SECOND SUPPLEMENT TO THE BASE PROSPECTUS DATED 17 JULY 2019
THE DATE OF THIS SUPPLEMENT IS 28 NOVEMBER 2019

TÜRKİYE SINAİ KALKINMA BANKASI A.Ş.
U.S.$2,000,000,000
Global Medium Term Note Programme

This base prospectus supplement ("**Supplement**") constitutes a supplement for the purposes of Article 16 of Directive 2003/71/EC, as amended or superseded (the "**Prospectus Directive**") (as implemented in the Republic of Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended) and is prepared in relation to the U.S.$2,000,000,000 Global Medium Term Note Programme (the "**Programme**") of Türkiye Sınai Kalkınma Bankası A.Ş. (the "**Bank**" or the "**Issuer**").

This Supplement has been approved by the Central Bank of Ireland as a competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Supplement as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus dated 17 July 2019, as supplemented by the Base Prospectus Supplement dated 23 August 2019 (together, the "**Base Prospectus**"), and all documents which are incorporated herein or therein by reference. Unless the context otherwise requires, terms defined in the Base Prospectus shall have the same meaning when used in this Supplement.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into this Supplement and (b) any statement in or incorporated by reference in the Base Prospectus, the statements referred to in (a) will prevail.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen or been noted, as the case may be, since the publication of the Base Prospectus.

This Supplement will be available on the website of the Central Bank of Ireland at *www.centralbank.ie* for a period of 12 months from the date of the Base Prospectus or may be obtained on written request and without charge from the registered office of the Issuer at Meclisi Mebusan Cad., No: 81 Fındıklı 34427, İstanbul, Turkey. In addition, copies of this Supplement and the documents incorporated by reference herein will also be available in electronic format on the Issuer's website.

PURPOSE OF THIS SUPPLEMENT

The purpose of this Supplement is to:

(i) supplement the information under the heading "Presentation of Financial and Other Information – Presentation of Financial Information" on pages 9 and 10 of the Base Prospectus, as amended by the Base Prospectus Supplement dated 23 August 2019;

(ii) incorporate by reference into the Base Prospectus the Group's 2019 Q3 Consolidated Interim Financial Statements and the Issuer's 2019 Q3 Unconsolidated Interim Financial Statements (each as defined below);

(iii) amend and supplement the following Risk Factors, as amended by the Base Prospectus Supplement dated 23 August 2019:

   (i) "Risks Related to the Group's Business – The Group is subject to credit risk in relation to its borrowers and other counterparties" on pages 16 and 17 of the Base Prospectus;

   (ii) "Risks Related to the Group's Business – The Group may be negatively affected by volatility in interest rates" on pages 20 and 21 of the Base Prospectus;

   (iii) "Risks Related to the Group's Business – The Group is subject to liquidity and financing risk" on pages 22 and 23 of the Base Prospectus;

   (iv) "Risks Related to the Group's Business – The audit and review reports in relation to the Group's financial statements include a qualification" on page 30 of the Base Prospectus;

   (v) "Political, Economic and Legal Risks Related to Turkey – The Turkish economy is subject to macro-economic risks" on pages 32 and 33 of the Base Prospectus;

   (vi) "Political, Economic and Legal Risks Related to Turkey – Turkey's economy has been subject to significant inflationary pressures in the past and may become subject to significant inflationary pressures in the future" on pages 33 and 34 of the Base Prospectus;

   (vii) "Political, Economic and Legal Risks Related to Turkey – The Turkish foreign exchange markets have historically been volatile, which could adversely affect Turkey's general economy" on pages 34 and 35 of the Base Prospectus;

   (viii) "Political, Economic and Legal Risks Related to Turkey – Turkey and its economy are subject to internal and external unrest and the threat of terrorism" on page 36 of the Base Prospectus;

   (ix) "Political, Economic and Legal Risks Related to Turkey – The Turkish economy is subject to geo-political risks" on pages 36, 37 and 38 of the Base Prospectus; and

   (x) "Political, Economic and Legal Risks Related to Turkey – Turkey is located in a high-risk earthquake zone" on pages 38 and 39 of the Base Prospectus;

(iv) supplement the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 147 of the Base Prospectus, as amended by the Base Prospectus Supplement dated 23 August 2019, for certain recent developments;

(v) amend and supplement the information under the heading "Business of the Group – Lending Policies and Procedures – Portfolio Supervision and Non-Performing Loans ("**NPLs**")" on page 225 of the Base Prospectus;

(vi) amend and supplement the information under the heading "Business of the Group – Lending Policies and Procedures – Credit Ratings" on pages 229 and 230 of the Base Prospectus;

(vii) amend and supplement the following information under the "Turkish Regulatory Environment" section of the Base Prospectus, as amended by the Base Prospectus Supplement dated 23 August 2019:

 (i) "Loan Loss Reserves – Loan Loss Reserves post-1 January 2018" on pages 266 through 268 of the Base Prospectus;

 (ii) "Liquidity and Reserve Requirements" on pages 279 through 282 of the Base Prospectus; and

 (iii) "Recent Amendments to the Turkish Insolvency and Restructuring Regime" on pages 291 and 292 of the Base Prospectus;

(viii) supplement the information under the heading "Significant or Material Change" on page 326 in the section entitled "General Information" of the Base Prospectus, as amended by the Base Prospectus Supplement dated 23 August 2019; and

(ix) supplement the information under the heading "Independent Auditors" on page 326 in the section entitled "General Information" of the Base Prospectus, as amended by the Base Prospectus Supplement dated 23 August 2019.

