly, each Manager has represented and agreed that no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any application provision of Legislative Decree No. 58 of 24 February 1998, as amended (the “Italian Financial Services Act”), and Italian CONSOB Regulations; or
- (ii) in other circumstances that are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must:

- (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “Italian Banking Act”); and
- (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

## **Switzerland**

Each Manager has acknowledged that, in Switzerland, this Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes. Accordingly, each of the Managers has represented and agreed that:

- (i) the Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act dated 15 June 2018 (the “FinSA”) and no application has or will be made to admit to the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland;
- (ii) neither this Offering Circular nor any other offering or marketing material relating to any Notes constitutes a prospectus as such term is understood pursuant to the FinSA; and
- (iii) neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.



## **Hong Kong**

Each Manager has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under that Ordinance; or (b) 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 “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## **Canada**

Each Manager represents and agrees that it has offered and sold and will offer and sell the Notes only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

## **Singapore**

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes 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 Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, 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 of Singapore) as amended, (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, and 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 the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person that 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 derivative 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 Notes pursuant to an offer under Section 275 of the SFA, except:

- (i) to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, 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 of Singapore.

## TRANSFER RESTRICTIONS

Because the following restrictions will apply with respect to the Notes, purchasers of the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes. References to Notes in this section should, as appropriate, be deemed to refer to the Notes themselves and/or beneficial interests therein.

According to Article 15d(ii) of Decree 32 regarding the Protection of the Value of the Turkish Currency, residents of Turkey will be free to purchase and sell securities and other capital market instruments (or beneficial interests therein) in offshore transactions on an unsolicited basis, provided that such sale and purchase is made through banks authorised by the BRSA and/or licensed brokerage institutions authorised pursuant to CMB regulations and the purchase price is transferred through such licensed banks. As such, Turkish residents should use banks or licensed brokerage institutions when purchasing Notes (or beneficial interests therein) and transfer the purchase price through banks. However, the Notes cannot be offered or sold in Turkey as the issuance is approved by the CMB with the condition that the Notes are offered and sold outside Turkey and, following the primary sale of the Notes, no transaction that may be deemed as a sale of the Notes (or beneficial interests therein) in Turkey by way of private placement or public offering may be engaged in.

The Issuer has not registered the Notes under the Securities Act or the laws of any state securities commission and, therefore, the Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (1) to QIBs, in reliance upon Rule 144A and (2) outside the United States in reliance upon Regulation S.

By its purchase of Notes, each purchaser of Notes within the United States will be deemed to have acknowledged, represented and agreed with the Managers and the Issuer as follows:

1. That the Notes have not been and will not be registered under the Securities Act or any other applicable securities law and that the Notes are being offered in transactions not requiring registration under the Securities Act or any other securities law, including sales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, or pursuant to an exemption therefrom or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.
2. It is not an “affiliate” (as defined in Rule 144 under the Securities Act) of the Issuer and it is not acting on the Issuer’s or their behalf and it is either (i) a QIB and is aware that any sale of Notes to it may be made in reliance on Rule 144A and such acquisition will be for its own account or for the account of another QIB or (ii) located outside the United States and purchasing Notes in an offshore transaction in accordance with Rule 903 or 904 of Regulation S.
3. That none of the Issuer, the Managers or any person representing the Issuer or the Managers has made any representation to it with respect to the Issuer or the offer or sale of any of the Notes, other than the information contained in this Offering Circular, which has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that the Managers make no representation or warranty as to the accuracy or completeness of this Offering Circular. It has had access to such financial and other information concerning the Issuer and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from the Issuer.
4. If it is a purchaser of the Rule 144A Notes, it is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not

