**FIRST SUPPLEMENT dated 21 December 2020 to the Base Prospectus dated 30 April 2020**

# QNB FİNANSBANK 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 30 April 2020 (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 Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (as amended, the "*Prospectus Regulation*"). The Central Bank of Ireland only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are the subject of the Base Prospectus and investors should make their own assessment as to the suitability of investing in the Notes. This document constitutes a supplement for the purposes of the Prospectus Regulation and has been prepared and published for the purposes of incorporating into the Base Prospectus the Issuer's latest financial statements and updating the Base Prospectus in certain manners. As a result, modifications to the Base Prospectus are hereby being made.

A copy of both of: (a) the consolidated BRSA Financial Statements of the Group as of and for the nine month period ended 30 September 2020 (including any notes thereto and the independent auditor's review report thereon, the "*Group's New BRSA Financial Statements*") and (b) the unconsolidated BRSA Financial Statements of the Issuer as of and for the nine month period ended 30 September 2020 (including any notes thereto and the independent auditor's review report thereon, the "*Issuer's New BRSA Financial Statements*" and, with the Group's New BRSA Financial Statements, the "*New BRSA 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 BRSA Financial Statements can be obtained without charge from the registered office of the Issuer and from the Issuer's website at: https://www.qnbfinansbank.com/en/investor-relations/financial-information (such website does not, and shall not be deemed to, constitute a part of, nor is incorporated into, this Supplement or the Base Prospectus). The New BRSA Financial Statements, which are in English, were prepared as convenience translations of the corresponding Turkish language BRSA Financial Statements (which translations the Issuer confirms are direct and accurate). The New BRSA Financial Statements were not prepared for the purpose of their incorporation by reference into the Base Prospectus.

The New BRSA Financial Statements were reviewed by Ernst & Young Global Limited ("*EY*"). EY's review reports included within the New BRSA 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 BRSA Financial Statements. Accordingly, the degree of reliance upon their reports on such information should be restricted in light of the limited nature of the review procedures applied. The financial information in the New BRSA Financial Statements is subject to any adjustments that might be necessary as a result of the audit process to be undertaken in respect of the full financial year.

In addition, this Supplement sets out amendments to the Base Prospectus. 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. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of 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.

Other than to the extent described in (including the information incorporated by reference into) the Base Prospectus (including in the New BRSA Financial Statements incorporated by reference into the Base Prospectus by means of this Supplement), there has been: (a) no material adverse change in the prospects of the Bank since 31 December 2019, (b) no significant change in the financial performance of the Group since 30 September 2020 to the date of this Supplement and (c) no significant change in the financial position of the Group since 30 September 2020.

The Issuer accepts responsibility for the information contained herein. To the best of the knowledge of the Issuer, the information contained herein (including the information incorporated by reference into the Base Prospectus by means of this Supplement) is in accordance with the facts and makes no omission likely to affect the import of such information. To the full extent permitted by applicable law, none of the Dealers, the Arranger, the Agents or any of their respective affiliates accept any responsibility for the information contained in this Supplement or incorporated by reference into the Base Prospectus by means of this Supplement.

# AMENDMENTS

The following amendments are made to the Base Prospectus:

## COVER

The eighth paragraph of the cover page of the Base Prospectus is hereby deleted in its entirety and replaced with the following:

Application has been made to the Capital Markets Board (the "*CMB*") of Turkey, in its capacity as competent authority under Law No. 6362 (the "*Capital Markets Law*") of Turkey relating to capital markets, for its approval of the issuance and sale of Notes by the Bank outside of Turkey. No Notes may be sold before the necessary approvals are obtained from the CMB. The CMB approval based upon which any offering of the Notes may be conducted was obtained on 15 May 2020 and, to the extent (and in the form) required by applicable law, a written approval of the CMB in relation to each Tranche (as defined herein) of Notes will be required to be obtained on or before the issue date (an "*Issue Date*") of such Tranche of Notes. Unless the Bank obtains the necessary new approvals from the CMB, the aggregate debt instrument amount issued under such approval (whether issued under the Programme or otherwise) cannot exceed US$5,000,000,000 (or its equivalent in other currencies).

