SECOND SUPPLEMENT dated 18 November 2019 to the Base Prospectus dated 30 April 2019

TÜRKİYE İŞ BANKASI A.Ş.
US$7,000,000,000
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 2019 (the "*Original Base Prospectus*" and, as supplemented on 20 August 2019 (the "*First Supplement*"), the "*Base Prospectus*") prepared by Türkiye İş Bankası 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 pursuant to the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland (S.I. No. 324 of 2005) (as amended, the "*Irish Prospectus Regulations*"). The Central Bank of Ireland only approves this Supplement as meeting the requirements imposed under Irish and European Union law pursuant to the Irish Prospectus Regulations. This document constitutes a supplement for the purposes of the Irish Prospectus Regulations 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. In connection herewith, the Issuer is relying upon Article 46(3) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017.

A copy of each of: (a) the consolidated BRSA financial statements of the Group as of and for the nine month period ended 30 September 2019 (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 2019 (including any notes thereto and the independent auditor's review report thereon and, 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 https://www.isbank.com.tr/EN/about-isbank/investor-relations/publications-and-results/financial-statements/Pages/financial-statements.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, each of which is in English, were prepared as convenience translations of the corresponding Turkish language financial statements (which translations the Issuer confirms are 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) ("*EY*"). EY's review reports included within the New Financial Statements note that: (a) a review of interim financial information: (i) consists of making inquiries primarily of persons responsible for the financial reporting process and applying analytical and other review procedures and (ii) is substantially less in scope than an independent audit performed in accordance with independent auditing standards and (b) it does not express an opinion. 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. EY's review reports included in the New Financial Statements contain a qualification. See "*Risk Factors – Risks Relating to the Group and its Business – Other Group-Related Risks - Audit Qualification*" as inserted by this Supplement.

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. Where there is any inconsistency between the information contained in (or incorporated by reference into) the Base Prospectus and the information contained in (or incorporated by reference into the Base Prospectus by means of) this Supplement, the information contained in (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), there has been no: (a) significant new factor, material mistake or inaccuracy relating to the information included in the Base Prospectus since the publication of the Base Prospectus, (b) significant change in the financial or trading position of either the Group or the Issuer since 30 September 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 Arrangers 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:

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The reference to "“Risk Factors - Risks Relating to the Group and its Business - Audit Qualification”" in the first full paragraph on page ix of the Original Base Prospectus is hereby deleted in its entirety and replaced with "“Risk Factors - Risks Relating to the Group and its Business - Other Group-Related Risks - Other Group-Related Risks - Audit Qualification”."

The definition of "cash loan-to-deposit ratio" on page xi of the Original Base Prospectus is hereby deleted in its entirety and replaced with the following:

cash loan-to-deposit ratio: As of a particular date, this is: (a) the total amount of cash loans (excluding factoring and leasing receivables and non-performing loans ("*NPLs*")) as of such date *divided by* (b) total deposits as of such date.

The reference to "“Risk Factors - Risks Relating to the Group and its Business - Foreign Exchange and Currency Risk”" in the first full paragraph on page xiii of the Original Base Prospectus is hereby deleted in its entirety and replaced with "“Risk Factors - Risks Relating to the Group and its Business - Other Group-Related Risks - Market Risks - Foreign Exchange and Currency Risk”."

RISK FACTORS

The first three paragraphs of the section titled "*Risk Factors*" on page 1 of the Original Base Prospectus are hereby deleted in their entirety and replaced by the following:

An investment in the Notes involves risk. Investors in the Notes assume the risk that the Issuer might become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors that individually or together might result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur as the Issuer might not be aware of all relevant factors and certain factors that it currently considers not to be material might become material as a result of the occurrence of future events of which the Issuer does not have knowledge as of the date of this Base Prospectus. The Issuer has identified in this Base Prospectus a number of factors that might materially adversely affect its ability to make payments due in respect of the Notes.

Prospective investors in the Notes should also read the detailed information set out elsewhere in (or incorporated by reference into) this Base Prospectus and reach their own views prior to making any investment decision relating to the Notes; however, the Issuer does not represent that the risks set out herein are exhaustive or that other risks might not arise in the future. Prospective investors in the Notes should consult with appropriate professional advisers to make their own legal, tax, business and financial evaluation of the merits and risks of investing in the Notes.

As a large national Turkish bank, the Issuer's business is significantly impacted by the condition of the Turkish economy, which itself is significantly influenced by Turkish political circumstances and global economic conditions (particularly in those countries with whom Turkey has a material trading relationship). The category of risk factors entitled "*Risks Relating to Turkey*" below describes the material such risks relating to the Issuer that have been identified by the Issuer's management, including those impacting materially on its business, financial condition and/or results of operations and thus on its ability to make payments due in respect of the Notes. In addition to the macro conditions relating to Turkey, the Group's business, financial condition and results of operations, and thus its ability to make payments due in respect of the Notes, are also subject to significant risks specific to the Group, including the ones discussed in the category of risk factors entitled "*Risks Relating to the Group and its Business*" below. Investors should also consider risks relating to the structure of, and market for, the Notes, the material ones of which that have been identified by the Issuer's management are described in the category of risk factors entitled "*Risks Relating to the Notes*" below.

It is important to note that the exposure of the Group's business to a market downturn in Turkey or the other markets in which it operates, or any other risks, might exacerbate or trigger other risks that the Group faces. For example, if the Group incurs substantial losses due to an economic downturn in Turkey, then its

need for liquidity and/or capital might rise sharply while its access to such liquidity and/or capital might be impaired. In addition, in conjunction with an economic downturn, the Group's customers might incur substantial losses of their own, thereby weakening their financial condition and increasing the credit risk of the Group's exposure to such customers. As such, the below risks should be understood in the context that more than one might apply concurrently and compound any adverse effects on the Group's business, financial condition and/or results of operations.

The section titled "*Risk Factors - Risks Relating to Turkey*" starting on page 1 of the Original Base Prospectus (as supplemented by the First Supplement) is hereby deleted in its entirety and replaced by the following:

Risks Relating to Turkey

The most material risk to the Issuer's ability to make payments due in respect of the Notes is that its business, including its loan portfolio, deposit base and government securities holdings, is concentrated in Turkey. For example, as of 30 September 2019: (a) the Bank's loans (net) constituted 57.7% of its total assets, substantially all of which loans were made to borrowers located in Turkey, (b) the Bank's deposits from customers (excluding interbank deposits) constituted 59.8% of its total liabilities, almost all of which deposits were located in Turkey, and (c) 17.5% of the Bank's total assets were invested in securities issued by the Turkish Treasury. In addition, the Group's non-Turkish business and assets (including the business and assets of the Group's non-Turkish subsidiaries) are largely related to Turkey, such as being relating to Turkish customers, exports and imports.

The Group's business is significantly dependent upon its customers' desire to borrow money from the Group and their ability to meet their obligations to the Group and deposit funds with the Group, all of which is materially impacted by the strength of the Turkish economy. A slowdown or downturn in the Turkish economy because of, among other factors, inflation, an increase in domestic interest rates, a decrease in consumer demand, an increase in unemployment or changes in exchange rates for the Turkish Lira might reduce the demand for the Group's services and products, negatively impact the ability of the Group's customers to meet their obligations to the Group and/or decrease the amount of deposits held at the Group.

Accordingly, the Group's business, financial condition and results of operations are significantly subject to the political and economic conditions prevailing in Turkey, the Turkish regulatory environment and other conditions relating to Turkey. These principal sub-categories of the risks relating to Turkey are set out in "*-Political Conditions*," "*-Economic Conditions*" and "*-Turkish Regulatory and Other Matters*" below.

Political Conditions

The political circumstances in Turkey have had (and will continue to have) a material influence on the Turkish economy, which in turn have resulted (and will continue to result) in material impacts on the Group's business, financial condition and/or results of operations. These conditions include (*inter alia*) domestic political events, Turkey's relationship with other nations, internal and regional conflicts and the regulatory framework. The political conditions that the Issuer's management has identified as having a material impact on the Issuer, including on its ability to make payments due in respect of the Notes, are set out in this section.

Political Developments – Political developments in Turkey might have a material adverse effect on the Group's business, financial condition and/or results of operations

Negative changes in the government and/or political environment, including the inability of the Turkish government to devise or implement appropriate economic programmes, might adversely affect the stability of the Turkish economy and, in turn, the Group's business, financial condition and/or results of operations. Unstable coalition governments have been common, and Turkey has had numerous, short-lived governments, with political disagreements frequently resulting in early elections, which has resulted in political and economic uncertainty.

The Turkish political situation has recently been particularly volatile, specifically following an attempted coup on 15 July 2016 by a group within the Turkish army. The Turkish government and the Turkish security forces (including the Turkish army) took control of the situation in a short period of time and the ruling government remained in control. Following the coup attempt, including during a two year state of emergency implemented by the government, the government has initiated legal proceedings against numerous institutions (including schools, universities, hospitals, associations and foundations), some of which were closed down and their assets and receivables were seized, and arrested, discharged or otherwise limited

thousands of members of the military, the judiciary and the civil service, restricted media outlets and otherwise taken actions in response to the coup attempt, including expansion of these actions to members of the business community and journalism sector. There might be further arrests and actions taken by the Turkish government, including changes in laws. Although, through 18 November 2019, the Group's operations have not been materially affected by the attempted coup and its aftermath, the political circumstances following the attempted coup, its aftermath (including rating downgrades of Turkey and the Bank) or any other political developments might have a negative impact on the Turkish economy (including the value of the Turkish Lira, international investors' willingness to invest in Turkey and domestic demand), Turkey's relationships with the EU, the United States and/or other jurisdictions, the institutional (including as a result of arrests, suspension or dismissal of a number of individuals working in the public sector) and regulatory framework, the Bank's and/or the Group's business, results of operations and/or conditions (financial or otherwise) and/or the market price of an investment in the Notes.

In a referendum held on 16 April 2017, the majority of the votes cast approved proposed amendments to certain articles of the Turkish Constitution, including replacing the existing parliamentary system of government with an executive presidency and a presidential system. In elections held on 24 June 2018, President Erdoğan received approximately 53% of the votes, being re-elected as the President, and the Justice and Development Party (*Adalet ve Kalkınma Partisi* (the "*AKP*")), the President's party, and the Nationalist Movement Party (*Milliyetçi Hareket Partisi*) (*MHP*), which 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 was transformed into a presidential one and President Erdoğan thus now holds the additional powers granted to the President pursuant to the referendum 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: (a) empowering the President to appoint: (i) the governor of the Central Bank, whereas the Council of Ministers had the authority to appoint the governor of the Central Bank in the parliamentary system, and (ii) the deputy governors of the Central Bank, whereas this appointment was previously made by the Council of Ministers among the candidates suggested by the governor of the Central Bank, (b) removing the previous requirement for deputy governors of the Central Bank to have at least ten years of professional experience and (c) shortening the office term of the governor and the deputy governors of the Central Bank to four years from five years (in any case, the governor's term of office is limited to the term of the President who is on duty at the date of the appointment of such governor). On 6 July 2019, the governor of the Central Bank was removed from his post by a Presidential Decree and, on the same day, President Erdoğan appointed Mr. Murat Uysal, one of the Central Bank's then-deputy governors, as the new governor of the Central Bank. As such, uncertainty regarding the independence of the Central Bank and Turkey's other financial institutions continues and this uncertainty, and any failure of the Central Bank and/or the Turkish Treasury to implement effective policies, might adversely affect the Turkish economy and thus have a material adverse effect on the Group's business, financial condition and/or results of operations.