with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act. It agrees on its own behalf and on behalf of any investor account for which it is purchasing Notes, and each subsequent holder of the Notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such Notes prior to (x), the date which is one year (or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereunder) after the later of the date of the original issue of the Notes and the last date on which the Issuer or any affiliate of the Issuer was the owner of such Notes (or any predecessor thereto), or (y), such later date, if any, as may be required by applicable law (the “Resale Restriction Termination Date”), only (a) to the Issuer, (b) pursuant to a registration statement which has been declared effective under the Securities Act, (c) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that purchases for its own account or for the account of another QIB to whom it gives notice that the transfer is being made in reliance on Rule 144A, (d) in an offshore transaction in compliance with Rule 903 or 904 of Regulation S, or (e) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. It acknowledges that the Issuer reserves the right prior to any offer, sale or other transfer of the Notes pursuant to clause (d) or (e) above, to require the delivery of an opinion of counsel, certifications and/or other information reasonably satisfactory to the Issuer.

5. Each Rule 144A Note will contain a legend substantially in the following form:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE HOLDER OF THIS NOTE (OR OF A BENEFICIAL INTEREST IN HEREIN) BY ITS ACCEPTANCE HEREOF: (a) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (b) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED THIS NOTE (OR OF A BENEFICIAL INTEREST IN HEREIN) THAT IT WILL NOT PRIOR TO: (i), THE DATE THAT IS ONE YEAR (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF THIS NOTE (OR OF ANY PREDECESSOR OF THIS NOTE) OR THE LAST DAY ON WHICH THE ISSUER OR ANY “AFFILIATE” (AS DEFINED IN RULE 144) OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE), OR (ii) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE “RESALE RESTRICTION TERMINATION DATE”), OFFER, SELL OR OTHERWISE TRANSFER THIS NOTE (OR A BENEFICIAL INTEREST HEREIN) EXCEPT: (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING

MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN COMPLIANCE WITH THE RELEVANT SECURITIES LAWS OF ANY OTHER JURISDICTION, AND (c) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE (OR OF A BENEFICIAL INTEREST IN HEREIN) IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; PROVIDED THAT THE ISSUER SHALL HAVE THE RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) OR (E) ABOVE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION REASONABLY SATISFACTORY TO THE ISSUER. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER HEREOF AFTER THE RESALE RESTRICTION TERMINATION DATE. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION” AND “UNITED STATES” HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

6. Each Regulation S Note will contain a legend substantially in the following form:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR OTHER SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION UNLESS THE TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

That the Registrar will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set forth herein have been complied with.

7. That:

- (a) the Issuer, the Managers and others will rely upon the truth and accuracy of such investor’s acknowledgements, representations and agreements set forth herein and such investor agrees (or will be deemed to agree) that if any of its acknowledgements, representations or agreements herein cease to be accurate and complete, it will notify the Issuer and the Managers promptly in writing; and
- (b) if such investor is acquiring any Notes as fiduciary or agent for one or more investor accounts, such investor represents with respect to each such account that:
  - (i) such investor has sole investment discretion; and
  - (ii) such investor has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account and that each such investment account is eligible to purchase the Notes.

8. That it will give to each person to whom it transfers the Notes notice of any restrictions on the transfer of the Notes.
9. That no action has been taken in any jurisdiction (including the United States) by the Issuer or the Managers that would permit a public offering of the Notes or the possession, circulation or distribution

of this Offering Circular or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under this “*Transfer Restrictions*” section and “*Selling Restrictions*”.

10. It understands that the Notes offered in reliance on Rule 144A will be represented by the Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

## **LEGAL MATTERS**

Certain matters as to United States federal law will be passed upon for the Issuer by Linklaters LLP and certain matters as to Turkish law (including tax law matters) will be passed upon for the Issuer by Paksoy Ortak Avukat Bürosu. Certain matters as to English and United States federal law will be passed upon for the Managers by Allen & Overy LLP, and certain matters as to Turkish law will be passed upon for the Managers by Gedik Eraksoy Avukatlık Ortaklığı.