## GENERAL INFORMATION

The first two sentences of the seventh paragraph of the section titled "General Information" starting on page iii of the Base Prospectus is hereby deleted in its entirety and replaced with the following:

The Issuer has obtained the CMB approval letter (dated 15 May 2020 and numbered 29833736-105.02.02.02-E.5138) and the final CMB approved issuance certificate (in Turkish: *onaylanmış ihraç belgesi*) (dated 15 May 2020 and numbered 60/BA-641) (together, the "*CMB Approval*") and the BRSA approval letter (dated 24 April 2020 and numbered 20008792-101.01.04[31]-E.4138 (the "*BRSA Approval*" and, with the CMB Approval, the "*Programme Approvals*") required for the issuance of Notes under the Programme. The maximum principal amount of securities that the Bank can issue under the CMB Approval is US$5,000,000,000 (or its equivalent in other currencies) in aggregate (the "*Approved Issuance Limit*"); *provided* that, as per the BRSA Approval, the aggregate outstanding nominal amount of debt instruments denominated in Turkish Lira issued by the Issuer (whether under these approvals or otherwise) may not exceed TL 10,000,000,000.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The second sentence of the first paragraph of the section titled "Presentation of Financial and Other Information" on page ix of the Base Prospectus is hereby deleted in its entirety and replaced with the following:

All financial statements incorporated by reference herein, including the Bank's consolidated and unconsolidated annual statutory financial statements as of and for the years ended 31 December 2018 (including comparative information for 2017) and 2019 (in each case, including any notes thereto and the independent auditor's reports thereon) (the "*BRSA Annual Financial Statements*"), have been prepared and presented in accordance with the BRSA Principles.

The first sentence of the second paragraph of the section titled "Presentation of Financial and Other Information" on page ix of the Base Prospectus is hereby deleted in its entirety and replaced with the following:

Before the adoption of Turkish Financial Reporting Standards 9 (*Financial Instruments*), which are the IFRS 9-compliant financial reporting standards of Turkey ("*TFRS 9*"), as of 1 January 2018, the Bank's and the Group's BRSA Annual Financial Statements as of and for the year ended 31 December 2017 were prepared in line with the then-current Turkish banking regulations (see "Turkish Regulatory Environment"), whereas the Bank's and the Group's BRSA Financial Statements incorporated by reference herein as of (and for periods ending on) dates after 31 December 2017 were prepared in line with TFRS 9 and TFRS 15 standards.

The following sentence is hereby inserted at the end of the seventh paragraph of the section titled "Presentation of Financial and Other Information" on page ix of the Base Prospectus:

The BRSA Financial Statements (other than BRSA Annual Financial Statements) as of (and for periods ending on) dates after 31 December 2019 were reviewed by EY.

**RISK FACTORS**

The following is hereby inserted before the last sentence of the fourth paragraph of the section titled "Risk Factors - Risks Relating to Turkey - Political Conditions - Political Developments" on page 14 of the Base Prospectus:

More recently, following the depreciation of the Turkish Lira to its weakest level to date (exceeding TL 8.5 per U.S. dollar), the governor of the Central Bank was replaced by a Presidential Decree on 7 November 2020. On 8 November 2020, Berat Albayrak, the then Minister of Treasury and Finance and son-in law of President Erdoğan, resigned and was promptly replaced by Mr. Lutfi Elvan, a former Minister of Transport, Maritime and Communication.

The following is hereby added at the end of the sixth paragraph of the section titled "Risk Factors - Risks Relating to Turkey - Political Conditions - Political Developments" on page 14 of the Base Prospectus:

On 14 December 2020, the U.S. administration imposed certain sanctions on the Turkish Presidency of Defence Industries and its president and other senior officers in connection with Turkey's purchase of the Russian S-400 missile defence system. Following the U.S. election held on 3 November 2020, a new administration will take office on 20 January 2021. It is uncertain whether the positions that the new administration might take with respect to Turkey, including relating to any of these topics, might materially alter the relationship between Turkey and the United States.

The following paragraph is hereby added before the last paragraph of the section titled "Risk Factors - Risks Relating to Turkey - Political Conditions - Terrorism and Conflicts" starting on page 16 of the Base Prospectus:

In October 2020, conflict broke out between Armenia and Azerbaijan over the disputed territory of Nagorno-Karabakh. Turkey has supported the efforts by Azerbaijan, which again puts it in conflict with Russian interests.

The last sentence of the second paragraph of the section titled "Risk Factors - Risks Relating to Turkey - Political Conditions - Relationship with the European Union" on page 16 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

More recently, tensions have increased between Turkey and France, including due to differing interests in the conflict in Libya and terrorist attacks in France, which have led to the Turkish President calling for a boycott of French goods and France to withdraw its ambassador from Turkey. Tensions have also risen between Greece and Turkey relating to disputed claims over Mediterranean waters, particularly in areas around Cyprus in which significant hydrocarbon reserves have been discovered. In October 2020, both France and Greece asked the EU to consider suspending the bloc's customs union agreement with Turkey and, on 26 November 2020, the European Parliament passed a non-binding resolution calling for sanctions on Turkey. On 11 December 2020, EU leaders agreed to impose sanctions against unspecified individuals and entities involved in activities related to the disputed waters, with the identity of these individuals and sanctions to be named shortly thereafter, and noted that further sanctions might be imposed in early 2021. Any decision by the EU to abolish the customs union with Turkey, end Turkey's EU accession bid or impose additional sanctions on Turkey might result in (or contribute to) a deterioration of the relationship between Turkey and the EU and have material negative impacts on Turkey's economy.