There has been recent political tension between Turkey and the EU, certain members of the EU and the United States. With respect to the EU, see "*-Relationship with the European Union*" below. With respect to the United States, various recent events have impacted the relationship. For example, on 8 October 2017, the United States suspended all non-immigrant visa services for Turkish citizens in Turkey following the arrest of an employee of the United States consulate in İstanbul. On the same date, Turkey responded by issuing a statement that restricted the visa application process for United States citizens. While visa services have since resumed to normal, relations between the two countries remain strained on various topics, including: (a) the conflicts against the self-proclaimed jihadist Islamic State ("*ISIS*") and in Syria (as described further in "*-Terrorism and Conflicts*" below), (b) relationships with Iran, (c) the October 2019 U.S. federal indictment of state-controlled bank Türkiye Halk Bankası A.Ş. ("*Halkbank*") asserting violations of U.S. sanctions on Iran and (d) Turkey's December 2017 entry into a contract with Russia for the purchase of S-400 missile defence systems (including, with respect to clauses (b) and (d), as described further below).

On 1 August 2018, the Office of Foreign Assets Control of the U.S. Department of Treasury ("*OFAC*") took 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. Following such action, Turkey imposed reciprocal sanctions against two American officials. On 10 August 2018, the President of the United States stated that he had authorised higher tariffs on steel and aluminium imports from Turkey. On 15 August 2018, Turkey retaliated by increased tariffs on certain imports from the United States, such as cars, alcohol and tobacco. 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 12 August 2018) before strengthening to TL 5.3 as of 31 December 2018, due to various reasons, including the higher

than expected interest rate hike (625 basis points) by the Central Bank on 13 September 2018, improving relations between Turkey and the United States following the release of Mr. Brunson on 12 October 2018 and the 2 November 2018 removal of the sanctions imposed upon the two Turkish ministers and reciprocal sanctions imposed by Turkey.

On 5 November 2018, in an effort to constrain Iran's nuclear programme, the United States reinstated United States sanctions on Iran that had been removed in 2015 as part of the Joint Comprehensive Plan of Action, a multilateral treaty signed with Iran on 14 July 2015 on the Iranian nuclear programme (the "*Joint Comprehensive Plan of Action*"), including certain sanctions imposed upon the Iranian financial and energy sector and some imports from Iran, including (after a short exemption period that has since expired) Turkey's import of Iranian oil. The impact of this action, including any additional costs that might be borne by Turkish importers of oil (and thus on the country's current account deficit) or any sanctions that might be imposed for violations of these requirements and/or Turkey's relationship with Iran, might have a material negative impact on the Turkish economy and thus have a material adverse effect on the Group's business, financial condition and/or results of operations.

Municipal elections were held on 31 March 2019, as a result of which the AKP lost control of several major cities, including İstanbul, Ankara and Antalya; *however*, the AKP claimed election fraud in, and requested to repeat the elections in, İstanbul. On 6 May 2019, the Supreme Election Board ordered a revote for İstanbul mayor in an election to be held on 23 June 2019. In the revote, 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 54.21% and he was reinstalled as mayor on 27 June 2019. The impact of this election is uncertain, including any resulting impact on the Turkish political environment.

On 12 July 2019, Turkey accepted its first shipment of Russian S-400 surface-to-air missile systems and, as a result, Turkey was excluded from NATO's F-35 stealth-fighter-jet programme on 17 July 2019. As of 18 November 2019, it is uncertain if the United States and/or any other NATO member will impose any sanctions or other measures against Turkey and, if imposed, how such might impact the Turkish economy and/or the relationship between Turkey and the United States and/or any other NATO member.

In October 2019, the Turkish military, following a pullback by the United States of its presence in northern Syria, commenced military operations to create a "safe zone" in northern Syria in an effort to enhance Turkey's border security. As this territory is largely held by the People's Protection Units (YPG) in Syria, which had assisted the United States in the fight against ISIS but that Turkey believes is affiliated with the Kurdistan Workers' Party (the "*PKK*"), significant conflict in the region might occur. In addition to objections raised by Syria, Iran and Russia to this military activity, the United States (*inter alios*) has taken certain actions (including sanctions on three Turkish ministers and the ministries of defense and energy, though such sanctions were lifted quickly upon an agreement for a pause of operations by Turkey's military) and might impose additional sanctions upon Turkish military personnel, political figures and/or entities and/or take other actions that might negatively impact the Turkish economy and/or Turkey's relationship with the United States (in fact, the U.S. House of Representatives passed a bipartisan bill for sanctions on 29 October 2019 and members of the U.S. Senate have announced bipartisan plans to require that sanctions and other actions be adopted).

The above-mentioned events, future elections and/or other political circumstances, including actual or perceived political instability in Turkey, might: (a) result in the volatility of Turkish financial markets and/or have an adverse effect on investors' perception of Turkey, including with respect to the independence of the Central Bank, and Turkey's ability to adopt macroeconomic reforms, support economic growth and manage domestic social conditions, (b) result in (or contribute to) a deterioration of the relationship between Turkey and the EU, certain members of the EU and/or the United States and/or (c) have an adverse impact on the Turkish economy, any of which in turn might have a material adverse effect on the Group's business, financial condition and/or results of operations and/or on the market price of an investment in the Notes.

Terrorism and Conflicts – Terrorism and Conflicts might have a material adverse effect on the Group's business, financial condition and/or results of operations

Turkey is located in a region that has been subject to ongoing political and security concerns, including political instability and frequent incidences of violence in a number of countries in the Middle East and North Africa. In particular, the on-going conflicts in Syria and against ISIS have been the subject of significant international attention and conditions in the region remain volatile. Unrest in these countries might affect Turkey's relationships with its neighbours, have political implications both within Turkey and in its

relationship with other countries and/or have a negative impact on the Turkish economy, including through both financial markets and the real economy. Such impacts might occur (*inter alia*) through the significant movement of Syrian refugees, a lower flow of foreign direct investment into Turkey, capital outflows and/or increased volatility in the Turkish financial markets.

In connection with the conflicts in Syria, there have been military and civilian hostilities in both directions across the Syrian-Turkish border followed by the above-described commencement by the Turkish military to establish a “safe zone” in northern Syria, which might have political repercussions both within Turkey and in its relationship with the United States, Russia, Syria, Iran and/or other countries and/or have an adverse impact on the Turkish economy. Domestically, in July 2015, following a suicide bombing in a Turkish town bordering Syria, Turkey started to carry out air strikes against the PKK in northern Iraq, which marked the beginning of a period with elevated tension. The intensifying conflict with the PKK might also (*inter alia*) negatively impact the Turkish economy and/or Turkey’s relationship with the United States.

The above (or similar) circumstances have had and might continue to have a material adverse effect on the Turkish economy and thus on the Group’s business, financial condition and/or results of operations, including as a result of reduced revenues from tourism following heightened insecurity and any deterioration in the relationship between Turkey and the United States, Russia and/or other countries (including any sanctions or other governmental actions).

Relationship with the European Union – Uncertainties relating to Turkey’s relationship with the European Union might adversely affect the Turkish financial markets and result in greater volatility

Turkey has had a long-term relationship with the EU. In 1963, Turkey signed an association agreement with the EU, and a supplementary agreement was signed in 1970 providing for a transitional second stage of Turkey’s integration into the EU. The EU resolved on 17 December 2004 to commence accession negotiations with Turkey and affirmed that Turkey’s candidacy to join the EU was to be judged by the same 28 criteria (or “Chapters”) applied to other candidates. These criteria require a range of political, legislative and economic reforms to be implemented.

Although Turkey has implemented various of these reforms and has continued harmonisation efforts with the EU, the relationship between the EU and Turkey has at times been strained. Following domestic reactions to the attempted coup in 2016, the Parliamentary Assembly of the Council of Europe voted on 25 April 2017 to restart monitoring Turkey in connection with human rights, the rule of law and the state of democracy and officials of the EU and certain of its member states have since made various references about the suspension of negotiations for Turkey’s potential membership in the EU. On 15 July 2019, the EU adopted certain measures against Turkey over Turkey’s drilling for gas in waters off Cyprus, including reducing certain funding (including loans via the European Investment Bank) and the suspension of high level communications and of the negotiations for a comprehensive air transport agreement. On 11 November 2019, the EU adopted a framework for imposing sanctions on individuals or entities responsible for, or involved in, these drilling activities.

These circumstances might result in (or contribute to) a deterioration of the relationship between Turkey and the EU and/or certain of its member states. There can be no assurance that the EU or Turkey will continue to maintain an open approach to Turkey’s EU membership or that Turkey will be able to meet all the criteria applicable to becoming an EU member state. In the event of a loss of market confidence as a result of deterioration, suspension or termination in Turkey’s EU accession discussions or any other international relations between Turkey and the EU (or any of its member states), the Turkish economy might be adversely affected, which might have a material adverse effect on the Group’s business, financial condition and/or results of operations.

Economic Conditions

As a large national bank in Turkey, the Group’s business, financial condition and results of operations are significantly dependent upon the economic conditions in Turkey. In addition to domestic influences on the strength of Turkey’s economy, Turkey’s economy has been and will continue to be significantly impacted by a number of external factors, including (*inter alia*) the economic conditions of Turkey’s primary trading partners, external fund flows, international trade, interest rate and other actions by the U.S. Federal Reserve and the European Central Bank, geopolitical tensions and fiscal, regulatory and other actions by other governments. These and other factors might have a material adverse impact on international financial markets and/or economic conditions, which, in turn, might result in a material adverse effect on the Turkish economy and thereby might have a material adverse effect on the Group’s business, financial

condition and/or results of operations. In addition, these factors might disrupt payment systems, money markets, long-term and short-term fixed income markets, foreign exchange markets, commodities markets and equity markets, including adversely affecting the cost and availability of funding for the Group.

