



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 2019 (the “*Original Base Prospectus*” and, as supplemented on 7 June 2019, 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has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC (as amended or superseded, the “*Prospectus Directive*”).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 the Prospectus Directive and has been prepared and published for the purposes of 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.

Statements contained herein 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, the information contained herein shall prevail.

Except as disclosed herein 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 31 March 2019 and (c) material adverse change in the financial position or prospects of the Issuer since 31 December 2018.

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 Original Base Prospectus:

RISK FACTORS

The thirteenth paragraph (*i.e.*, the last paragraph on page 14 of the Original Base Prospectus) of the risk factor titled “*Risks Related to Turkey – Political Developments*” starting on page 12 of the Original Base Prospectus, as amended by the supplement dated 7 June 2019, is hereby deleted in its entirety and replaced by the following:

Municipal elections were held on 31 March 2019 and the AKP lost control of several major cities, including İstanbul, Ankara and Antalya, to the opposition parties; *however*, the AKP claimed election fraud in, and requested to repeat the elections in, İstanbul and, on 6 May 2019, the Supreme Election Board (the highest authority in Turkey regulating elections) ordered a revote for İstanbul mayor in an election to be held on 23 June 2019. Mr. Ekrem İmamoğlu, the CHP’s candidate who had been declared the winner of the 31 March 2019 elections and had been installed as mayor until the revote decision of the Supreme Election Board, increased his majority to 54.20% and was reinstalled as mayor on 27 June 2019. The impact of this election is uncertain, including the future interaction between the national government and the government of İstanbul and any resulting changes within the Turkish political environment.

The following sentence is hereby included at the end of the second paragraph of the risk factor titled “*Risks Related to Turkey – Government Default*” on page 22 of the Original Base Prospectus:

On 14 June 2019, Moody’s further downgraded Turkey’s foreign currency long-term credit rating by one notch from “Ba3” (with a negative outlook) to “B1” (with a negative outlook).

The last sentence of the ninth paragraph of the risk factor titled “*Risks Related to the Group’s Business – Banking Regulatory Matters*” (*i.e.*, the third full paragraph on page 36 of the Original Base Prospectus) is hereby deleted in its entirety and replaced by the following:

In line with the Bank’s strategy to further strengthen its capital structure, a US\$125 million non-Basel III-compliant sub-loan of the Bank was converted into Basel III-compliant Tier II debt in April 2019. In addition, the Bank (as of 30 June 2019) converted subordinated loans of US\$325 million and US\$200 million extended by QNB, the main shareholder of the Bank, which loans had been recorded under the Tier II capital in the Bank’s capital base calculations, into a single, perpetual, fixed-rate (resettable every five years) and semi-annual interest-paying Additional Tier I loan facility with QNB, which loan facility is in compliance with Article 7 of the Equity Regulation.

The following sentence is hereby included at the end of the ninth sentence of the second paragraph of the risk factor titled “*Risks Related to the Group’s Business – Access to Capital*” on page 41 of the Original Base Prospectus:

On 14 June 2019, Moody’s further downgraded Turkey’s foreign currency long-term credit rating by one notch from “Ba3” to “B1.”

OVERVIEW

The first sentence of the section titled “*The Programme - Rating*” on page 10 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

The Programme has been rated “BB-” (for long-term) and “B” (for short-term) by Fitch and Notes are expected to be rated upon issuance “B1” (for long-term) and “NP” (for short-term) by Moody’s.

BUSINESS OF THE GROUP

The section titled “Ratings” on page 145 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

Ratings

As of 1 July 2019, the Bank has been assigned the following ratings by Fitch and Moody’s, which are both registered in the EU for purposes of the CRA Regulation.

	<u>Fitch</u>
Long-term foreign currency	BB- (Negative)
Short-term foreign currency	B
Long-term local currency deposit.....	BB (Negative)
Short-term local currency deposit	B
Long-term national rating.....	AA (tur) (Stable)
Support.....	3
Viability/baseline credit assessment.....	b+
	<u>Moody’s</u>
Long-term/short-term foreign currency deposit	B3/ NP
Long-term/short-term local currency deposit	B1/ NP
Long-term/short-term counterparty risk assessment	Ba3 (cr) / NP
Long-term foreign currency senior unsecured (including programmes)	(P) B1
Long-term local currency senior unsecured / issuer ratings (including programmes)...	(P) B1
Baseline credit assessment	b3
Adjusted baseline credit assessment.....	b1
Outlook.....	Negative

The ratings set forth above are accurate only as of 1 July 2019 and are subject to change at any time. A rating only reflects the views of the relevant rating agency and is not a recommendation to buy, sell or hold the Notes (or beneficial interests therein) and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

RECENT DEVELOPMENTS

The following section titled “Recent Developments” is hereby included in the Base Prospectus immediately after the section titled “Business of the Group” starting on page 122 of the Original Base Prospectus:

RECENT DEVELOPMENTS

On 27 June 2019, the Central Bank announced that the primary dealer banks were provided with a liquidity facility within the framework of open market operations. The interest rate to be applied to this liquidity facility was set at 100 basis points below the Central Bank’s policy interest rate. After the introduction of such facility, the weighted average cost of funding decreased from 24.00% to approximately 23.80%.

MANAGEMENT

The penultimate sentence of the first paragraph of the section titled “Recent Developments” included in the Base Prospectus by the supplement dated 7 June 2019 is hereby deleted in its entirety and replaced by the following:

The process to appoint Mr. Al-Neama and Mr. Al-Malki as members of the Board of Directors was completed on 14 June 2019 and 25 June 2019, respectively.

The last sentence of the first paragraph of the section titled “Recent Developments - Yousef Mahmoud H N Al-Neama” included in the Base Prospectus by the supplement dated 7 June 2019 is hereby deleted in its entirety and replaced by the following:

As of 1 July 2019, Mr. Al-Naama is serving as the Acting Executive General Manager and the Group Chief Business Officer of QNB.