The last sentence of the second paragraph of the section titled "Risk Factors - Risks Relating to Turkey - Economic Conditions" on page 17 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

In the first three months of 2020, GDP increased by 4.5% compared to the same period of the previous year; *however*, GDP sharply decreased by 9.9% in the second quarter of the year driven by the impact of the COVID-19 pandemic. GDP then returned to growth in the third quarter of 2020, increasing by 6.7% compared to the same period of the previous year, which growth was supported by an increase in investments and household consumption. As a result, overall GDP growth for 2020 might be limited or even negative, particularly given the pandemic's continuing impact both on Turkey and globally resulting from the precautions (such as curfews, travel restrictions, factory closures and restrictions on public gatherings) taken to minimise the transmission of COVID-19. Growth in 2021 might be similarly negatively impacted, particularly until adequate community vaccination rates are achieved. This weak growth has negatively impacted the Bank and further weak (or even negative) growth in GDP might have a material adverse effect on the Group's business, results of operations and financial condition, including through a deterioration in asset quality of the Group's growing loan portfolio and/or the increasing formation of NPLs (particularly in industries, such as tourism and retail, that have been disproportionately impacted by the precautions taken to minimize the transmission of COVID-19).

The first sentence of the second paragraph of the section titled "Risk Factors - Risks Relating to Turkey - Economic Conditions - Turkish Economy" on page 18 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

> Domestic macroeconomic factors, including the current account deficit, high levels of unemployment (12.7% overall and 24.3% for 16-25 year olds, both as of September 2020), high levels of inflation and interest rate and currency volatility, remain of concern, particularly in light of the further depreciation of the Turkish Lira.

The first sentence of the third paragraph of the section titled "Risk Factors - Risks Relating to Turkey - Economic Conditions - Turkish Economy" on page 18 of the Base Prospectus is hereby amended by the addition of "the then" before "Treasury and Finance Minister Mr. Albayrak."

The third and fourth sentences of the fourth paragraph of the section titled "Risk Factors - Risks Relating to Turkey - Economic Conditions - Turkish Economy" on page 18 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

> In recent years, there have been a number of periods of sharp depreciation and some recovery in the value of the Turkish Lira (*e.g.*, the Turkish Lira depreciated against the U.S. dollar by 40.0% in 2018, 12.5% in 2019 and 31.6% in the first eleven months of 2020, with significant volatility particularly from September through November of 2020 driven in part by changes in Central Bank policy and regulatory changes). The Central Bank has from time to time used its interest rate policy, reserve requirements and other tools to try to lower inflationary pressures arising from exchange rate volatility, including some fairly large hikes in interest rates in 2018 (which were then followed by large decreases in 2019 and early 2020 as inflation moderated and then, notwithstanding the disinflationary impact of the COVID-19 pandemic-related shutdowns, significant increases starting in July 2020 to address a significant depreciation in the value of the Turkish Lira).

The last three sentences of the penultimate paragraph of the section titled "Risk Factors - Risks Relating to Turkey - Economic Conditions - COVID-19" on page 20 of the Base Prospectus are hereby deleted in their entirety and replaced by the following:

> Due in part to the COVID-19 pandemic, the Group has (through the first three quarters of 2020) experienced a significant increase in its provisions for Stage 2 loans, including due to actions by the BRSA in March 2020 to lengthen the period of non-payment before a loan or other receivable is moved from Stage 2 to Stage 3 (which forbearance was, on 8 December 2020, extended through 30 June 2021). The slowdown relating to the pandemic has also negatively impacted fee and commission income (particularly during the second quarter of 2020) due to reduced customer demand. The future impact of the outbreak is highly uncertain and cannot be predicted and there is no assurance that the outbreak will not lead to a further deterioration of the asset quality of the Group's loan portfolio or otherwise have a material adverse impact on the Group's business, financial condition and/or results of operations. The extent of the impact, if any, will depend upon future developments, including actions taken globally and within Turkey to contain COVID-19.

The following sentence is hereby inserted after the third sentence of the first paragraph of the section titled "Risk Factors - Risks Relating to Turkey - Economic Conditions - High Current Account Deficit" on page 20 of the Base Prospectus:

> According to the Central Bank, Turkey's current account balance for the first nine months of 2020 was a US$28.0 billion deficit compared to a US$8.1 billion surplus for the same period of the previous year. This change was primarily due to a decrease in exports to Europe and lower tourism revenues, both arising from the shutdowns for the COVID-19 pandemic.