In recent years, Turkey's gross domestic product ("*GDP*") growth rates have been volatile. The GDP growth was 6.1% in 2015 and 3.2% in 2016; *however*, the Turkish economy recorded a robust growth of 7.5% in 2017, fuelled by a combination of government support and improving macroeconomic conditions. While 2018 started in similar fashion, there was a marked slowdown in growth in the second half of 2018 due to significant volatility in foreign exchange rates and increases in interest rates, particularly in the third quarter. With negative growth of 2.8% in the final quarter of 2018, the Turkish economy only grew by 2.8% in 2018. In the second quarter of 2019, Turkey's GDP contracted by 1.5% year-over-year from the second quarter of 2018, but grew at a rate of 1.2% from the first quarter of 2019. While economic performance in 2020 might return to higher growth, the Bank's management expects that the growth in GDP during the second half of 2019 will remain low. This weak growth has negatively impacted the Bank and further weak growth in GDP is likely to have a material adverse effect on the Group's business, results of operations and financial condition. In addition, government actions to stimulate the Turkish economy might increase the government debt and budget deficit levels, which might in turn contribute adversely to the country's economic stability. It should be noted that these GDP results are in inflation-adjusted Turkish Lira terms and, as the exchange rate of the Turkish Lira against the U.S. Dollar varies (in some years, significantly), these reported changes in GDP would have been different (in some years, significantly) were they determined in U.S. Dollar terms (*e.g.*, in 2018, the Turkish Lira depreciated by 38.1% against the U.S. Dollar, which greatly exceeded the year's GDP increase even without adjusting for inflation, resulting in a significant decline in the Turkish GDP in U.S. Dollar terms).

It is important to note that the Group's banking and other businesses are significantly dependent upon its customers' ability to make payments on their loans and meet their other obligations to the Group. If the Turkish economy suffers because of any of the factors described above or any other reason, then this might increase the number of the Group's customers who are not able to repay loans when due or meet their other obligations to the Group or who seek to restructure their loans, which would increase the Group's past due loan portfolio, require the Group to reserve additional provisions and/or reduce its net profit/(loss) and capital levels. In addition, volatility in the international or Turkish financial markets and/or economy and/or any tightening in credit conditions might result in decreased demand for the Group's products and services, increased borrowing costs (including due to increased competition for deposits) and reduced, or no, access to capital markets. The occurrence of any or all of the above might have a material adverse effect on the Group's business, financial condition and/or results of operations, including a decline in its net interest income and/or decreases in the Group's fee and commission income.

The economic conditions that the Issuer's management has identified as having a material impact on the Issuer, and thus potentially on its ability to make payments due in respect of the Notes, are set out in this sub-category.

Turkish Economy – The Turkish economy is subject to significant macroeconomic risks

Since the early 1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a more open market system. Although the Turkish economy has generally responded positively to this transformation, it has experienced severe macroeconomic imbalances, including significant current account deficits, high rates of interest, significant currency volatility and persistent unemployment. In addition, the Turkish economy remains vulnerable to both external and internal shocks, including volatility in oil prices, changing investor opinion and natural events such as earthquakes. Global macroeconomic and geopolitical uncertainties, slowdown in capital flows to emerging markets and an increasingly protectionist approach to global foreign trade also continue to negatively affect the Turkish economy.

Domestic political conditions and macroeconomic factors, including high levels of unemployment (13.9% as of July 2019), high levels of inflation and interest rates and currency volatility, remain of concern. These conditions have had, and likely will continue to have, a material adverse effect on the Group's business, financial condition and/or results of operations, including as a result of their impact on the Group's customers. The Turkish government has sought to improve economic growth and, in September 2019, the Turkish Treasury announced a new three-year medium-term economic programme (the "*New Economic Programme*") for 2020 to 2022 under which GDP growth was estimated to be 5.0% for each year (the 2019 estimate has been announced as only 0.5%).

More recently, Treasury and Finance Minister Mr. Albayrak announced "Structural Transformation Steps" as tools under the New Economic Programme, which tools are intended to support and strengthen: (a) the financial sector, (b) the fight against inflation, (c) budget discipline and tax reform and (d) sustainable growth. On the financial sector side, the main efforts have been focused on increased capitalisation and strengthening the asset quality of the banking sector, including additional capital infusions into the public banks and guidance to private banks to increase capital (including a temporary prohibition on the distribution of dividends). The targets for sustainable growth and an improving employment environment concentrate on certain strategically defined sectors, including energy, mining, petrochemical, pharmacy, tourism, auto and information. Turkey's sovereign wealth fund is also intended to be used to support investments in these strategic sectors. There can be no assurance that these targets will be reached or that the Turkish government will implement its current and proposed economic and fiscal policies successfully, including the Central Bank's efforts to curtail inflation and simplify monetary policy.

Since February 2001, the Central Bank has applied a floating exchange rate policy. Exchange rates for the Turkish Lira have historically been, and continue to be, highly volatile and recent events have further contributed to significant fluctuations in the value of the Turkish Lira and various governmental policies to respond to currency volatility and the resulting economic conditions. 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 38.1% in 2018 and by 9.0% in the first 10 months of 2019). 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. The impact of these circumstances, including changes in the exchange rates of the Turkish Lira, might have a material adverse effect on the Group, including through borrower defaults, increased NPLs, reduced loan volumes and reduced earnings, the revaluation of assets and liabilities (including increases in the Turkish Lira-equivalent value of the Group's obligations in other currencies), a decline in capital and/or rapid changes in the economic and legal environment.

Any further significant depreciation of the Turkish Lira against the U.S. Dollar or other major currencies, or any actions taken by the Central Bank or other Turkish authorities to protect the value of the Turkish Lira (such as increased interest rates), might adversely affect the financial condition of Turkey as a whole, including its inflation rate, and might have a material negative effect on the Group's business, financial condition and/or results of operations. On 30 April 2019, the Central Bank noted that it has been actively using short-term swap transactions, borrowing U.S. Dollars from local banks with an agreement to repay at a later date, to limit the impact of the tight liquidity of the Turkish Lira. While the accounting of these swap transactions might be viewed as overstating the Central Bank's foreign reserves, the Central Bank has stated that such method of accounting is in line with international standards.

Any monetary policy tightening of the U.S. Federal Reserve, the Bank of Japan and/or the European Central Bank, or any other increase in market interest rates, particularly if it is more accelerated than expected, might have an adverse impact on Turkey, including on Turkey's external financing needs, and might reduce the availability of and/or increase the cost of funding to the Turkish banking sector.

In March 2019, the United States announced that imports from Turkey and India would no longer be eligible for tariff relief under the "Generalized System of Preferences" programme, which programme seeks to promote economic growth in countries identified as being developing countries. In Turkey's case, the United States cited Turkey's rapid economic development since its entry into the programme and that it thus no longer qualified to benefit from these tariff preferences. Regulatory changes such as these reflect increasing challenges faced by some exporters, which might have a material adverse effect on Turkey's economy and/or the financial condition or one or more industries within Turkey.

Should Turkey's economy experience macroeconomic imbalances or otherwise be unsuccessful, it might have a material adverse impact on the Group's business, financial condition and/or results of operations.

High Current Account Deficit – Turkey's high current account deficit might result in governmental efforts to decrease economic activity

Turkey's high current account deficit has long created a significant risk for the Turkish economy. According to the Central Bank, Turkey's current account deficit was US$47.3 billion in 2017 (5.6% of GDP) but decreased to US$27.3 billion in 2018 (3.5% of GDP) due to an increase in exports, a slowdown of domestic demand and an increase in tourism revenues. Due to ongoing weakness in economic activity, Turkey's 12-month current account balance had, through June 2019, a surplus for the first time since November 2002; *however*, this development is likely to be temporary due to an expected recovery in economic

activity. Various events and circumstances, including (*inter alia*) a decline in Turkey's foreign trade and tourism revenues, political risks and an increase in the price of oil, might result in an increase in the current account deficit. The current account deficit is a principal concern for Turkish policy makers as it increases Turkey's vulnerability to changes in global macroeconomic conditions, and the Turkish government might take policy actions to reduce the current account deficit, including policies that might have a material negative impact on domestic growth and consumption. Any negative impact on economic growth or the introduction of policies that curtail the economy's activity might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Although Turkey's economic growth depends to some extent upon domestic demand, Turkey's economy is also dependent upon trade, in particular with Europe. The EU remains Turkey's largest export market. A significant decline in the economic growth of any of Turkey's major trading partners, such as the EU, might have an adverse impact on Turkey's balance of trade and adversely affect Turkey's economic growth. Diplomatic or political tensions between Turkey and the EU (or any of its member states) or other countries might impact trade or demand for imports and exports. A decline in demand for imports into the EU or Turkey's other trading partners might have a material adverse effect on Turkish exports and thus on Turkey's economic growth and thereby result in an increase in Turkey's current account deficit. To a lesser extent, Turkey also exports to markets in Russia and the Middle East, and the continuing political turmoil in certain of those markets might lead to a decline in demand for such imports, with a similar negative effect on Turkish economic growth and Turkey's current account deficit.

If the value of the Turkish Lira relative to the U.S. Dollar and other relevant trading currencies declines, then the cost of importing oil and other goods and services might increase, resulting in potential increases in Turkey's current account deficit. As an increase in the current account deficit might erode financial stability in Turkey, the Central Bank takes (and has taken) certain actions to maintain price and financial stability, which actions (including changes to interest rates and reserve requirements) might materially adversely affect the Group's business, financial condition and/or results of operations.

Turkey is an energy import-dependent country and recorded US$38.6 billion of net energy imports in 2018, which increased from US$32.9 billion in 2017, which itself had increased from US$24.0 billion in 2016. Although the government has been heavily promoting new domestic energy projects, these have not yet significantly decreased the need for imported energy and thus any geopolitical development concerning energy security might have a material impact on Turkey's current account balance. Volatile oil prices (including as a result of agreements among the members of the Organisation of the Petroleum Exporting Countries (*OPEC*) to cut output or any geopolitical development concerning energy security and prices, such as the United States' withdrawal from the Joint Comprehensive Plan of Action and re-imposing previously suspended secondary sanctions on Iran or the decision of the United States to impose sanctions on Venezuela), together with the Turkish Lira's depreciation against the U.S. Dollar (in which most of Turkey's energy imports are priced), might have a negative impact on Turkey's current account deficit.

If the current account deficit widens, then financial stability in Turkey might deteriorate. In addition, financing the current account deficit might be difficult in the event of a global liquidity crisis and/or declining interest or confidence of foreign investors in Turkey, and a failure to reduce the current account deficit might have a negative impact on Turkey's sovereign credit ratings. Any such difficulties might lead the Turkish government to seek to raise additional revenue to finance the current account deficit, reduce domestic demand and/or stabilise the Turkish financial system, any of which might materially adversely affect the Group's business, financial condition and/or results of operations.

Inflation – Turkey's economy has been subject to significant inflationary pressures in the past and might become subject to significant inflationary pressures in the future

The Turkish economy has experienced significant inflationary pressures in the past. In 2017, the annual consumer price index ("*CPI*") inflation rate was 11.9% due to an increase in the price of food and energy, the lagged impact of the depreciation of the Turkish Lira and strong domestic demand, while annual producer price inflation was 15.5% due to the increase in both intermediate and commodity prices in terms of Turkish Lira. The annual CPI inflation rate was 20.3% in 2018, while annual domestic producer price inflation during the year was 33.6%, both increasing significantly due principally to the depreciation of the Turkish Lira. On 31 October 2019, the Central Bank published its last inflation report of 2019, predicting a CPI inflation rate of 12.0% for 2019 and maintaining its inflation forecasts for 2020 and 2021 at 8.2% and 5.4%, respectively. As of October 2019, the last 12 month CPI inflation was 8.55% and the last 12 month domestic producer price inflation was 1.70%.

