

OVER-THE-COUNTER DERIVATIVE INSTRUMENT TRADES RISK NOTIFICATION FORM

I. IMPORTANT NOTICE

As a result of your over the counter derivative trades, you may not only gain profit but you have also the risk of loss. Therefore, before deciding to trade in over the counter markets, you should understand the risks which you may encounter, and consider your financial condition and limits.

For this purpose, you should read and understand the Over-The-Counter Derivative Instrument Trades Risk Notification Form, pursuant to the second paragraph of article 25 of the Communiqué No. III-39.1 on Principles Governing the Establishment and Activities of Investment Firms.

II. WARNING

Before starting to trade, please make sure that the investment firm with whom you are intending to work has the licence for your intended investment services and activities. You may learn certified investment firms for on capital market transactions from the websites of www.spk.gov.tr and www.tspb.org.tr.

III. GENERAL INFORMATION

OTC derivative instrument trades are trades in OTC derivative instruments, executed outside exchanges and other organized markets, where the terms of trade are determined according to the needs of the transacting parties and as a result of the mutual negotiations.

Before trading in OTC derivative instrument markets, you are recommended to determine the OTC derivative products and the terms of transaction which are

suitable for your needs, and identify associated risks and make your investment decisions accordingly.

The differences between the derivative transactions in OTC and organized markets are laid down in the following non-exhaustive list, in order to better facilitate the understanding of the special risks associated with the over the counter derivative instrument transactions:

(i) Since the over the counter derivative instruments are not subject to the rules of organized markets, they do not have standard qualifications like the derivative instruments in organized market, and they may be structured according to the parties' needs. Therefore, contract terms such as maturity date and price may differ for each investor.

(ii) Unlike the derivative instruments in organized market, OTC derivative instruments involve counterparty risk, and in principle they are not subject to any institution guaranteeing the clearance.

(iii) While derivative instruments traded on organized markets may be transferred to third parties, the rights and liabilities under OTC derivative instrument trades cannot be transferred to third parties in principle. In other words, there is no liquid secondary market for OTC derivative instrument trades. Termination of OTC trades before maturity is subject to agreement of the parties and the terms and conditions set forth in the trade instruction forms containing the trade-specific provisions.

(iv) While derivative instruments at or

ganized markets are generally cleared through cash settlement, OTC derivative instrument trades may be cleared through physical or cash settlement depending on the agreement between the parties.

General information on some OTC derivative instruments includes, but are not limited to, the following.

Forward Transactions

1. Forward transactions are trades that oblige the trading parties to buy and sell a certain amount and quality of underlying asset, on a certain maturity, at a predetermined price/ratio/exchange rate.
2. If the market price at maturity is higher than the benchmark market price specified by the Parties in the trade instruction form, then the party buying the underlying asset will profit, and if the market price at maturity is lower than the benchmark market price, then the party buying the underlying asset will lose as the mutual performances will be at the price specified in the trade instruction form. There is no limit as to maximum loss of the parties buying and selling forward.
3. In determination of the forward price, the spot price of the underlying asset is increased by costs such as the risk premium and costs of carrying position.

Option Trades

1. Options are trades that give the option buyer the right to buy or sell the underlying asset on or until a certain maturity, at a predetermined price (exercise price), or to collect in cash, in consideration of the option premium paid, and obliges the option seller with the same.
2. Options either give the option buyer the right to buy or sell, depending on the type of the option. While call option gives the

option buyer the right to buy the underlying asset at a predetermined price, on or until a certain date, put option gives the option buyer the right to sell the underlying asset at a predetermined price, on or until a certain date. The right to buy or sell, arising from the option, may be exercised through physical or cash settlement.

3. Where the option buyer deems the exercise of the option right unprofitable, option buyer can limit its loss arising from the option trade with the option premium paid, by not exercising the option right.
4. Option seller's loss on the trade varies according to the market price of the underlying asset on maturity, and there is no upper limit for such loss.
5. In determination of the option premium price, a variety of factors such as underlying asset's spot price, exercise price, number of days to maturity date, underlying asset's volatility, and the returns of the underlying asset other than capital gain if any, interest rate, currency exchange rates, market structure and trade costs are taken into consideration.

Conditional Option Trades

1. As over the counter options can be structured according to trading parties' needs, trading parties may prefer exotic option types which are structured more complicated than regular option types.
2. Conditional options are a subset of exotic options, and are option contracts which give the option buyer the right to exercise the option, depending on occurrence or non-occurrence of particular conditions.
3. In conditional options, in order to require the option seller to fulfil its obligation, the option buyer must have paid the option premium on the option premium payment date, and the conditions

agreed-upon by the parties in the trade instruction form must have occurred as of the observation time(s) on the observation date(s).

4. As conditional option is a type of options, pricing is done according to similar principles.

Swaps

1. Swaps are forward trades where the parties swap the underlying asset amount with the counter underlying asset amount, at the initial valour date, interim calculation date(s) and ending value date respectively, or settle in cash, according to the conditions stated in the trade instruction form.

2. In pricing of swaps, a variety of factors such as spot price of the underlying and counter underlying asset, trade duration, volatility of the underlying and counter underlying asset, interest rate, currency exchange rates, market structure and trade costs are taken into consideration.

IV. INFORMATION ON SECONDARY MARKET

There is no liquid secondary market for over the counter derivative instruments. However, it may be possible to take opposite position against the existing positions, under certain conditions, if stipulated under the agreement executed with the investment institution.

V. RISK NOTIFICATION

Some of the risks associated with the over the counter derivative instrument transactions are set forth in the following, in addition to those specified in the Capital Market Activities Framework Agreement General Terms and Conditions ("Framework Agreement") executed between you and the investment firm and the Invest-

ment Services and Activities General Risk Notification Form attached thereto:

1. The account to be opened with İŞ INVESTMENT and all over the counter derivative instrument transactions to be executed in such account are subject to all legislation issued by the Capital Markets Board ("Board") and similar regulations.

