



QNB FINANSBANK A.Ş.
US\$5,000,000,000
Global Medium Term Note Programme

This supplement (this "*Supplement*") is supplemental to, and must be read in conjunction with, the Base Prospectus dated 26 April 2018 (the "*Original Base Prospectus*" and, as supplemented on 29 May 2018, the "*Base Prospectus*") prepared by QNB Finansbank A.Ş. (the "*Issuer*" or the "*Bank*") under the Issuer's global medium term note programme. Capitalised terms used but not otherwise defined herein shall have the meaning ascribed thereto in the Base Prospectus.

This Supplement has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC as amended (the "*Prospectus Directive*"). The Central Bank of Ireland only approves this Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. This document constitutes a supplement for the purposes of Article 16 of the Prospectus Directive and has been prepared and published for the purposes of incorporating into the Base Prospectus the latest financial statements and updating the Base Prospectus with certain recent events in connection with the Issuer. As a result, certain modifications to the Base Prospectus are hereby being made.

A copy of each of: (a) the consolidated BRSA financial statements of the Group as of and for the six month period ended 30 June 2018 (including any notes thereto and the independent auditor's report thereon, the "*Group's New BRSA Financial Statements*") and (b) the unconsolidated BRSA financial statements of the Issuer as of and for the six month period ended 30 June 2018 (including any notes thereto and the independent auditor's report thereon) (with the Group's New BRSA Financial Statements, the "*New Financial Statements*") has been filed with the Central Bank of Ireland and the Irish Stock Exchange plc trading as Euronext Dublin and, by means of this Supplement, is incorporated by reference into, and forms part of, the Base Prospectus. Copies of each of the New Financial Statements can be obtained without charge from the registered office of the Issuer and from the Issuer's website at: <http://www.qnbfinansbank.com/en/investor-relations/financial-information/Default.aspx> (such website is not, and should not be deemed to constitute, a part of, or be incorporated into, this Supplement or the Base Prospectus). The New Financial Statements, which are in English, were prepared as convenience translations of the corresponding Turkish language financial statements (which translations the Issuer confirms were direct and accurate). The New Financial Statements were not prepared for the purpose of their incorporation by reference into the Base Prospectus.

The New Financial Statements were reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited) ("*Ernst & Young*") and Ernst & Young's review reports included within the New Financial Statements note that they applied limited procedures in accordance with professional standards for a review of such information and such reports state that they did not audit and they do not express an opinion on the interim financial information in the New Financial Statements.

Statements contained herein (or in the New Financial Statements incorporated by reference into the Base Prospectus by means of this Supplement) shall, to the extent applicable and whether expressly, by implication or otherwise, modify or supersede statements set out in, or previously incorporated by reference into, the Base Prospectus. Where there is any inconsistency between the information contained in (or incorporated by reference into) the Base Prospectus and the information contained herein (or incorporated by reference into the Base Prospectus by means of this Supplement), the information contained herein (or incorporated by reference into the Base Prospectus by means of this Supplement) shall prevail.

Except as disclosed herein (including in the New Financial Statements incorporated by reference into the Base Prospectus by means of this Supplement) and in the previous supplement to the Original Base Prospectus, there has been no: (a) significant new factor, material mistake or inaccuracy relating to the information included in the Original Base Prospectus since the publication of the Original Base Prospectus, (b) significant change in the financial or trading position of either the Group or the Issuer since 30 June 2018 and (c) material adverse change in the financial position or prospects of the Issuer since 31 December 2017.

The Issuer accepts responsibility for the information contained herein. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained herein is in accordance with the facts and contains no omission likely to affect the import of such information. None of the Dealers or the Arranger make any representation, express or implied, or accept any responsibility, for the contents hereof or any information incorporated by reference into the Base Prospectus by means of this Supplement.