Significant global price increases in major commodities such as oil, cotton, corn and wheat would be likely to increase inflation pressures in Turkey. Such inflation, particularly if combined with further depreciation of the Turkish Lira, might result in Turkey's inflation exceeding the Central Bank's inflation target, which might cause the Central Bank to modify its monetary policy. Inflation-related measures that might be taken by the Central Bank and/or other Turkish authorities might have an adverse effect on the Turkish economy. If the level of inflation in Turkey were to continue to fluctuate or increase significantly, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Potential Overdevelopment – Certain sectors of the Turkish economy might have been or become overdeveloped, which might result in a negative impact on the Turkish economy

Certain sectors of the Turkish economy might have been (or might become) overdeveloped, including in particular the construction of luxury residences, shopping centres, office buildings, hotels and other real estate-related projects and various renewable energy-related projects. For example, significant growth in the number of hotels occurred over recent years in anticipation of a continuing growth in international tourism, whereas in fact tourism declined very significantly in 2015 and 2016 as a result of the conflicts in Syria and Iraq and Turkish political and security concerns, resulting in the tourism industry suffering significantly (while Turkey's tourism revenues started to improve starting from the second quarter of 2017, the industry remains below full capacity). Any such overdevelopment might lead to a rapid decline in the prices of these and other properties or the failure of some of these projects, which might then lead to a deterioration of the asset quality of Turkish banks who have lent to these developments and, in case of any restructuring with any borrowers resulting in more favourable terms to borrowers, might lead to a decrease in income for Turkish banks. Even if this does not occur, the pace of development of such projects might decline in coming years as developers and project sponsors seek to reduce their risk, which might negatively affect the growth of the Turkish economy. Should any of such events occur, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Turkish Regulatory and Other Matters

While political and economic conditions in Turkey tend to have the most significant impact on the Group's business, financial condition and results of operations, various other Turkey-related matters are also important. These matters (the most material of which is the Turkish regulatory environment) that the Issuer's management has identified as having a material impact on the Issuer, and thus potentially on its ability to make payments due in respect of the Notes, are set out in this sub-category.

Banking Regulatory Matters – The activities of the Group are highly regulated and changes to applicable laws, the interpretation or enforcement of such laws and/or the failure to comply with such laws might have an adverse impact on the Group's business, financial condition and/or results of operations

The Group is subject to a number of banking, consumer protection, competition, antitrust and other laws designed to maintain the safety and financial stability of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These laws include Turkish laws (in particular those of the BRSA) as well as the laws of other countries in which the Group conducts business. These laws, which can increase the cost of doing business and limit the Group's activities, include (*inter alia*):

(a) the Equity Regulation and the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks published in the Official Gazette No. 29511 dated 23 October 2015 (the "*2015 Capital Adequacy Regulation*"); the Equity Regulation introduced: (i) core Tier 1 capital and additional Tier 1 capital as components of Tier 1 capital and (ii) new Tier 2 rules and determined new criteria for debt instruments to be included in a bank's Tier 2 capital, whereas the 2015 Capital Adequacy Regulation requires a minimum core capital adequacy standard ratio (4.5%) and a minimum Tier 1 capital adequacy standard ratio (6.0%) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0%) and changed the risk weights of certain items that are categorised under "other assets,"

(b) a regulation (the "*D-SIBs Regulation*") regarding systemically important banks ("*D-SIBs*"), which regulation introduced additional capital requirements for D-SIBs in line with the requirements of Basel III (as of 18 November 2019, the Bank has been classified as a D-SIB under the D-SIBs Regulation),

(c) the BRSA's: (i) decision dated 18 December 2015 (No. 6602) regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (ii) decision dated 24 December 2015 (No. 6619) regarding the determination of such countercyclical capital buffer (together, the "*BRSA Decisions on the Countercyclical Capital Buffer*"), pursuant to which decisions the countercyclical capital buffer for Turkish banks' (including the Bank's) exposures in Turkey was initially set at 0% of a bank's risk-weighted assets in Turkey (effective as of 1 January 2016); *however*, such ratio can fluctuate between 0% and 2.5% as announced from time to time by the BRSA,

(d) the Regulation on Measurement of Liquidity Coverage Ratio of Banks published in the Official Gazette No. 28948 dated 21 March 2014 (the "*Regulation on Liquidity Coverage Ratios*") in order to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, according to which regulation the liquidity coverage ratios of banks is not permitted to fall below 100% on an aggregate basis and 80% on a foreign currency-only basis, and

(e) the Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside (the "*Classification of Loans and Provisions Regulation*") (which replaced the former "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside" (the "*Regulation on Provisions and Classification of Loans and Receivables*") and entered into effect as of 1 January 2018) in order to ensure compliance with the requirements of IFRS and the Financial Sector Assessment Programme, which is a joint programme of the International Monetary Fund and the World Bank; this regulation required banks to adopt TFRS 9 principles (unless an exemption is granted by the BRSA) related to the assessment of credit risk and to account for expected credit losses in line with such principles.

See "*Turkish Regulatory Environment*" for a description of the Turkish banking regulatory environment, including the implementation of Basel III in Turkey. The BRSA conducts examinations of all banks operating in Turkey and financial information, capital ratios, open positions, liquidity, interest rate risks and credit portfolios (*inter alia*) are followed up in detail at frequent intervals by the BRSA.

New or revised laws might increase the Group's cost of doing business and/or limit its activities, such as the Central Bank's frequent changes to monetary policy and reserve requirements. For example, the Turkish government (including the BRSA and the Central Bank) has introduced (and might introduce in the future) laws that impose limits with respect to fees and commissions charged to customers, increase the monthly minimum payments required to be paid by holders of credit cards or increase reserves. The Group might not be able to pass on any increased costs associated with such regulatory changes to its customers, particularly given the high level of competition in the Turkish banking sector. Accordingly, the Group might not be able to sustain its level of profitability in light of these regulatory changes and the Group's profitability might be materially adversely impacted until (if ever) such changes can be incorporated into the Group's pricing (and even then such changes might affect the Group's profitability as increased pricing for customers might reduce customer demand for the Group's products and services). Such measures might also limit or reduce growth of the Turkish economy and, consequently, the demand for the Group's products and services. Furthermore, as a consequence of certain of these changes, the Group might be required to increase its capital reserves and/or might need to access more expensive sources of financing to meet its regulatory liquidity and capital requirements.

Any failure by the Group to adopt adequate responses to these or future changes in the regulatory framework (whether in Turkey or any other jurisdiction in which the Group operates) might have an adverse effect on the Group's business, financial condition and/or results of operations. In addition, non-compliance with laws might expose the Group to potential liabilities and fines and/or damage its reputation.

Emerging Markets Risk – International investors might view Turkey negatively based upon adverse events in other emerging markets

In general, investing in the securities of issuers that have operations primarily in emerging market countries like Turkey involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the EU or other similar jurisdictions. The market for securities issued by Turkish companies is influenced not only by economic and market conditions in Turkey but also market conditions in other emerging market countries, the United States and the EU. For example, developments or economic conditions in one or more other emerging market(s) have at times adversely affected the prices of securities from, and the availability of credit to, other emerging market

countries as investors move their money to countries that are perceived to be more stable and economically developed. An increase in the perceived risks associated with investing in emerging economies might dampen capital flows to Turkey and/or otherwise adversely affect the Turkish economy. As a result, investors' interest in the Notes (and thus the market price of an investment in the Notes) might be subject to fluctuations that might not necessarily be related to economic conditions in Turkey or the financial performance of the Group. There can be no assurance that investors' interest in Turkey in general, and the Notes in particular, will not be negatively affected by events in other emerging markets or the global economy in general.

The section titled "*Risk Factors - Risks Relating to the Group and its Business*" starting on page 11 of the Original Base Prospectus (as supplemented by the First Supplement) is hereby deleted in its entirety and replaced by the following:

Risks Relating to the Group and its Business

While Turkish political, economic, regulatory and other circumstances are the most material category of risks relating to the Group's business, financial condition and results of operations, matters specific to the Group also might have a material impact on the Issuer's ability to make payments due in respect of the Notes, particularly the Group's exposure with respect to the loans and other credits that it extends to borrowers and other counterparties. Such risks that the Issuer's management has identified as having a material impact on the Issuer are set out in this section. The principal sub-categories of the risks relating to the Group and its business are credit risks, market risks, funding risks, operational risks and other Group-related risks, each as set out in their corresponding section below.

Credit Risks

Counterparty Credit Risk – The Group's business is inherently subject to credit risk in relation to its borrowers and other counterparties

The Group's primary business risk is the inherent risk that its borrowers and other counterparties might not be able to meet their obligations to the Group, which ability is affected by many factors. These counterparties include (*inter alios*) borrowers of loans from the Group, issuers whose securities are held by the Group, trading and hedging counterparties and customers of letters of credit provided by the Group, the Group's exposures to certain of which (particularly for loans for infrastructure and energy projects) are large. Any of these counterparties might default in their obligations to the Group due (*inter alia*) to the factors described in "*-Risks Relating to Turkey*" and/or adverse changes in consumer spending, consumer confidence, unemployment levels, corporate restructurings, bankruptcy rates and/or market volatility, including due to local, national and/or global factors. Many of these factors are difficult to anticipate and are outside of the Group's control. If the Group's customers are unable to meet their obligations to the Group when due, then this would increase the Group's past due loan portfolio, require the Group to reserve additional provisions and reduce its net profit/(loss) and capital levels, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

For example, if the Turkish Lira were to depreciate materially against foreign currencies, then it would be more difficult for the Group's customers with income primarily or entirely denominated in Turkish Lira to repay their foreign currency-denominated loans (*e.g.*, in part due to the recent significant depreciation of the Turkish Lira and declining economic growth in Turkey, some large corporate borrowers have entered into discussions with Turkish banks in connection with restructuring their loans).

Compounding this risk, and notwithstanding the credit risk policies and procedures that the Group has in place, the Group might not correctly assess the creditworthiness of its credit applicants or other counterparties (or their financial conditions might change) and, as a result, the Group might suffer material credit losses. If the Group is unable to accurately model the risk associated with borrowers, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations. Furthermore, should any large debtor to the Turkish financial system experience financial difficulties, as has happened in the recent past, then that might have a negative impact on the Group, including indirectly through having a negative impact on the Turkish banking sector.

The Group's financial results can be significantly affected by the amount of provisions for probable loan losses. The provision expense for losses on loans and other receivables (calculated in accordance with the BRSA Accounting and Reporting Principles applicable prior to the implementation of TFRS 9 as of 1 January 2018) increased 6.4% from TL 2.8 billion in 2016 to TL 3.0 billion in 2017. In addition, determining the amount of provisions and other reserves for possible credit losses involves the use of numerous estimates and

assumptions. As a result, the level of provisions and other reserves that the Group has set aside might prove insufficient and the Group might be required to create significant additional provisions and other reserves in future periods. Primarily due to an increase in NPLs as a consequence of the depreciation of the Turkish Lira and the contraction in the growth of the Turkish economy, the Group's NPL ratio increased from 4.0% as of 31 December 2018 to 6.4% as of 30 September 2019 and the ratio of Stage 2 loans to performing loans increased from 12.1% as of 31 December 2018 to 13.0% as of 30 September 2019.