## **OFFICIAL STATEMENTS**

Information contained herein that is identified as being derived from a publication of the Municipality or one of its agencies or instrumentalities is included herein on the authority of such publication as an official public document of the Municipality. All other information contained herein is included as an official public statement made on the authority of the public officials of the Municipality.



## **GENERAL INFORMATION**

### **Authorisation**

The Issuer has obtained all necessary consents, approvals and authorisations in connection with, as applicable, the issue and performance of the Notes. The issue of the Notes was duly authorised by the CMB on 22 October 2020 in its letter dated 23 October 2020 and numbered E-29833736-105.02.02-10744.

### **Listing**

Application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the notes to be admitted to trading on its regulated market, however, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to the Official List and to trading on the London Stock Exchange's regulated market will be granted on or about 10 December 2020, subject only to the issue of the Notes.

The estimated total expenses related to the admission of the Notes to trading on the London Stock Exchange's regulated market are £5,515.

### **Clearing Systems**

The Regulation S Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. Application has been made for acceptance of the Rule 144A Notes into DTC's book-entry settlement system.

The ISIN for the Regulation S Notes is XS2010029234 and for the Rule 144A Notes is US46522TAA60. The Common Code for the Regulation S Notes is 201002923 and for the Rule 144A Notes is 201002907. The CUSIP number for the Rule 144A Notes is 46522TAA6.

### **No significant change**

There has been no significant change in the tax and budgetary systems, gross public debt, financial position and resources, and income and expenditure figures of the Issuer since 31 December 2019.

### **Litigation**

The Issuer is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Offering Circular which may have, or have had in the recent past, significant effects on the Issuer's financial position.

### **Auditing procedures**

External audits for the financial activities, decisions and procedures of the Municipality is made by the Court of Accounts on matters of regularity and performance pursuant to the Court of Accounts Law no 6085 and Court of Accounts Audit Regulation.

Regularity audits consist of (i) a "financial audit" with regard to the reliability and accuracy of accounts and transactions of the Municipality, as well as its financial reports and statements, and (ii) a "compliance audit" to identify whether the accounts and procedures regarding the revenues, expenses and goods of the Municipality comply with applicable laws and other legal regulations. Moreover, internal control systems are evaluated with

the financial management of the Municipality. Performance audits measure the Municipality's results in comparison to the objectives and indicators determined by its administrations as a measure of accountability.

Based on the results of these audits and examinations, the heads of audit groups or auditors prepare a draft audit report and present it to the head of the audited organisation for review and response. The draft report is evaluated together with the responses provided by the organisation and a final audit report, which also contains an audit opinion, is produced. The report is then published on the website of the Court of Accounts. Audit reports are produced on an annual basis

## **Documents**

From the date of this Offering Circular and for 12 months following its publication, copies of the following documents will be available for inspection at <https://www.ibb.istanbul/en>:

- the Deed of Covenant;
- the Agency Agreement;
- a copy of this Offering Circular;
- a copy of the annual budget of the Issuer for the current fiscal year; and
- a copy of the financial statements and accompanying auditors' report of the Issuer for the previous two fiscal years.

## **Language**

The language of this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

## **Post-issuance information**

Except as may be required under Rule 144A(d)(4), the Issuer does not intend to provide any post-issuance information in relation to this issue of Notes.

## **Third-Party Information**

Where information in this Offering Circular has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

## **Interested Persons**

No person involved in the offering of the Notes has any interest in such offering which is material to such offering.

## **Yield**

The initial yield in relation to the Notes is 6.600% calculated on an annual basis. The yield is calculated on the Issue Date on the basis of the Issue Price and is not an indication of future yield.

**Redemption Basis**

Subject to any purchase and cancellation or early redemption, the Notes will be finally redeemed at 100% of their principal amount.

**Validity of Offering Circular**

For the avoidance of doubt, the Issuer shall have no obligation to supplement this Offering Circular after the end of the offer or admission to trading of the Notes.

**THE ISSUER**

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