AMENDMENTS

The following amendments are made to the Base Prospectus:

DISCLAIMER/LEGENDS

The following section is hereby included after the section titled “*Important – EEA Retail Investors*” on page vii of the Original Base Prospectus:

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

With respect to each issuance of Notes (or beneficial interests therein), the Issuer may make a determination about the classification of such Notes (or beneficial interests therein) for purposes of Section 309B(1)(a) of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”). The Final Terms in respect of any Notes may include a legend entitled “Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore” that will state the product classification of the applicable Notes (and, if applicable, beneficial interests therein) pursuant to Section 309B(1) of the SFA; *however*, unless otherwise stated in the applicable Final Terms, all Notes (or beneficial interests therein) shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) 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 MAS Notice FAA-N16: Notice on Recommendations on Investment Products). This notification or any such legend included on the relevant Final Terms will constitute notice to “relevant persons” for purposes of Section 309B(1)(c) of the SFA.

RISK FACTORS

The last sentence of the third paragraph of the risk factor titled “*Risks Related to Turkey - Political Developments*” on page 13 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

While the state of emergency was extended seven times for additional three month periods pursuant to Article 121 of the Turkish Constitution, it was lifted as of July 2018.

The following language is hereby included before the last sentence of the sixth paragraph of the risk factor titled “*Risks Related to Turkey - Political Developments*” on page 13 of the Original Base Prospectus:

In the presidential elections held on 24 June 2018, Recep Tayyip Erdoğan received approximately 53% of the votes and was re-elected as the President. In parliamentary elections held on the same day, the AKP, the President’s party, and the Nationalist Movement Party (*Milliyetçi Hareket Partisi*) (*MHP*), which has formed the “People’s Alliance” bloc with the AKP, together received sufficient votes to hold a majority of the seats in Parliament. As of 9 July 2018, the parliamentary system has been transformed into a presidential one and President Erdoğan now holds the additional powers granted to the President pursuant to the referendum held on 16 April 2017 as described above. On 9 July 2018, President Erdoğan announced the new ministers of his cabinet, which included the appointment of the former minister of Energy and Natural Resources and his son-in-law, Berat Albayrak, as the minister of Treasury and Finance. On 10 July 2018, President Erdoğan issued a decree empowering the President to appoint the chief of the Central Bank. As such, uncertainty in relation to the independence of the Central Bank and/or the Ministry of Treasury and Finance continues. See “Risks Related to the Group’s Business - Foreign Exchange and Currency Risk.” Uncertainty regarding the independence of the Central Bank and/or the Ministry of Treasury and Finance or any failure of the Central Bank and/or the Ministry of Treasury and Finance to implement effective policies might adversely affect the Turkish economy in general and could significantly impact investors’ perceptions of Turkey and its future macroeconomic conditions.

The following sentence is hereby included before the last sentence of the second paragraph of the risk factor titled “*Risks Related to Turkey – High Current Account Deficit*” on page 18 of the Original Base Prospectus:

In May and August 2018, as a response to the depreciation of the Turkish Lira, the Central Bank further reduced the upper limit of the foreign exchange maintenance facility within the Reserve Options Mechanism from 55% to 45% and then to 40% (*i.e.*, Turkish banks have the option to hold 40% of the Turkish Lira reserve requirements in foreign exchange, resulting in the possibility that the foreign exchange that was used for reserve purposes previously might be applied by Turkish banks to the purchase of Turkish Lira). In August 2018: (a) the Central Bank: (i) reduced its reserve requirement ratios for non-core foreign exchange liabilities by 400 basis points for up to (and including) three year maturities and (ii) suspended its weekly repo auction, thereby requiring banks to borrow at the 150 basis points-higher overnight rate, (b) the BRSA: (i) limited the swap and swap-like transactions (where the banks in Turkey pay Turkish Lira and receive foreign currency from their foreign counterparts at maturity) entered into between banks in Turkey and their foreign counterparts to 25% of the relevant Turkish bank’s regulatory capital, thereby reducing foreign counterparties’ access to Turkish Lira, and (ii) suspended mark-to-market

calculations of securities when determining a Turkish bank's capital adequacy ratios, which new rule effectively results in the securities portfolios to reflect the book values of the assets rather than their current market values, and (c) the Turkish government raised taxes on U.S. dollar deposits while waiving taxes on Turkish Lira deposits. According to the 2015 Capital Adequacy Regulation, as of 13 August 2018, banks will use the higher of the following foreign exchange rates while calculating their capital adequacy ratios instead of the then-current exchange rates: (i) the simple average of the Central Bank's foreign exchange buying rates for the last 252-working days or (ii) the foreign exchange rate that the relevant bank used in its financial statements as of and for the six month period ended 30 June 2018.