On 17 September 2019, the BRSA instructed Turkish banks to reclassify as non-performing certain loans (principally to construction and energy companies) totalling TL 46 billion, which reclassification is to occur by 31 December 2019. The BRSA's impact analysis conducted on the July 2019 financial statements of the banks increased the sector's non-performing loan ratio to 6.3% from 4.6% and reduced the sector's capital adequacy ratio to 17.7% from 18.2%. The Bank had (before this announcement) already reclassified a portion of such loans that it held, and a material portion of the remainder were reclassified by 30 September 2019. With respect to the remaining such loans, the Bank is currently in close contact with the BRSA to determine the appropriate actions. The extent of the adverse impact of this reclassification on the Bank's and the Group's NPL ratios and capital adequacy ratios is expected to be limited.

The Group's efforts to mitigate credit risk, including through diversification of its assets and requiring collateral for many of its loans, might be insufficient to protect the Group against material credit losses. For example, as described in "*-Insufficient Collateral*" below, if the value of the collateral securing the Group's credit portfolio is insufficient (including through a decline in its value after the original taking of such collateral), then the Group will be exposed to greater credit risk (and an increased risk of non-recovery) if related credit exposures fail to perform.

Loan Concentrations – The Group's credit portfolio has certain concentrations, particularly in retail and SME loans, which renders it susceptible to deterioration in the financial condition of such industries and customers

Although the Group seeks to maintain diversity within its loan book with respect to industry, customer type, customer and loan product, certain concentrations are inherent in the Group's business. For example, as of 30 September 2019, retail loans accounted for 22.6% of the Bank's loan portfolio (16.9% consumer loans and 5.7% retail credit card loans), loans to SMEs (according to the BRSA SME Definition) accounted for 21.2% and the remaining share of the Bank's loan portfolio consisted of loans to corporates (according to the Corporate Definition).

Retail and SME customers typically have less financial strength than corporate borrowers, and negative developments in the Turkish economy might affect retail and SME customers more significantly than large corporate borrowers. On a Bank-only basis as of 30 September 2019, SMEs (as defined by the BRSA SME Definition) accounted for 27.0% of total NPLs and retail loans (which consist of consumer loans, overdrafts and credit cards) accounted for 10.3%, with the remainder constituted by loans to corporate borrowers. The Bank's NPL ratio for retail loans was 2.9%, 2.6%, 3.1% and 3.2%, respectively, as of 31 December 2016, 2017 and 2018 and 30 September 2019 whereas the Bank's NPL ratio for SME loans was 3.5%, 3.2%, 5.5% and 8.4%, respectively, as of such dates. A negative impact on the financial condition of the Group's retail or SME customers might have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Turkish government announced in December 2016 that the Turkish Treasury would provide a guarantee for SME loans up to an aggregate amount of TL 250 billion under the Credit Guarantee Fund (*Kredi Garanti Fonu*) (the "*KGF*") programme, which aimed to boost economic growth, support high potential companies that have difficulty accessing funding due to collateralisation constraints and help Turkish banks to grow by allowing 0% risk weight to be applied to the guaranteed portion of these loans. The available amount under this facility was increased by TL 55 billion in February 2018, TL 35 billion in May 2018 (to replace KGF-guaranteed loans that had already been repaid), TL 20 billion in January 2019 (for SMEs with 2017 annual turnover of TL 25 million or less), TL 25 billion in March 2019 (for SMEs with a yearly turnover of TL 125 million or less without any industry-specific limitations) and TL 25 billion in June 2019 (for SMEs and non-SMEs). Banks are assigned certain limits to grant these loans and the amount up to 100% of such limit (for both SMEs and non-SMEs) is guaranteed by the Turkish Treasury; *however*, with respect to each such scheme, to the extent that the non-performing loans (calculated in a specific manner applicable to the KGF programme) from the loans made under such scheme exceed 7%, the relevant bank will bear the risk for the amount of such non-performing loans in excess of such 7% level. As of 30 September 2019, the Bank's total loan disbursements under the KGF programme were TL 34.2 billion (of which TL 17.4 billion remained outstanding) and the Bank's non-performing loans ratio (as so calculated) for the loans made under each

scheme was less than 7%. To the extent that the such NPL ratio of the KGF loans of any scheme exceeds 7%, the Bank would lose the advantages of the KGF programme in terms of collections and risk weights.

With respect to loans to corporate borrowers, concentrations by industry (*e.g.*, construction) or product type (*e.g.*, project financings) exist from time to time, including (particularly for project or acquisition financings) potentially large individual exposures. As a specific example, the Bank granted loans (which amounted to TL 2,082,881 thousand as of 31 December 2017) to Ojer Telekomünikasyon A.Ş. ("*OTAŞ*") (the then-majority shareholder of Türk Telekomünikasyon A.Ş. ("*Türk Telekom*")), which loans were classified as Group II loans (Loans Under Close Monitoring) in the Bank's BRSA Financial Statements as of and for the year ended 31 December 2017. In July 2018, all of OTAŞ' lenders (including the Bank) reached an agreement on the restructuring of its debt, which debt was secured by OTAŞ' majority ownership in Türk Telekom. Pursuant to this restructuring agreement, it was decided for the lenders to obtain direct or indirect ownership in a newly created special purpose vehicle to own the shares of Türk Telekom. Accordingly, LYY Telekomünikasyon A.Ş. ("*LYY*") was established as a special purpose vehicle for the restructuring of OTAŞ' debt. The Bank acquired 11.5972% of LYY's shares in proportion with its share in OTAŞ' debt. On 21 December 2018, as per the agreed structure, LYY took title to the Türk Telekom shares held by OTAŞ (corresponding to 55% of Türk Telekom's shares). The lenders extended loans to LYY to finance its acquisition of these Türk Telekom shares. In the last quarter of 2018, the Bank reclassified the loan (then amounting to TL 3,102,293 thousand) from Stage 2 loans to Stage 3 loans and wrote-off TL 945,297 thousand as of 31 December 2018. Subsequently, the Bank's loan extended to LYY (amounting to TL 2,126,927 thousand as of 31 December 2018) was classified as "financial assets at fair value through profit and loss" in the Bank's BRSA Financial Statements as of and for the year ended 31 December 2018. Following the restructuring, the Bank's loan to OTAŞ was extinguished and payment on the Bank's loan is now dependent upon the value of the Türk Telekom shares held by LYY. As of 30 September 2019, at the ordinary general assembly meeting, LYY's shareholders decided to increase LYY's share capital by TL 3,982,230 thousand, all to be covered by converting shareholders' loans to LYY on a *pro rata* basis among the shareholders (thus resulting in no change in ownership percentages). As a result of such conversion, the remaining amount of the Bank's loan to LYY was TL 1,774,583 thousand as of 30 September 2019.

A downturn in any sector or specific borrower to which the Group has significant exposure might result in, among other things, a decrease in funds that such customer(s) hold on deposit with the Bank, defaults on their obligations owed to the Group and/or a need for the Group to increase provisions in respect of such obligations, any of which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Government Default – The Group has a significant portion of its assets invested in Turkish government debt, making it highly dependent upon the continued credit quality of, and payment of its obligations by, Turkey

The Group has significant exposure to Turkish governmental and state-controlled entities. As of 30 September 2019, 91.0% of the Group's total securities portfolio (16.0% of its total assets and equal to 137.7% of its shareholders' equity) was invested in government securities, primarily in securities issued by the Turkish Treasury. In addition, the Group has exposure to Turkey through the Group's participation in financing state-sponsored infrastructure projects, which might be susceptible to increased credit risk in the event of an economic downturn in Turkey or the deterioration of Turkey's creditworthiness.

Turkey's sovereign debt ratings have been subject to various downgrades recently and might be further downgraded. For example, 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, both to below investment-grade status. On 27 January 2017, S&P revised the outlook of Turkey from "stable" to "negative" and Fitch downgraded Turkey's sovereign credit rating to sub-investment grade in line with the ratings of S&P and Moody's. On 17 March 2017, Moody's revised the outlook of Turkey from stable to negative. On 7 March 2018, Moody's announced a further downgrade of Turkey's sovereign debt rating. On 1 May 2018, S&P lowered its unsolicited foreign currency long-term sovereign credit rating on Turkey to "BB-" from "BB" and its unsolicited local currency long-term sovereign credit rating to "BB" from "BB+." On 1 June 2018, Moody's placed Turkey's "Ba2" long-term issuer rating and "Ba2" senior unsecured bond rating on review for downgrade. On 13 July 2018, Fitch downgraded Turkey's long-term foreign-currency issuer default rating to "BB" from "BB+." On 17 August 2018, Moody's lowered Turkey's foreign currency long-term credit rating to "Ba3" from "Ba2" and Turkey's foreign currency deposit ceiling to "B1" from "Ba3," which it then lowered again to "B1" on 14 June 2019 and "B2" on 24 September 2018, respectively. On 12 July 2019, Fitch downgraded Turkey's long-term foreign currency credit rating to "BB-" from "BB" and long-term local currency credit rating to "BB-" from "BB+." On 1 November 2019, Fitch revised the outlook on Turkey's

long-term foreign currency credit rating from "negative" to "stable" and affirmed its issuer default rating at "BB-."

In addition to any direct losses that the Group might incur, a default, or the perception of increased risk of default, by Turkish governmental and/or state-controlled entities in making payments on their obligations (particularly as enforcing rights against governmental entities might be subject to structural, political or practical limitations) or a downgrade in Turkey's credit rating might have a material adverse effect on the value of the government debt held by the Group and/or on the Group's business, financial condition and/or results of operations.

Insufficient Collateral – Security interests or loan guarantees provided in favour of the Group might not be sufficient to cover any losses in the event of defaults by debtors and might entail long and costly enforcement proceedings

While certain of the Group's loans are unsecured, many of the Group's loans are protected by collateral and/or a personal guarantee. Accepting collateral and foreclosing on security interests are subject to certain costs and formal limitations under applicable law, with enforcement against any type of collateral potentially involving a long and costly procedure under Turkish or other applicable law. For example, the Group might have difficulty foreclosing on collateral when debtors default on their loans or apply to the courts for *concordat* proceedings, which might temporarily interrupt enforcement or foreclosure proceedings. In addition, the time and costs associated with enforcing security interests might make it uneconomical for the Group to pursue such proceedings, adversely affecting the Group's ability to recover its loan losses, which might have a direct impact on the Group's financial condition and results.