The following paragraph is hereby inserted as a new paragraph after the second paragraph of the section titled "Risk Factors - Risks Relating to Turkey - Economic Conditions - High Current Account Deficit" on page 20 of the Base Prospectus:

> Due to the negative impact of the global COVID-19 pandemic, Turkey's tourism business and (in particular due to the EU being Turkey's largest export market) export revenues have experienced a significant decline in 2020, whereas demand for imports into Turkey has increased. In order to reduce the negative impact on Turkey's current account deficit by decreasing the demand for imports into Turkey and supporting domestic producers, the Turkish government imposed new (or increased) custom tax rates for numerous products. In addition, starting in July 2020, the Central Bank began to tighten monetary policy by increasing the cost of funding (including via large increases to the benchmark policy rate, including a 475 basis point increase to 15.00% in November 2020), which might reduce demand for imports, adversely affect Turkey's economic growth and/or result in downward pressure on the Group's net interest margin.

The last sentence of the first paragraph of the section titled "Risk Factors - Risks Relating to Turkey - Economic Conditions - Inflation" starting on page 21 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

> As of November 2020, the last 12 month CPI inflation was 14.0% and the last 12 month domestic producer price inflation was 23.1%.

Clause (h) of the section titled "Risk Factors - Risks Relating to Turkey - Turkish Regulatory and Other Matters - Banking Regulatory Matters" on page 23 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

(h) on 18 April 2020, the BRSA introduced a new test referred to as the "Asset Ratio," which ratio banks were required to meet on a weekly basis starting from 1 May 2020; the monthly average of the Asset Ratio, which was a modified form of a financial assets (*e.g.*, loans and securities) to deposits ratio and was (*inter alia*) intended to measure (and encourage) a bank's use of deposits for active lending (particularly in Turkish Lira) as opposed to investing in securities or other financial assets (particularly in foreign currencies), was not to be lower than 100% for deposit-taking banks and 80% for participation banks (which ratios were later reduced to 90% and 70%); any failure to satisfy this minimum level would have subjected the applicable bank to a fine of up to 5% of the shortfall, which fine was not to be less that TL 500,000 in any case. As of 24 November 2020, this requirement was eliminated by the BRSA (effective as of 31 December 2020) as part of the normalisation process during the COVID-19 pandemic. The Bank has continuously exceeded the minimum Asset Ratio levels throughout the pendency of this requirement.

The first paragraph of the section titled "Risk Factors - Risks Relating to the Group and its Business - Credit Risks - Government Default" starting on page 26 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

The Group has significant exposure to Turkish governmental and state-controlled entities, including the Central Bank. As of 30 September 2020, 95.7% of the Group's total securities portfolio (14.1% of its total assets and equal to 186.8% of its shareholders' equity) was invested in Turkish government securities and 0.1% of the Group's total assets were used to make loans to Turkish governmental and state-controlled entities (97.0%, 15.2%, 170.0% and 0.0%, respectively, as of 31 December 2019). In addition, the Group has exposure to the Turkish government through the Group's participation in financing state-sponsored infrastructure projects and the KGF-guaranteed loan programme, which might be susceptible to increased credit risk in the event of continued weakness in Turkey's macroeconomic condition or deterioration of the Turkish government's creditworthiness. In early 2020, the KGF-guaranteed loan programme was expanded to include retail loans as part of the government's efforts to address the economic impact of the COVID-19 pandemic, which expansion might increase the credit risk of obligations payable by the Turkish government. Furthermore, the Group maintains significant amounts of reserves (including foreign currency reserves) with the Central Bank, for which it is subject to the Central Bank's ability to return such reserves, and is otherwise dependent upon the Central Bank.

The following is hereby added as a new sentence at the end of the second paragraph of the section titled "Risk Factors - Risks Relating to the Group and its Business - Credit Risks - Government Default" on page 27 of the Base Prospectus:

On 11 September 2020, Moody's further reduced Turkey's foreign currency long-term credit rating to "B2 (negative outlook)."

The second sentence of the first paragraph of the section titled "Risk Factors - Risks Relating to the Group and its Business - Operational Risks - Estimations" on page 33 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

Should the estimated values for such items prove to be materially inaccurate, including as a result of unexpected market movements or external developments (in each case, such as relating to the COVID-19 pandemic), or if the methods by which such values were determined are revised in future accounting rules or interpretations, then the Group might experience unexpected reductions in profitability and/or such inaccuracies might otherwise have a material adverse effect on the Group's business, financial condition and/or results of operations.