The following is hereby added at the end of the fourth sentence of the paragraph of the risk factor titled "*Risks Related to Turkey - Inflation Risk*" on page 19 of the Original Base Prospectus:

On 31 July 2018, the Central Bank raised its inflation forecast for the end of 2018 to 13.4% and for the end of 2019 to 9.3%. As of August 2018, the last 12 month consumer price inflation was 17.90% and the annual producer price inflation was 32.13%.

The following is hereby added at the end of the third paragraph of the risk factor title "*Risks Related to the Group's Business - Interest Rate Risk*" on page 26 of the Original Base Prospectus:

On 7 June 2018, the Central Bank's Monetary Policy Committee increased its one-week repo rate by 125 basis points to 17.75%, which move lifted the overnight lending rate and late liquidity window lending rate to 19.25% and 20.75%, respectively. In the week commencing 13 August 2018, the Central Bank ceased funding at the one-week repo rate and adopted the overnight borrowing rate as the main lending rate.

The second paragraph of the risk factor titled "*Risks Related to the Group's Business - Access to Capital*" on page 37 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

The Bank calculates its capital adequacy ratios according to the 2015 Capital Adequacy Regulation, which allows the Bank to use ratings of eligible external credit assessment institutions (namely Fitch, S&P, Moody's, Japan Credit Rating Agency, Ltd., DBRS Ratings Ltd. and, as of 12 January 2017, International Islamic Rating Agency) while calculating the risk-weighted assets for capital adequacy purposes. Turkey's sovereign debt rating was downgraded by S&P on 20 July 2016 followed by a downgrade by Moody's on 23 September 2016 to below investment-grade status, which also led to a downgrade of Turkish financial institutions, including the Bank. On 27 January 2017, S&P revised the outlook of Turkey from "stable" to "negative" and Fitch (whose ratings the Bank has been using to calculate its risk-weighted assets) downgraded Turkey's sovereign credit rating to sub-investment grade in line with the ratings of S&P and Moody's. On 9 March 2018, following the downgrade of the sovereign rating of Turkey to "Ba2" (outlook stable) from "Ba1" (outlook negative), Moody's downgraded the Bank's long-term foreign currency rating to "Ba2" from "Ba1." On 1 May 2018, S&P downgraded the sovereign rating of Turkey to "BB-" (with a stable outlook) from "BB" (with a negative outlook). On 13 July 2018, Turkey's long-term foreign currency issuer default rating was lowered to "BB" (outlook negative) from "BB+" (outlook negative). On 17 August 2018, S&P and Moody's downgraded Turkey's sovereign credit rating to "B+" and "Ba3" from "BB-" and "Ba2," respectively. Management estimates that these downgrades to sub-investment grade had (and will continue to have) a negative impact on the Turkish economy as well as on capital adequacy ratios in the banking sector, and the banking sector might experience further capital erosion if the Turkish Lira were to face further depreciation pressures or if Turkish Lira bonds were to suffer a sell-off that negatively affects bond prices. Overall, management expects that the rating agency's further downgrades of Turkey's credit ratings might have medium-term negative implications on key macroeconomic balances and capital adequacy ratios.

APPLICABLE FINAL TERMS

The following section is hereby included after the section titled "*MiFID II Product Governance / Eligible Counterparties and Professional Clients Only Target Market*" on page 52 of the Original Base Prospectus:

[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") – [In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "CMP Regulations 2018"), the Issuer has determined the classification of the Notes [(and beneficial interests therein)] to be capital markets products other than prescribed capital markets products (as defined in the CMP Regulations 2018) and Specified Investment Products (as defined in the Singapore Monetary Authority (the "MAS") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]]³

³ Legend to be included on front of the Final Terms if the Notes (and, if applicable, beneficial interests therein): (a) are being sold into Singapore; and (b) do not constitute prescribed capital markets products as defined under the CMP Regulations 2018.