Deterioration in economic conditions in Turkey or a decline in the value of certain markets might reduce the value of the collateral securing the Group's loans (and/or the ability of borrowers to post additional collateral), increasing the risk that the Group would not be able to recover the full amount of any such loans in a default. If the Group seeks to realise on any such collateral, then it might be difficult to find a buyer and/or the collateral might be sold for significantly less than its appraised or actual value.

Market Risks

The Group is subject to risks that arise from open positions in currency, interest rate and (to a lesser extent) equity products, all of which are exposed to general and specific market movements. While the Group seeks to manage its market risk exposure through a range of measures (see "*Risk Management – Market Risk*" for further information), such measures might not be successful in mitigating all market risk. The Group's exposure to market risks might lead to a material adverse effect on the Group's business, financial condition and/or results of operations. Certain of these risks are described below.

Foreign Exchange and Currency Risk – Fluctuations in foreign currency exchange rates might adversely affect the Group's business, financial condition and/or results of operations

As a significant portion of the Group's assets and liabilities (including off-balance sheet commitments such as letters of credit) is denominated in, or indexed to, foreign currencies (primarily U.S. Dollars and euro), the Group is exposed to the effects of fluctuation in foreign currency exchange rates, which can have a material impact on its business, financial condition (including capitalisation) and/or results of operations. These risks are both systemic (*e.g.*, the impact of exchange rate volatility on the markets generally, including on the Group's borrowers) and specific to the Group (*e.g.*, due to the Group's own net currency positions). If the Turkish Lira depreciates, then (when translated into Turkish Lira) the Group would incur currency translation losses on its liabilities denominated in (or indexed to) foreign currencies (such as the Group's U.S. Dollar-denominated long-term loans and other debt) and would experience currency translation gains on its assets denominated in (or indexed to) foreign currencies. Furthermore, a significant depreciation of the Turkish Lira might affect the Group's ability to attract customers on such terms or to charge rates indexed to the foreign currencies. The overall effect of exchange rate movements on the Group's financial condition and results of operations depends upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies.

The Group seeks to manage the gap between its foreign currency-denominated assets and liabilities by (among other things) matching the volumes and maturities of its foreign currency-denominated loans against its foreign currency-denominated funding or by entering into currency hedges. If the Group is unable to manage the gap between its foreign currency-denominated assets and liabilities, then volatility in exchange

rates might have a negative effect on the value of the Group's assets and/or lead to operating losses, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

In preparing its BRSA Financial Statements, transactions in currencies other than Turkish Lira are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on such balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. As a result, the Group's balance sheet and net profit/(loss) is affected by changes in the value of the Turkish Lira with respect to foreign currencies.

For example, as a result of the depreciation of the Turkish Lira by 38.1% in 2018, the Turkish Lira-equivalent value of the Group's foreign currency-denominated assets and liabilities increased significantly in 2018. The share of Turkish Lira-denominated assets and liabilities in the Group's balance sheet changed from 59.0% and 51.5%, respectively, as of 31 December 2017 to 54.3% and 47.8%, respectively, as of 31 December 2018, largely due to the depreciation of the Turkish Lira. In the first half of 2018, the Bank recorded growth of 3.1% in Turkish Lira-denominated loans; *however*, due to the high volatility and unexpected market developments in the second half of the year, new Turkish Lira-denominated originations in consumer and business loans were lower than the amount of such loans that matured during the period and, as a result, Turkish Lira-denominated loans contracted by 2.4%. In addition, there was in 2018 a 26.6% increase (in Turkish Lira terms) in foreign currency-denominated loans primarily due to the depreciation of the Turkish Lira. Accordingly, the growth in total loans during 2018 was only 8.7%, with the increase resulting from the depreciation of the Turkish Lira and the corresponding increase (in Turkish Lira terms) of the remaining foreign currency-denominated loans.

From a systemic perspective, if the Turkish Lira were to depreciate materially against the U.S. Dollar or the euro (which represent a significant portion of the foreign currency debt of the Group's corporate and commercial customers), then it would be more difficult for the Group's customers with income primarily or entirely denominated in Turkish Lira to repay their foreign currency-denominated debt (including to the Group) and reduced repayment capacity of such customers might have a material negative impact on the Group's financial condition (including its capitalisation). A number of Turkish borrowers have significant amounts of debt denominated in foreign currency and thus are susceptible to this risk and certain foreign currency-denominated loans in the Turkish market have been (or are in the process of being) restructured. As of 30 September 2019, foreign currency-denominated loans (including applicable lease receivables and factoring receivables) comprised 48.4% of the Group's loan portfolio (of which U.S. Dollar-denominated obligations were the most significant) (51.7% as of 31 December 2018).

Compounding the impact of normal market movements, any actions taken by the Central Bank or other authorities to intervene in the value of the Turkish Lira (such as via increased interest rates or capital controls) might have a material negative effect on the Group's business, financial condition and/or results of operations. The Central Bank's monetary policy, which has been quite volatile since the beginning of 2018, is subject to a number of uncertainties, including global macroeconomic conditions and political conditions in Turkey. As global conditions have been volatile in recent years, including as a result of, among other factors, expectations regarding slower growth and low commodity and oil prices, monetary policy remains subject to uncertainty.

Interest Rate Risk – Changes in interest rate levels might affect the value of the Group's assets that are sensitive to interest rates and spread changes, as well as the Group's net interest margins and borrowing costs

The Group's results of operations depend significantly upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. Net interest income is the principal source of income for the Group, contributing 58.6%, 61.2%, 63.7% and 66.8% of the aggregate amount of the Group's total operating income and profit/loss from associates accounted for using the equity method for 2016, 2017, 2018 and the first nine months of 2019, respectively, and net interest margin (which is measured on a Bank-only basis) was 4.5%, 4.6%, 5.1% and 5.4%, respectively, over the same periods (for the first nine months of 2019, on an annualised basis by, as noted in "*Presentation of Financial and Other Information - Alternative Performance Measures*," multiplying: (a) the net interest margin for such nine month period (*i.e.*, 4.03%) by (b) 4/3rds (*i.e.*, 12 *divided by* the number of months in such period)). As a result, the differential between the average interest rates that the Group charges on interest-earning assets and the average interest rates that it accrues on interest-bearing

liabilities, and the volume of such assets and liabilities, tend to have the most significant impact on the Bank's results of operations.

Interest rates are highly sensitive to many factors beyond the Group's control, including monetary policies pursued by the Turkish government and domestic and international economic and political conditions, and the Group might be unable to take actions to mitigate any adverse effects of interest rate movements. In particular, the Group might be affected by the Central Bank's and BRSA's policies with respect to interest rates and reserve requirements. Changes in market interest rates might affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities, thereby affecting the Group's results of operations.

For example, an increase in interest rates (such as the large increase that the Central Bank implemented in its September 2018 meeting to combat high inflation) might cause interest expense on deposits (which are typically short-term and repriced frequently) to increase more significantly and/or quickly than interest income from loans (which are short-, medium- and long-term), resulting in a potential short-term reduction in net interest income and net interest margin. In addition, a significant decline in average interest rates charged on loans to customers that is not fully matched by a decrease in interest rates on funding sources, or a significant increase in interest rates on funding sources that is not fully matched by a rise in interest rates charged, to the extent such exposures are not hedged, might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Although the Group uses various instruments and measures to manage exposures to interest rate risk (see "*Risk Management – Interest Rate Risk*"), these instruments and measures might not protect the Group from the risks of changing interest rates.

Reduction in Earnings on Investment Portfolio – The Group might be unable to sustain the level of earnings on its securities portfolio

The Group has historically generated a portion of its interest income from its total securities portfolio, with interest derived from the Group's total securities portfolio in 2016, 2017, 2018 and the first nine months of 2019 accounting for 18.3%, 18.1%, 19.5% and 20.9%, respectively, of its total interest income (and 13.1%, 13.7%, 15.4% and 16.9%, respectively, of its gross operating income (that is, the sum of interest income, fees and commissions received, dividend income, trading income/loss and other operating income with no deductions for interest expense or fee and commission expense)). The Group also has obtained large realised gains from the sale of securities in its available-for-sale portfolio. The CPI-linked securities in the Group's investment securities portfolio provided high real yields compared to other government securities in each of such years, benefiting from the high inflation environment, but their impact on the Group's earnings might vary as inflation rates change.

While the contribution of income from the Group's securities portfolio has been significant over recent years, such income might not be as large in coming years. As securities in its portfolio are repaid, the Group might not be able to re-invest in assets with a comparable return. As such, the Group might experience declining levels of earnings from its securities portfolio. If the Group is unable to sustain its level of earnings from its securities portfolio, then this might have a material adverse effect on its business, financial condition and/or results of operations.

Funding Risks

Liquidity Risk – The Group might have difficulty borrowing funds on acceptable terms, if at all

Liquidity risk comprises uncertainties in relation to the Group's ability, under adverse conditions, to access funding necessary to cover obligations to customers, meet payment obligations on time and satisfy regulatory capital requirements. It includes (*inter alia*) the risk of lack of access to funding (other than from the reserves held with the Central Bank and limits granted to the Bank by the Central Bank both in Turkish Lira and foreign currency), the risk of unexpected increases in the cost of financing and the risk of not being able to structure the maturity dates of the Group's liabilities reasonably in line with its assets (an asset-liability maturity gap). The Group's inability to meet its net funding requirements due to inadequate liquidity might materially adversely affect its business, financial condition and/or results of operations.

There can be no assurance that the Group will not experience liquidity issues. In the event that the Group experiences liquidity issues, its ability to access certain sources of funding at such time might be negatively impacted by factors that are not specific to its operations, such as general market conditions,

disruptions of the financial markets or sovereign credit downgrades. For example, in the case of a global liquidity crisis, wholesale funding would likely become increasingly costly and more difficult to obtain for the Group, which might adversely affect borrowing using capital market instruments.

The Group relies primarily on short-term liabilities in the form of deposits (typically term deposits with terms of zero to 30 days) as its source of funding and has a mix of short-, medium- and long-term assets in the form (*inter alia*) of retail, consumer and corporate loans, mortgages and credit cards, which might result in asset-liability maturity gaps and liquidity problems. The Group's cash loan-to-deposit ratio was 105.8% as of 30 September 2019 (117.5%, 128.5% and 125.0%, respectively, as of 31 December 2018, 2017 and 2016). In addition, depositors might withdraw their funds at a rate faster than the rate at which borrowers repay. If the Group's retail customers become or remain unemployed or earn declining amounts, then they might save less or consume more of their money deposited with the Group. Similarly, if the Group's corporate customers face liquidity problems, then they might draw down their deposits with the Group. An inability on the Group's part to access such funds might put the Group's liquidity at risk and lead the Group to be unable to finance its operations and growth plans adequately.