**THE GROUP AND ITS BUSINESS**

The tables of ratings from Moody's and Fitch on page 76 of the Base Prospectus are hereby deleted in their entirety and replaced by the following:

*Moody's (10 December 2020)*

| | |
|---|---|
| Long-term Foreign Currency Deposit Rating: | B2 (Negative) |
| Short-term Foreign Currency Deposit Rating: | Not Prime |
| Long-term Local Currency Deposit Rating: | B1 (Negative) |
| Short-term Local Currency Deposit Rating: | Not Prime |
| BCA (Baseline Credit Assessment): | b3 |
| Adjusted BCA | b1 |
| Senior Unsecured Debt Rating/Outlook: | B2 (Negative) |

*Fitch (1 September 2020)*

| | |
|---|---|
| Long-term Foreign Currency Issuer Default Rating: | B+ (Negative) |
| Short-term Foreign Currency Issuer Default Rating: | B |
| Long-term Local Currency Issuer Default Rating: | BB- (Negative) |
| Short-term Local Currency Issuer Default Rating: | B |
| National Long-term Rating/Outlook: | AA (tur) (Stable) |
| Support Rating: | 4 |
| Viability Rating: | b+ |

**TURKISH REGULATORY ENVIRONMENT**

The following is hereby inserted as a new sentence at the end of the last paragraph of clause (a) of the section titled "Current Rules" on page 109 of the Base Prospectus:

On 8 December 2020, the BRSA extended this temporary rule until 30 June 2021.

The last paragraph of clause (b) of the section titled "Current Rules" on page 110 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

On 27 March 2020 (with retroactive effect from 17 March 2020), the BRSA (as part of the measures taken against the impacts of the COVID-19 pandemic) announced a temporary rule (effective until 31 December 2020) providing that the 30 days referred to in clause (v) is replaced with 90 days, resulting in loans remaining categorised as Group I loans longer and then moving into Group II loans at 90 days. On 8 December 2020, the BRSA extended this temporary rule until 30 June 2021. Notwithstanding this change, the Group's management has determined that it will continue to provide reserves for loans as if this rule had not been implemented in order to adhere to the Group's own risk models used in the calculation of expected credit losses.

The last paragraph of clause (c) of the section titled "Current Rules" on page 110 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

On 17 March 2020, the BRSA (as part of the measures taken against the impacts of the COVID-19 pandemic) implemented a temporary rule (effective until 31 December 2020) providing that the 90 days referred to in clauses (iii) and (iv) are replaced with 180 days, resulting in loans remaining categorised as Group II loans longer. On 8 December 2020, the BRSA extended this temporary rule until 30 June 2021. As of 21 December 2020, the temporary rule does not provide any guidance as to classificiation of loans with payment delays of more than 180 days; *however*, it might be the case that such loans would bypass Group III and become Group IV loans. Notwithstanding this change, the Group's management has determined that it will continue to provide reserves for loans as if this rule had not been implemented in order to adhere to the Group's own risk models used in the calculation of expected credit losses. This temporary rule also suspends the application of clause (v) through 30 June 2021.

The following is hereby inserted as a new sentence at the end of the first paragraph after clause (e) of the section titled "Current Rules" on page 111 of the Base Prospectus:

On 8 December 2020, the BRSA extended this temporary rule until 30 June 2021.

The last sentence of the last paragraph on page 111 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

On the other hand, according to a non-public BRSA decision on 8 November 2019, loans that are partially repaid through the foreclosure on collateral or have been paid in kind are exempt from this regulation through 31 December 2020 (which, by a BRSA decision on 8 December 2020, was then extended until 30 June 2021).

The first paragraph on page 112 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

The restructuring of a loan consists of: (a) amendments to the conditions of the loan agreement or (b) partial or full refinancing of the loan. In this respect, an NPL may be reclassified as a restructured loan under Group II subject to the following conditions: (i) upon evaluation of the financial standing of the debtor, it has been determined that the conditions for the applicable loan to be classified as an NPL have disappeared, (ii) the loan has been monitored as an NPL at least for one year following restructuring, (iii) as of the date of reclassification as a Group II loan, there has not been any delay in principal and/or interest payments nor are there any expectation of any such delay in the future, and (iv) overdue payments and/or written-down principal payments in relation to the restructured loan have been collected. According to a non-public BRSA decision on 8 November 2019, the one year period described in clause (ii) was reduced to six months through 31 December 2020 (which, by a BRSA decision on 8 December 2020, was then extended until 30 June 2021). Furthermore, such restructured NPL being reclassified as a performing Group II loan may be excluded from the scope of the restructuring if all the following conditions are met: (A) such loan has been monitored as a restructured loan under Group II at least for one year, (B) at least 10% of the outstanding debt amount has been repaid during such one year monitoring period, (C) there has not been any delay of more than 30 days in principal and/or interest payments of any loan extended to the applicable debtor during such monitoring period and (D) the financial difficulty that led to the restructuring of the loan no longer exists. Pursuant to the Classification of Loans and Provisions Regulation, banks applying TFRS 9 may reclassify their performing loans, which had been previously classified as restructured loans under Group II, under Group I again following a minimum three month monitoring period, subject to the satisfaction of the requirements listed under clauses (C) and (D) above (regardless of the conditions under clauses (A) and (B) stated above).