BUSINESS OF THE GROUP

The last sentence of the paragraph under the section titled “*Consumer Transactions Inspections*” on page 127 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

In September 2015, the Bank filed a lawsuit seeking cancellation of the fine and, on 24 July 2018, the court decided in favour of the Bank. As of 6 September 2018, the court’s decision is subject to appeal.

RECENT DEVELOPMENTS

The following language is hereby added at the end of the section titled “*Recent Developments*” included in the Original Base Prospectus by the supplement dated 29 May 2018:

On 7 June 2018, the BRSA published the Communiqué on Principles regarding the Debt Instruments to be included in the Calculation of Banks’ Equity, which sets forth procedures and principles for the write-up and write-down of the debt instruments or loans that are included in the calculation of banks’ equity (*i.e.*, additional Tier 1 and Tier 2 capital) as well as procedures and principles related to conversion of such debt instruments into shares.

On 13 July 2018, Fitch downgraded Turkey’s sovereign credit rating to “BB” from “BB+.” Following such decision, on 20 July 2018, Fitch revised the credit ratings and relevant outlooks of 24 Turkish banks and their subsidiaries, including the Bank.

On 28 August 2018, Moody’s revised certain credit ratings and relevant outlooks of 18 Turkish banks, including the Bank, following its decision to downgrade Turkey’s government bond rating from “Ba2” to “Ba3” with a negative outlook on 17 August 2018. Accordingly, as of 10 September 2018, the Bank’s credit ratings and relevant outlooks assigned by Fitch and Moody’s are as follows:

	Rating Agency	
	Fitch	Moody’s
Long-term foreign currency.....	BB	B1
Short-term foreign currency	B	NP
Long-term local currency deposit.....	BB+	Ba3
Short-term local currency deposit.....	B	NP
Long-term national rating	AAA (tur)	—
Support Rating	3	—
Viability/Baseline Credit Assessment Rating.....	bb-	b2
Outlook.....	Negative	Negative

On 1 August 2018, OFAC took an action targeting Turkey’s Minister of Justice and Minister of Interior, indicating that these Ministers played leading roles in the organisations responsible for the arrest and detention of American pastor Andrew Brunson, and blocked any property, or interest in property, of these Ministers within the United States and generally prohibited U.S. persons from engaging in transactions with them. Following such action, Turkey imposed reciprocal sanctions against two American officials. On 10 August 2018, the President of the United States stated that he has authorised higher tariffs on steel and aluminium imports from Turkey. These actions contributed to a decline in the value of the Turkish Lira, which fell to a record low (exceeding TL 7.2 per U.S. dollar in the week ended on 12 August 2018) before strengthening to TL 6.5 as of 10 September 2018, including due to actions of the Central Bank and the BRSA as well as the promise of investments from Qatar. As of 10 September 2018, the Turkish Lira depreciated against the U.S. dollar by 41.2% compared to year-end 2017. On 15 August 2018, Turkey retaliated by increased tariffs on certain imports from the United States, such as cars, alcohol and tobacco. These events contributed to the deterioration of the relationship between Turkey and the United States and might continue to have an adverse effect on the Turkish economy and/or might impact investors’ perception of the risks relating to investments in Turkish issuers, including the Bank. See “Risk Factors – Risks Related to Turkey – Political Developments.” The Central Bank’s monetary policy committee is scheduled to meet on 13 September 2018 and might adopt new policies impacting the Turkish Lira and/or interest rates.

This and other on-going economic and political circumstances might continue to contribute to a decline in the value of the Turkish Lira. Further depreciation, including materially, is possible until such circumstances improve. The impact of these circumstances, including the dramatic decline in the value of the Turkish Lira, could have a material adverse effect on the Group and/or the Bank, including through borrower defaults and increased NPLs, the revaluation of assets and liabilities (including increases in the Turkish Lira-equivalent value of the Group’s obligations in U.S. dollars and other currencies) and rapid changes in the economic and legal environment.