While the Bank's principal source of funding comes from deposits, these funds are short-term by nature and thus do not enable the Bank to match fund its medium- and long-term assets. In addition, price competition for wholesale deposits has made such deposits less attractive. As a result, the Bank has raised (and likely will seek to continue to raise) longer term funds from syndicated and bilateral loans, "future flow" transactions, bond issuances and other transactions, many of which are denominated in foreign currencies. The Group's non-deposit funding as of 30 September 2019 was equivalent to 24.5% of the Group's consolidated assets (27.6%, 29.8% and 29.6%, respectively, as of 31 December 2018, 2017 and 2016). If growth in the Group's deposit portfolio does not keep pace with growth in its loan portfolio, then the Group will become more reliant upon non-deposit funding sources, some of which might create additional risks of their own such as increased interest rate gaps and exposure to volatility in international capital markets. If conditions in the international capital markets or interbank lending market, or the Group's and/or Turkey's credit ratings, were to deteriorate, then the Group might be unable to secure funding through international sources.

As noted above, a portion of the Group's wholesale fundraising is denominated in foreign currencies As of 30 September 2019, the Group's total foreign currency-denominated borrowings (*i.e.*, the sum of foreign currency-denominated funds borrowed, money market funds, marketable securities issued and subordinated debt) equalled 21.2% of its consolidated assets (23.2%, 21.6% and 20.7%, respectively, as of 31 December 2018, 2017 and 2016). While the Group has been successful in extending, at a relatively low cost, the maturity profile of its funding base, even during times of volatility in international markets, this might not continue in the future (including if investor confidence in Turkey decreases as a result of political, economic or other factors). Particularly in light of the historical volatility of emerging market financings, the Group might have difficulty extending and/or refinancing its existing foreign currency-denominated indebtedness, hindering its ability to avoid the interest rate risk inherent in asset-liability maturity gaps. Should these risks materialise, these circumstances might have a material adverse effect on the Group's business, financial condition and/or results of operations. These risks might increase as the Group seeks to increase medium- and long-term lending to its customers, including mortgages and project financings, the funding for much of which is likely to be made through borrowings in foreign currency (including refinancing of its foreign currency borrowings).

A rising interest rate environment might compound the risk of the Group not being able to access funds at favourable rates or at all. If central banks unwind the expansive liquidity that has been provided during the global financial crisis, competition among banks and other borrowers for the reduced global liquidity might result in increased costs of funding. These and other factors might lead creditors to form a negative view of the Group's liquidity, which might result in lower credit ratings, higher borrowing costs and/or decreased access to funds.

While the Group aims to maintain at any given time an adequate level of liquidity reserves, strains on liquidity caused by any of these factors or otherwise (including as a result of the requirement to repay any indebtedness, whether on a scheduled basis or as a result of an acceleration due to a default or other event) might adversely affect the Group's business, financial condition and/or results of operations.

Access to Capital – The Group might have difficulty raising capital on acceptable terms, if at all

By regulation, each of the Bank and the Group is required to maintain certain capital levels and capital adequacy ratios in connection with its banking business, which depend in part upon the level of its risk-weighted assets. In addition, Basel III regulations include requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. As of 30 September 2019, the Bank's

total regulatory capital to risk weighted assets ratio calculated in accordance with Basel III rules, prepared in accordance with BRSA Accounting and Reporting Principles, was 17.76% and the Group's was 16.35%.

Any changes relating to Basel III or any other capital adequacy-related revisions might impact the manner in which the Bank and/or the Group calculates its capital ratios and might even impose higher capital requirements, which might require the Group to raise additional capital and/or reduce its balance sheet to ensure that it has sufficient capital reserves, which might have a material adverse effect on the Group's business, financial condition and/or results of operations. Additionally, it is possible that the Group's capital levels might decline due to (*inter alia*) credit losses, loan provisions, currency fluctuations or dividend payments. The Group also might need to raise additional capital to ensure that it has sufficient capital to support growth in its assets. Should the Group wish or be required to raise additional capital, it might not be in a position to do so at all or at prices that the Group considers to be reasonable. If any or all of these risks materialise, then this might have a material adverse effect on the Group's liquidity, business, financial condition and/or results of operations.

Operational Risks

Competition in the Turkish Banking Sector – The Group faces intense competition in the Turkish banking sector

The Group faces significant competition from other participants in the Turkish banking sector, including both state-controlled and private banks in Turkey as well as many subsidiaries and branches of foreign banks and joint ventures between Turkish and foreign shareholders. A small number of these banks dominate the banking industry in Turkey. As of June 2019 (according to the most recent information published by the Banks Association of Turkey before 18 November 2019), the top five banks by assets in Turkey (two of which are state-controlled banks) held 55.8% of the banking sector's total loan portfolio (excluding participation banks) and 56.1% of total bank assets (excluding participation banks) in Turkey. The Bank's management believes that further entries into the sector by foreign competitors, either directly or in collaboration with existing Turkish banks, might increase competition in the market, particularly as foreign competitors might have greater resources and more cost-effective funding sources than the Group.

As noted, the Group faces competition against state-controlled financial institutions such as T.C. Ziraat Bankası A.Ş. ("*Ziraat*"), Türkiye Vakıflar Bankası T.A.O ("*Vakıfbank*") and Halkbank. The government-controlled financial institutions are increasingly focusing on the private sector, leading to increased competition and pressure on margins. In particular, the government-controlled institutions might have preferential access to low cost deposits (on which such institutions pay low or no interest) through "State Economic Enterprises" owned or administered by the Turkish government, which might result in a lower cost of funds that cannot be duplicated by private sector banks. Continued expansion by government-controlled financial institutions is, particularly when combined with ongoing competitive pressures from private financial institutions, expected to put downward pressure on net interest margins in at least the short term.

If competitors (including increasingly new technology companies) can offer better lending rates to clients, higher interest rates on deposits or better customer experiences for services and products, then the Group might (*inter alia*) lose customers or market share, be forced to reduce its margins and/or be forced to look for more expensive funding sources, any of which might negatively affect the Group's profitability. Increased pricing competition in the Turkish banking markets through the offer of products at significantly lower prices might also impact customer behavioural patterns and loyalty. Any failure to maintain customer loyalty or to offer customers a wide range of high quality, competitive products with consistently high levels of service might have a material adverse effect on the Group's business, financial condition and/or results of operations.

The Group's exposure to intense competition in each of its key areas of operation might, among other things, limit the Group's ability to increase its client base and expand its operations, reduce its asset growth rate and profit margins on services it provides and increase competition for investment opportunities. There can be no assurance that the continuation of existing levels of competition or increased competition will not have a material adverse effect on the Group's business, financial condition and/or results of operations.

Dependence upon Banking and Other Licences – Group members might be unable to maintain or secure the necessary licences for carrying on their business

Each of the Bank and, to the extent applicable, each of its subsidiaries has a current Turkish and/or other applicable licence for all of its banking and other operations. The Bank's management believes that the

Bank and each of its subsidiaries is in compliance with its existing material licence and reporting obligations; nevertheless, if it is incorrect, or if any member of the Group were to suffer a loss of a licence, breach the terms of a licence or fail to obtain any further required licences, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Restrictive Covenants – Restrictive covenants under the Group's agreements might adversely affect the Group's operations and a breach of any of these covenants might result in the counterparty exercising remedies against the applicable member of the Group and/or its properties

The Group is party to a range of agreements, including in respect of debt raised by the Group, which contain restrictive covenants, such as negative pledges, requirements for the maintenance of certain regulatory authorisations and requirements to refrain from certain transactions with affiliates. These restrictive covenants might adversely affect the Group's operations, such as its ability to raise funding secured by its properties. In addition, a breach of any of these covenants might result in the counterparty exercising remedies against the applicable member of the Group and/or its properties, and such breach and/or acceleration might cross-trigger to other agreements of the Group, any of which events might have a material adverse effect on the Group's business, financial condition and/or results of operations. For example, if the Bank is required to prepay a loan, then it might need to use a significant amount of its liquidity, sell assets (potentially at a disadvantageous price) and/or reduce its business in order to satisfy this unexpected prepayment. For example, if the Bank is required to prepay $500 million in loans, then it would need to use a significant amount of its liquidity, sell assets (potentially at a disadvantageous price) and/or reduce its business in order to satisfy this unexpected prepayment.

Estimations – Future events might be different from those reflected in the management assumptions and estimates used in the preparation of the Group's financial statements, which might result in unexpected reductions in profitability

Pursuant to accounting rules and interpretations, the Group uses certain estimates in preparing its financial statements, including in determining loan loss reserves and the accounting value of certain assets and liabilities. Should the estimated values for such items prove to be materially inaccurate, including as a result of unexpected market movements, 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. For example, portions of the Group's provisions for loans are determined based upon assumptions about the Turkish economy and thus (particularly if the Turkish economy underperforms such assumptions) the Group might have taken inadequate provisions for loans.

Risk Management – The Group's risk management strategies and internal control capabilities might leave it exposed to material risks

In the course of its business activities, the Group is exposed to a variety of risks, including (*inter alia*) credit risk, market risk, liquidity risk and operational risk (each as separately discussed in these "*Risk Factors*"). Any material deficiency in the Group's risk management or other internal control policies or procedures might expose it to significant risk, which in turn might have a material adverse effect on the Group's business, results of operations and/or financial condition. If circumstances arise that the Group has not identified or anticipated adequately, if the security of its risk management systems is compromised or if its risk policies or procedures have material deficiencies, then the Group's losses from such risks might be greater than expected, which might have a material adverse effect on the Group's business, financial condition and/or results of operations. In addition, some of the Group's methods of managing risk are based upon its use of historical data, which might not accurately predict future risk exposures.

International Operations – The Group is subject to adverse changes in the regulatory and economic environment in the international jurisdictions in which the Group operates

While a substantial majority of the Group's operations are in Turkey (93.7% of the Group's as of 30 September 2019 were in Turkey), it also (as of 18 November 2019) maintains operations in countries such as Russia, Germany, the Netherlands, the United Kingdom, Bahrain, Iraq, Georgia, Kosovo and the Turkish Republic of Northern Cyprus (the "*TRNC*"). The Group's operations outside of Turkey are subject to differing regulatory environments and domestic economic conditions and require the Group to engage in transactions in relevant local currencies such as the euro, the Russian Ruble and the Sterling. Adverse changes in the regulatory environments, tax and other laws, economic conditions, relevant exchange rates and/or other

circumstances in the jurisdictions in which the Group operates might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Participations – The Bank is exposed to risks relating to its equity investments

The Bank maintains equity participations in companies in various sectors, including financial services and non-financial services in sectors such as glass, software and health. While such investments have historically had an aggregate positive impact on the Group's financial condition: (a) any particular existing or future investment, or such investments in the aggregate, and/or (b) any divestitures, might result in losses to the Group, which might be material. In addition, the level of profit/loss accounted for using the equity method by the Bank from such investments (which totalled TL 2,809 million in 2018) might vary from year to year and affect the Bank's net income accordingly.