The following is hereby inserted as a new sentence at the end of the last paragraph of the section titled "Turkish Regulatory Environment - Liquidity and Reserve Requirements" starting on page 120 of the Base Prospectus:

On 18 July 2020, the Central Bank increased foreign currency reserve requirement ratios by 300 basis points in all liability types and maturity brackets for all banks. On 20 August 2020, for banks meeting the annual loan growth rates described in the previous paragraph, the Central Bank raised: (i) foreign currency reserve requirement ratios by 700 basis points for precious metal deposit accounts and 200 basis points for all other foreign currency liabilities and all maturity brackets and (ii) Turkish Lira reserve requirement ratios by 200 basis points for all deposits/participation funds with a maturity of up to six months and other liabilities with a maturity of up to one year and by 150 basis points for other liabilities with a maturity of up to three years.

The following is hereby inserted at the end of the section titled "Turkish Regulatory Environment - Liquidity and Reserve Requirements" starting on page 120 of the Base Prospectus (as revised by the preceding paragraph):

On 27 November 2020, the Central Bank: (a) repealed the reserve requirement related to a bank's annual loan growth, (b) revised the reserve requirement ratios and remuneration rates such that they apply to all banks equally and (c) effective as of 27 November 2020: (i) revised to 12% *per annum* the remuneration rate for TL-denominated required reserves and (ii) reduced the commission rate applied to the reserves maintained against U.S. dollar-denominated deposits and participation fund liabilities from 1.25% to 0%. As a result, from December 2020, the reserve requirement ratios for: (A) deposits and participation funds (excluding those obtained from banks abroad) on demand and with a maturity up to (and including) three months and Turkish Lira-denominated other liabilities (including deposits and participation funds received from banks abroad) with a maturity up to (and including) one year were reduced to 6% *per annum* from 7% *per annum*, (B) foreign currency-denominated deposits and participation funds (excluding deposits and participation funds obtained from banks abroad and precious metal deposit accounts) on demand and with a maturity less than one year were reduced to 19% *per annum* from 22% *per annum*, (C) foreign currency-denominated deposits and participation funds (excluding deposits and participation funds obtained from banks abroad and precious metal deposit accounts) with a maturity of one year or more were reduced to 13% *per annum* from 18% *per annum* and (D) other foreign currency-denominated liabilities (regardless of maturity) were reduced by 3% *per annum*.

The following is hereby inserted after the section titled "Turkish Regulatory Environment - Consumer Loan, Provisioning and Credit Card Regulation on page 130 of the Base Prospectus:

**Caps on Fees, Commissions and POS Commission Rates**

The BRSA and Central Bank have issued various laws in late 2019 and early 2020 that impose limitations on certain fees and commissions that Turkish banks may charge to customers. On 16 October 2019, the Central Bank introduced an amendment to cap the commission rates applied by banks in their "point of sale" (POS) business. The Central Bank then issued the Communiqué on Deposit and Loan Interest Rates and Participation Accounts Profit and Loss Participation Rates (the "*Communiqué on Deposit and Loan Interest Rates*") and the Communiqué on Procedures and Principles of Fees to be Collected by Banks from Commercial Customers (the "*Communiqué on Commercial Customer Fees*"), both of which became effective as of 1 March 2020 (for the Communiqué on Commercial Customer Fees, most of the provisions relating to fees became effective as of 1 April 2020) and impose certain such limitations. Pursuant to these communiqués, the caps on POS commission rates for purchases of goods and service were subjected to revision by reference to a monthly reference rate determined by the Central Bank *plus* a fixed rate set out under the Communiqué on Commercial Customer Fees, which rates are adjusted by taking into account the number of days between the day of a purchase transaction and the day on which the amount from such purchase is transferred by the applicable bank to the applicable merchant.

The Communiqué on Commercial Customer Fees further sets out standardised fees and caps that are to be charged to commercial customers depending upon the category of the applicable product and service. Turkish banks are required to apply to the Central Bank to charge any fees or commissions to commercial customers other than those listed under the Communiqué on Commercial Customer Fees. These limits include (*inter alia*) limits on fees for electronic funds transfers, credit allocation fees, credit underwriting fees and prepayment fees. Banks also are required to accept a commercial customer's request for prepayment of all of such customer's credit debt (for which prepayment the bank may charge a prepayment fee subject to certain limitations under the Communiqué on Commercial Customer Fees).