2. OTC derivative instrument trades are executed on the basis of mutual negotiation according to the needs of the trading parties, and involve counterparty risk due to the possibility of parties' failure to fulfil their liabilities. Even though agreements for netting and clearance of over the counter transactions can be executed, due to lack of a central counterparty in OTC markets under the applicable legislation, such agreements provides no guarantee or protection to the parties for performance of the transactions. Thus, before executing a trade, you need to assess your counterparty investment institution's ability to fulfil its obligation under the transaction.

3. OTC derivative instrument trades involve liquidity risk depending on the type of the underlying asset and the number of days to maturity. As there is no secondary market for OTC derivative instruments, and it may not be possible to close a transaction with an opposite transaction in some cases, liquidity risk is higher than other capital market instruments. Due to fluctuations in the market, your investment may fail to yield the anticipated profit, and may even result in substantial losses.

4. The transactions executed with the investment institutions must be considered as the transactions executed with third parties, and the investment institutions should not be considered as consultants in or guarantors of such transactions. Thus, it would be appropriate to obtain consultancy service during negotiation of the

agreements to be executed with the investment institutions and before entering into a transaction, where you need so.

5. OTC derivative instrument trades are structured according to the idiosyncratic needs of the trading parties with different features. In this context, before deciding to invest, you are recommended to carefully assess the OTC derivative instruments that you intend to trade in, and their suitability for your needs, and the risk elements involved, etc., and obtain professional assistance, where you need so.

6. Before executing an OTC derivative instrument trade and during the term of the trade, it is in total responsibility of the trading parties to assess and monitor the market risk. Neither the institutions intermediating the trades, nor the trading parties are obliged or required to inform the investor or the other trading party on market or price movements.

7. In OTC derivative instrument trades, you may not only gain profit but you may also incur loss. In case of any development unexpected by you, in market conditions, cross exchange rates, prices, exchange and interest rates and other elements of the trade or the product, you may lose your entire margin amount deposited, and your loss may even exceed the margin amount, depending on the type of your trade.

8. As OTC derivative instrument trades are structured according to the personal needs, and there are restrictions as to conclusion of the transactions or transfer of the transactions to any other party, it may be impossible to liquidate an over-the-counter derivative trade at the initial price or at any price.

9. As described under the topic “Conflict of Interest” below, in cases where the investment institution executes your order as counterparty, the investment institu-

tion may profit while you lose. In such cases, you should be aware of the conflict of interest between you and the investment institution.

10. OTC derivative instrument trades may be subject to early termination and/or the underlying asset of the transaction may be replaced with a substitute asset/value, under the agreements to be executed with the investment institution. It is suggested that you review and negotiate where you found necessary, the terms of the agreement that you intend to execute with the investment institution.

11. You should be aware that trades in foreign currencies involve currency risk in addition to the risks described above, and there may be loss of value in different currencies due to fluctuations in exchange rates, and governments may restrict foreign capital and currency movements, and impose additional and/or new taxes, and trades may fail to be executed timely.

12. In OTC derivative instrument trades, the investment institution may require initial and maintenance margin on trade and/or account basis, and make margin call during the trade, depending on the type of your intended trade.

13. In principle, OTC derivative instrument trades cannot be transferred to third parties.

14. OTC derivative instrument trades will be subject to the terms and conditions stated in the agreement that you will execute with the investment institution and in the trade instruction form to be issued for each trade. It is very important that you carefully assess the provisions of the agreement before you execute, and the agreed terms of trade before entering into a transaction.

VI. OTHER RISKS

This OTC Derivative Instrument Trades Risk Notification Form intends to inform you in general on the risks associated with the product and markets subject to the form, and may not cover all the risks that may arise from OTC derivative instrument trades which may be structured in various ways according to varying needs and the risks arising from practice. Consequently, before deciding to invest, you are recommended to make a careful research on the markets and products that you intend to trade, and to obtain professional assistance.

VII. CONFLICT OF INTEREST

In OTC derivative instrument trades, the investment institution that you give order may execute your orders on its own account as counterparty of the trade, subject to having the necessary licence (portfolio brokerage method); or execute it on behalf and account of you, or on behalf of the itself but on your account, through another licensed investment institution (trade brokerage method). In case of portfolio brokerage method, investment institution takes a position as your counterparty, and due to nature of the service or product offered, your loss may result in the investment institution's profit. In OTC derivative instrument trades, portfolio brokerage method is used in general, and you should be aware of the conflict of interest between you and the investment institution in such cases.

VIII. PRICING, COMMISSIONS, FEES AND TAXES

1. Basic factors considered in pricing of OTC derivative instrument trades are specified for each trade type under the "General Information" section above. Pricing will be done by the investment institution for each trade, and submitted to your approval before the trade. Trades will be executed at the prices agreed-upon between the Parties in the trade instruction form.

2. In principle, no fixed fee or commission is charged in OTC derivative trades executed with portfolio brokerage method. However, your trades will be subject to taxation at rates specified in the relevant legislation. Before starting to trade, you will be informed on the tax amounts or rates, and fees and commissions if any applicable to your trades, upon your request.

I have read and understood the *OTC Derivative Instrument Trades Risk Notification Form* above, before starting OTC derivative instrument trades, and I have received a copy of this *OTC Derivative Instrument Trades Risk Notification Form*.

INVESTOR

Please write “I have read, acknowledged,
and received” with your handwriting,
and sign in the box below.

Account No:

Date:

Name, Surname/Title:

E-Mail:

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