Operational Risk – The Group might be unable to monitor and prevent losses arising from fraud and/or operational errors or disruptions

The Group employs substantial resources to develop and operate its risk management processes and procedures; *however*, the Group's risk management and control capabilities are limited by the information tools and techniques available to the Group and the Group is susceptible to, among other things, fraud by employees, customers or other third parties, failure of internal processes and systems (including to detect fraud or unlawful transactions), unauthorised transactions by employees and other operational errors (including clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems). Given the Group's high volume of transactions, fraud or errors might be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which might increase the risk that human error or employee tampering will result in losses that might be difficult for the Group to detect quickly or at all. The Group is also subject to service interruptions from time to time caused by third party service providers (such as telecommunications operators) or other service interruptions resulting from events such as natural disasters. Such events might result in interruptions to services to the Group's branches and/or impact customer service. If the Group is unable to successfully monitor and control these or any other operational risks, then this might have a material adverse effect on the Group's reputation, business, financial condition and/or results of operations.

Dependence upon Information Technology Systems – Any failure or interruption in or breach of the Group's information systems, and any failure to update such systems, might result in lost business and other losses

The Group's business, financial performance and ability to meet its strategic objectives (including rapid credit decisions, product rollout and growth) depend to a significant extent upon the functionality of its information technology systems and its ability to increase systems capacity. The proper functioning of the Group's internal control, risk management, credit analysis and reporting, accounting, customer service and other information systems, as well as the communication networks between its branches and main data processing centres, are critical to the Group's business and its ability to grow and compete. For example, the Group's ability to process credit card and other electronic transactions for its customers is an essential element of its business.

While the Group has implemented and has future plans for various projects to strengthen its IT systems, any significant inadequacy, disruption, breach, failure, performance issues or interruption of the Group's IT systems (including those arising from viruses or cyber attacks), inadequate selection of new technology, delays caused by the implementation of new technology or incomplete integration of new technology into the existing IT systems might result in unforeseen expense and difficulties in conducting the Group's operations, which might have a material adverse effect on the Group's business, financial condition and/or results of operations.

In addition, most of the Group's servers are maintained in the Group's Atlas data centre, which is its main data centre located in Tuzla, İstanbul, Turkey, and all of the Group's IT applications depend upon the proper functioning of this data centre. In the event of a disaster, natural or otherwise, whereby the Group cannot operate its technology infrastructure, the Group has a contract with IBM to provide a recovery solution for the Group's critical systems at a centre located in İzmir, Turkey; *however*, while the Bank's entire branch infrastructure is connected to the İzmir disaster recovery site to ensure operational continuity, business critical applications might only function with limited capacity in such an event. For further information on the Group's IT system, see "*Business of the Group – Information Technology*."

Money Laundering and Terrorist Financing – Third parties might use the Group as a conduit for illegal or terrorist activities without the Group's knowledge

Although the Group has adopted various policies and procedures, and has put in place systems (including internal controls, "know your customer" rules and transaction monitoring), aimed at preventing money laundering and terrorist financing, and seeks to adhere to all requirements under Turkish law and international standards aimed at preventing it from being used as a vehicle for money laundering or terrorist financing, these policies and procedures might not be completely effective. Moreover, to a certain extent, the Group must rely upon correspondent banks to maintain and properly apply their own appropriate anti-money laundering, "know your customer" and terrorist financing policies and procedures. If the Group does not comply with timely reporting requirements or other anti-money laundering or anti-terrorist financing laws and/or is associated with money laundering and/or terrorist financing, then its business, financial condition and/or results of operations might be adversely affected, including in manners that significantly exceed the actual value of the underlying transaction. In addition, involvement in such activities might carry criminal or regulatory fines and sanctions and might severely harm the Group's reputation.

Personnel – The Group's success depends upon retaining key members of its senior management and its ability to recruit, train and motivate qualified staff

The Group is dependent upon its senior management to implement its strategy and operate its day-to-day business. In addition, corporate, retail and other relationships of members of senior management are important to the conduct of the Group's business. In a rapidly emerging and developing market such as Turkey, demand for highly trained and skilled staff is very high and requires the Group to re-assess continually its compensation and employment policies. If members of the Group's senior management were to leave, particularly if they were to join competitors, then those employees' relationships that have benefited the Group might not continue with the Group. In addition, the Group's success depends, in part, upon its ability to attract, retain and motivate qualified and experienced banking and management personnel. The Group's failure to recruit and retain necessary personnel or manage its personnel successfully might have a material adverse effect on the Group's business, financial condition and/or results of operations.

Almost all of the Bank's Turkish employees are members of the Turkish union for the banking and insurance industries Banking and Insurance Labour Union (*Banka ve Sigorta İşçileri Sendikası*) ("*Basisen*"). Basisen and the Bank are parties to a collective bargaining agreement, which was signed in May 2018 and is effective until 31 December 2019. While the Bank's management believes that the Bank's relationships with its employees and Basisen are satisfactory, the collective bargaining agreement with Basisen might not be extended or renewed at recent terms or the Group might not be able to renegotiate this collective bargaining agreement in a favourable and timely manner. In addition, although the Bank has not experienced any work stoppages or labour disputes to date, work stoppages or labour disputes might occur in the future. If a material disagreement between the Bank and Basisen arises, or if employees engage in a prolonged work stoppage or strike, then the Group's business, financial condition and/or results of operations might be negatively affected.

Other Group-Related Risks

Large Shareholders – The interests of the İşbank Personnel Supplementary Pension Fund and the CHP, which together hold a majority of the Bank's outstanding share capital, might not be aligned with the interests of the investors in the Notes

As of 31 October 2019, 39.89% of the Bank's shares were held by the İşbank Personnel Supplementary Pension Fund and 28.09% (Atatürk's shares) were owned by the Republican People's Party (the "*CHP*"). The interests of such shareholders might not be aligned with the interests of the investors in the Notes.

Government officials (including the President) have recently made some comments regarding a potential transfer of Atatürk's shares (see "*Ownership*") to the Turkish Treasury. After Mustafa Kemal Atatürk passed away, his shares in the Bank were transferred to the CHP (the main opposition party as of before 18 November 2019) in accordance with his testamentary will. On 17 September 2018, the Bank made a public announcement in Turkey stating that: (a) under Atatürk's will, any dividends on these shares are paid to two non-profit organisations, the Turkish Language Institute and the Turkish Historical Society, and (b) the İşbank Personnel Supplementary Pension Fund, which acts on behalf of the active and retired employees of the Bank, appoints the majority of the members of the Board of Directors.

Audit Qualification – The auditor's reports in relation to the Group's financial statements include a qualification and reports in relation to future financial statements might include similar qualifications

The auditor's audit and review reports (as applicable) included in the Group's BRSA Financial Statements incorporated by reference herein include a qualification related to the free provision: (a) amounting to TL 800 million as of 31 December 2016, all of which had been recognised as an expense in prior periods, (b) amounting to TL 1,740 million as of 31 December 2017, reflecting a TL 940 million increase in 2017, (c) amounting to TL 1,200 million as of 31 December 2018, reflecting a TL 540 million reversal in 2018, and (d) TL 825 million as of 30 September 2019, reflecting a TL 375 million reversal during the first nine months of 2019. The Bank's auditors have qualified their audit and review reports included in the BRSA Financial Statements, noting (in the BRSA Financial Statements for the nine months ended 30 September 2019) that the qualification is made as these free provisions were made "by the Bank's management for the possible effects of the negative circumstances which may arise from the possible changes in the economy and market conditions, which does not meet the recognition criteria of Turkish Accounting Standards 37 "Provisions, Contingent Liabilities and Contingent Assets"." See also the audit and review reports included in the BRSA Financial Statements incorporated by reference herein. Similar qualifications might be included in the corresponding audit or review reports for future fiscal periods.

The Bank's management determines the amount of free provisions in accordance with precautionary principles by taking into consideration the possible effects of the negative circumstances that might arise from the possible changes in the economy and market conditions. Such provisions might be reversed, re-allocated or increased by the Group in future periods, which might cause the Group's net profit/(loss) to be higher or lower in future periods than it otherwise would be in the absence of such reversal, re-allocation or increase. These provisions do not impact the Group's level of tax.

The reference to ""Risk Factors - Risks Relating to the Group and its Business - SME/Retail Concentration Risk"" in the ninth full paragraph of page 126 of the Original Base Prospectus is hereby deleted in its entirety and replaced with ""Risk Factors - Risks Relating to the Group and its Business - Credit Risks - Loan Concentrations"."

The sentence reading: "See "Risk Factors – Risks Relating to Turkey – Combating the Financing of Terrorism."" on the first line of page 156 of the Original Base Prospectus is hereby deleted in its entirety.

The reference to ""Risks Relating to the Group and its Business - Large Shareholders"" in the first paragraph of page 173 of the Original Base Prospectus is hereby deleted in its entirety and replaced with ""Risk Factors - Risks Relating to the Group and its Business - Other Group-Related Risks - Large Shareholders"."

The reference to ""Risks Relating to the Group and its Business - Audit Qualification"" in the second paragraph under "Independent Auditors" on page 230 of the Original Base Prospectus is hereby deleted in its entirety and replaced with ""Risk Factors - Risks Relating to the Group and its Business - Other Group-Related Risks - Audit Qualification"."

RECENT DEVELOPMENTS

The section titled "*Recent Developments*" included into the Original Base Prospectus by the First Supplement is hereby deleted and replaced in its entirety with the following:

RECENT DEVELOPMENTS

In May and September 2019, the Bank sold TL 418.4 million and TL 1,097.0 million, respectively, of NPLs in exchange for TL 30 million and TL 32.4 million, respectively, some of which NPLs were sold to the Bank's subsidiary Efes Varlık Yönetim A.Ş. and thus remain on the Group's financial statements.

MANAGEMENT

The information under the heading "*Executive Committee*" starting on page 164 of the Original Base Prospectus is hereby revised to include the following section at the end thereof (with corresponding changes deemed to be made elsewhere in the Base Prospectus).

Recent Developments

On 26 August 2019, three Deputy Chief Executives (Mr. Yılmaz Ertürk, Mr. Mehmet Şencan and Mr. Ömer Karakuş) resigned from their positions due to their new appointments at Anadolu Hayat Emeklilik A.Ş., Anadolu Anonim Türk Sigorta Şirketi and İş Faktoring A.Ş., respectively.

TURKISH REGULATORY ENVIRONMENT

The section titled "Recent Amendments to the Turkish Insolvency and Restructuring Regime" on page 206 of the Original Base Prospectus is hereby revised to include the following at the end thereof (with corresponding changes deemed to be made elsewhere in the Base Prospectus).

> Pursuant to Article 53 of the Banking Law, banks must formulate, implement and regularly review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and to reserve an adequate level of provisions against such losses, for qualification and classification of loans, receipt of guarantees and securities and measurement of their value and reliability. In addition, such policies must address issues such as monitoring loans under review, write-off of such loans in accordance with Turkish Financial Reporting Standards as published by the POA, follow-up procedures and the repayment (including restructuring) of loans. Banks must also establish and operate systems to perform these functions. All special provisions set aside for loans and other receivables in accordance with this article are considered as expenditures deductible from the corporate tax base in the year in which they are set aside. The uncollectible loans that are written-off after having reserved requisite provisions are considered to be bad debt within the context of Article 322 of the Tax Procedural Law No. 213.