The second and third paragraphs of the section titled "Turkish Regulatory Environment - Foreign Currency Restrictions - F/X Transaction Restriction" on page 131 of the Base Prospectus are hereby deleted in their entirety and replaced by the following:

In August 2018, the BRSA capped Turkish banks' exposure under swap, spot and forward transactions with non-residents of Turkey (except transactions with such banks' non-resident financial subsidiaries and other affiliates that are subject to consolidation) under which transactions the Turkish bank initially pays Turkish Lira and receives foreign currency and, at the maturity date, such bank pays foreign currency and receives Turkish Lira to 25% of a bank's regulatory capital, then reduced this level to 10% in February 2020. On 12 April 2020, as part of the government's efforts to contain the possible adverse effects on the Turkish economy of the global uncertainty resulting from the COVID-19 pandemic, the BRSA issued a press release announcing that this level was reduced to 1%, which level was then returned to 10% on 25 September 2020. In the case of a bank exceeding this level, new transactions may not be executed or renewed until this level (which is calculated on a daily basis) is attained. In addition, written approval of the BRSA is required in case there needs to be a cancellation or extension of any of these derivatives transactions.

On 18 December 2019, the BRSA announced that the total notional amount of a Turkish bank's currency swaps, forwards, options and other similar products with non-residents in Turkey (except transactions with such banks' non-resident financial subsidiaries and other affiliates that are subject to consolidation) with a remaining maturity of seven days or fewer where, at the maturity date, such bank pays Turkish Lira and receives foreign exchange shall not exceed 10% of such bank's most recently calculated regulatory capital. With its press release on 12 April 2020, the BRSA amended this threshold by announcing that transactions with a remaining maturity of seven days or fewer shall not exceed 1% of the applicable bank's most recently calculated regulatory capital on any given calendar date, which threshold was then returned to 2% on 25 September 2020 and then increased to 5% on 11 November 2020 (as of such date, a threshold of 10% is applied for transactions with a remaining maturity of 30 days or fewer and 30% for transactions with a remaining maturity of one year or less).

The following is hereby inserted at the end of the first paragraph of the section titled "Turkish Regulatory Environment - Additional COVID-19-Related Temporary Measures" on page 132 of the Base Prospectus:

On 8 December 2020, the BRSA extended until 30 June 2020 the date through which banks make the calculations indicated in clauses (a), (b) and (c). Such announcement also provided that, until 30 June 2020, banks may use the average of the Central Bank foreign exchange buying rates during the 252 days before the calculation date when calculating the valued amounts and the relevant special provision amounts as per TFRS for both cash and non-cash assets other than assets in foreign currency measured on a historical cost basis.

The last two paragraphs of the section titled "Turkish Regulatory Environment - Additional COVID-19-Related Temporary Measures" on page 133 of the Base Prospectus are hereby deleted in their entirety and replaced by the following:

On 18 April 2020, the BRSA introduced (and on 30 April 2020 clarified) a new test referred to as the "Asset Ratio," which ratio banks (excluding development and investment banks and banks under the management of the SDIF) were originally required to meet (on an unconsolidated basis) on a weekly basis starting from 1 May 2020. The monthly average of the Asset Ratio, which was a modified form of a financial assets (*e.g.*, loans and securities) to deposits ratio and was (*inter alia*) intended to measure (and encourage) a bank's use of deposits for active lending (particularly in Turkish Lira) as opposed to investing in securities or other financial assets (particularly in foreign currencies), was not to be lower than 100% for deposit-taking banks and 80% for participation banks (which ratios were later reduced to 90% and 70%). Any failure to satisfy this minimum level would have subjected the applicable bank to a fine of up to 5% of the shortfall, which fine was not to be less than TL 500,000 in any case. As of 24 November 2020, this requirement was eliminated by the BRSA (effective as of 31 December 2020) as part of the normalisation process during the COVID-19 pandemic. The Bank has continuously exceeded the minimum Asset Ratio levels throughout the pendency of this requirement.

On 22 April 2020, the Central Bank increased from 20% to 30% its limit on the amount of a bank's swap sales (*i.e.*, purchase of a bank's foreign exchange by the Central Bank in return for Turkish Lira) in relation to such bank's total foreign exchange transaction limits with the Central Bank. In May 2020, the Central Bank gradually increased this limit from 30% to 50%, which was increased further to 60% on 26 November 2020. These changes were expected to result in an increase in the foreign exchange reserves held by the Central Bank while enabling Turkish banks to access additional Turkish Lira funding.