On 15 August 2018, the BRSA published the Regulation on Restructuring of Debts in the Financial Sector, pursuant to which a framework agreement (the “*Framework Agreement*”) is to be drafted by the Banks Association of Turkey and approved by the BRSA. The aim of the regulation is to assist debtors to repay their debts by introducing new terms for them to enter into restructuring agreements with the relevant credit institutions. The Framework Agreement will determine: (a) the scope of debts to be restructured, (b) the minimum qualifications of the eligible debtors, (c) the minimum debt amount to be restructured, (d) the content of the restructuring agreements and (e) the procedure to determine a debtor’s eligibility, which is the capacity of a debtor to repay its debts following the restructuring process in line with the repayment schedule. A restructuring agreement is to be signed between the eligible debtor(s) and the applicable credit institutions within two years following the BRSA’s approval.

All references in the Base Prospectus to the expected initial ratings of Notes to be issued under the Programme are hereby amended to: (a) “BB” (for long-term issuances) and “B” (for short-term issuances) for ratings by Fitch and (b) “Ba3” (for long-term issuances) for ratings by Moody’s.

MANAGEMENT

The section titled “*Executive Vice Presidents, Heads of Divisions and Coordinators – Executive Vice Presidents*” starting on page 147 of the Original Base Prospectus is hereby amended by the deletion of the information regarding Mr. Hakan Alp in its entirety and the section titled “*Executive Vice Presidents, Heads of Divisions and Coordinators – Executive Vice Presidents - Recent Developments*,” included to the Original Base Prospectus by the supplement dated 29 May 2018, is hereby amended by the addition of the following at the end thereof:

On 2 July 2018, Mr. Hakan Alp, the then Executive Vice President in charge of Human Resources, resigned from his position.

TURKISH REGULATORY ENVIRONMENT

The last sentence of the fifth paragraph of section titled “*Capital Adequacy*” on page 170 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

On 12 June 2018, the BRSA announced its decision (dated 7 June 2018 and numbered 7841) to amend the per customer total risk limit for loans described in clause (b), which is the upper limit for such loans subjected to the 75% risk weight, from TL 4,200,000 to TL 5,500,000.

The fourth paragraph of the section titled “*Consumer Loan, Provisioning and Credit Card Regulations*” starting on page 183 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

The BRSA, by amending the Regulation on Bank Cards and Credit Cards, has adopted limitations on the length of the periods of instalment payments on credit cards. Pursuant to such limitations, the instalment payment period (including the period for the postponement of payments and the debts split into instalments for a fee) for the purchase of goods and services and cash withdrawals is not permitted to exceed 12 months, whereas such limit is three months for electronic appliance purchasing, six months for computer purchasing, payments made to clubs and associations, expenditures relating to airlines, travel agencies, transportation and accommodation and nine months for expenditures relating to health and social services and for purchases of health products and tax payments. In addition, credit card instalment payments (except for corporate credit cards) are not allowed for jewellery expenditures, telecommunication and related expenses, expenses related to direct marketing, expenditures made outside of Turkey and purchases of nutriment, liquor, fuels, cosmetics, office equipment, gift cards, gift checks and other similar intangible goods. With respect to corporate credit cards, the instalment period (including the period for the postponement of payments and the debts split into instalments for a fee) for the purchase of goods and services and cash withdrawals are not permitted to exceed nine months. Also, pursuant to the provisional article of the Regulation on Bank Cards and Credit Cards, the debt balance of a credit card calculated as of 27 September 2016 can be split into instalments limited to 72 months upon the request of the relevant cardholder.

The last sentence of seventh paragraph under the section titled “*Consumer Loan, Provisioning and Credit Card Regulations*” on page 184 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

As for limitations regarding instalments, the maturity of consumer loans (other than loans to consumers for housing finance and complementary goods and services in relation to home renovation/improvement, the financial leases for homes leased to consumers, other loans for the purpose of purchasing real estate and for student loans, financing of debts owed to public institutions where the loan amount is directly deposited into the relevant public institution’s account and any refinancing of the same) are not permitted to exceed 36 months, whereas such limit is 48 months for auto loans and loans secured with autos and six months for loans granted for purchases of cell phones, tablets and computers.