On 5 May 2020, the BRSA imposed a new requirement that certain Turkish Lira transactions (*i.e.*, Turkish Lira-denominated placements, Central Bank reserves, repurchase transactions and loans) performed by a Turkish bank with foreign financial institutions, including such Turkish bank's foreign branches and consolidated foreign subsidiaries regarded as credit institutions and financial institutions, are limited to 0.5% (increased to 2.5% as of 30 November 2020) of such Turkish bank's latest calculated shareholders' equity (as calculated on a bank-only basis) as reported to the BRSA on a monthly basis. If a Turkish bank exceeds such limit, then such bank is not be allowed to enter into any new such transactions (or renew any existing such transactions upon their maturity) until such bank is in compliance with this limit. On 20 May 2020, the BRSA declared that any such transactions that clear through Euroclear or Clearstream, Luxembourg are not to be included in the numerator of such calculation (on 28 July 2020, the BRSA clarified that this exemption will be limited only to the clearing activities of securities denominated in Turkish Lira and exempted from the restrictions on access to Turkish Lira swap transactions that satisfy certain criteria). On 30 November 2020, the BRSA further exempted from this calculation overdraft facilities extended to foreign financial institutions. This new measure aims to increase the efficient use of Turkish Lira resources, primarily to satisfy the financing needs of the public and private sectors, which measure is expected to be effective until the extraordinary conditions that exist due to the COVID-19 pandemic have ceased.

On 20 June 2020, the Central Bank announced the temporary suspension (until 25 December 2020) of its 9 December 2019 rule on having adjusted real loan growth rate lower than 15% for banks with an annual real loan growth rate higher than 15% in order for such banks to able to benefit from certain reserve requirement incentives. This change primarily focused on the increased loan demand of both corporates and individuals, whose cash flows are impacted by the COVID-19 pandemic, while aiming to provide banks with flexibility in meeting such loan demand. This rule was then permanently repealed on 27 November 2020 as noted in "-Liquidity and Reserve Requirements" above.

## TAXATION

The section titled "Taxation - Certain Turkish Tax Considerations" starting on page 202 of the Base Prospectus is hereby deleted in its entirety and replaced with the following:

### Certain Turkish Tax Considerations

The following discussion is a summary of certain Turkish tax considerations relating to an investment in the Notes by a Person who is a non-resident of Turkey. 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 resident in 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 advisers concerning the tax considerations applicable to its particular situation. This discussion is based upon laws and relevant interpretations thereof in effect as of the date of this Base Prospectus, 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 resulting either from 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 taxes 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 is the final tax for such non-resident and no further declaration is required. Any other income of a non-resident sourced in Turkey that has not been subject to withholding tax will be subject to taxation through declaration where treaty relief and exemptions are reserved.

Interest paid on debt instruments (such as the Notes) issued abroad by a resident corporation is subject to withholding tax as regulated through the Tax Decrees. The withholding tax rates are set according to the original maturity of notes issued abroad by resident corporations as follows:

(a) 7% withholding tax for debt instruments with an original maturity of less than one year,

(b) 3% withholding tax for debt instruments with an original maturity of at least one year and less than three years, and

(c) 0% withholding tax for debt instruments with an original maturity of three years and more.

Interest income derived by a resident corporation or resident individual is subject to further declaration and the withholding tax paid can be credited against the income tax calculated on the tax return. For resident individuals, the entire amount is required to be declared as taxable income if the interest income derived exceeds TL 49,000 (for the income derived in the year 2020) together with the income from other marketable securities, rental income from immovable property and salaries (except for salaries referred to under Article 86/1 of the Turkish Income Tax Law), provided that they were all subjected to income taxation through withholding. For resident corporations, interest income at any amount 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 Provisional Article 67 (which is effective until 31 December 2025) of the Turkish Income Tax Law, as amended by laws numbered 6111, 6555 and 7256, special or separate tax returns will not be submitted for capital gains from the notes of a resident corporation issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on non-residents in respect of 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 period of 2020. As of the date of this Base Prospectus, the rate for individuals ranges from 15% to 40% at progressive rates. The capital gains are, in principle, calculated in local currency terms and resident individuals' 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 laws in Turkey, interest payments on notes issued abroad by a resident corporation will be subject to a 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 is required, 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 such country to the related tax office directly or through the banks and intermediary institutions prior to the application of withholding. In the event 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*

Bond issuances and interest payments on bonds are exempt from Turkey's value added tax pursuant to Article 17/4(g) of the Value Added Tax Law (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.

**OTHER GENERAL INFORMATION**

The first sentence of the section titled "Other General Information - Independent Auditors" on page 225 of the Base Prospectus is hereby deleted in its entirety and replaced with the following:

> With respect to the BRSA Financial Statements incorporated by reference herein: (a) the BRSA Annual Financial Statements have been audited by EY, each of which was audited in accordance with the Regulation on Independent Audit of Banks published by the BRSA in the Official Gazette numbered 29314 dated 2 April 2015 and Independent Auditing Standards that are part of the Turkish Standards on Auditing published by the POA, and (b) with respect to interim periods ending as of (and for periods ending on) dates after 31 December 2019, such have been reviewed by EY in accordance with such Turkish Standards on Auditing.