PRESENTATION OF FINANCIAL INFORMATION

The 2019 Q3 Consolidated Interim Financial Statements (as defined below) and the 2019 Q3 Unconsolidated Interim Financial Statements (as defined below) have been prepared in accordance with BRSA Principles and have been reviewed by EY in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

DOCUMENTS INCORPORATED BY REFERENCE

By virtue of this Supplement:

(i) the independent auditors' review report and consolidated unaudited financial statements of the Group as of and for the nine months ended 30 September 2019 published on 5 November 2019 (the "**2019 Q3 Consolidated Interim Financial Statements**") (available at http://www.tskb.com.tr/i/content/4202_1_TSKB%20Kons..pdf); and

(ii) the independent auditors' review report and unconsolidated unaudited financial statements of the Issuer as of and for the nine months ended 30 September 2019 published on 5 November 2019 (the "**2019 Q3 Unconsolidated Interim Financial Statements**") (available at http://www.tskb.com.tr/i/content/4202_1_TSKB%20Solo.pdf),

which have previously been published and have been filed with the Central Bank of Ireland, shall be incorporated in, and form part of, the Base Prospectus.

Any documents themselves incorporated by reference in the documents incorporated by reference do not (and shall not be deemed to) form part of this Supplement for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference.

RISK FACTORS

Risks Related to the Group's Business – The Group is subject to credit risk in relation to its borrowers and other counterparties

The fourth paragraph of the Risk Factor shall be deleted and replaced in its entirety with the following:

"The ratio of non-performing loans ("**NPLs**") to total cash loans in the Turkish banking sector was 3.2 per cent. as of 31 December 2016, 2.9 per cent. as of 31 December 2017, 3.8 per cent. as of 31 December 2018 and 4.7 per cent. as of 30 September 2019 (with respect to the Group, 0.3 per cent., 0.2 per cent., 2.1 per cent. and 3.2 per cent., respectively), with the Turkish banking sector's statistics being as reported in the BRSA's monthly statistical bulletin. Although the Group's NPL ratio is lower than the sector average, the Group, along with the sector, has experienced increasing NPL ratios in recent periods due to the deteriorating macroeconomic environment globally and in Turkey (for example, the Group's total NPLs increased from TL 53,575 thousand as of 31 December 2017 to TL 597,210 thousand as of 31 December 2018 due to provisioning related to a single syndicated loan financing of a hydropower plant project, and increased to TL 956,666 thousand as of 30 September 2019 primarily due to the reclassification of a syndicated loan financing of a natural gas combined cycle power plant, from Stage 2 to Stage 3 during the third quarter of 2019). The Group expects that these increases may persist in the near to medium term. Furthermore, on 17 September 2019, the BRSA issued a press release instructing Turkish banks to reclassify TL 46 billion of certain loans (primarily to energy and construction companies) as NPLs by 31 December 2019. Prior to the BRSA making this announcement, the Group had already reclassified a significant portion of such loans. Some large corporate borrowers have entered into discussions with Turkish banks, including the Group, in connection with restructuring their loans, which are significant in principal amount. If a material volume of such loans and/or other loans are reclassified as NPLs or if there is a prolonged slowdown in economic conditions related thereto then this may have a material adverse effect on the asset quality of Turkish banks, including the Group."

Risks Related to the Group's Business – The Group may be negatively affected by volatility in interest rates

The following sentence is hereby included as the last sentence of the fifth paragraph of the Risk Factor:

"On 12 September 2019, the Central Bank further reduced the one-week repo rate from 19.75 per cent. to 16.50 per cent., which was followed by a further reduction to 14.0 per cent. on 24 October 2019."

Risks Related to the Group's Business – The Group is subject to liquidity and financing risk

The second sentence of the fourth paragraph of the Risk Factor shall be deleted and replaced in its entirety with the following:

"As of the date hereof, the rating of Turkey's foreign currency-denominated long-term debt is "B1 (negative outlook)" from Moody's and "BB- (stable)" from Fitch."

The fifth paragraph of the Risk Factor is hereby deleted and replaced in its entirety with the following:

"The current credit ratings of Turkey and the Turkish banking sector are the result of a series of downgrades and negative actions taken by the credit agencies in 2018, which generally cited concerns over inflation and a widening current account deficit, the volatility of the Turkish Lira exchange rate and/or the deteriorating operating environment for Turkish banks, with negative implications for their funding profiles. On 17 August 2018, S&P downgraded the Turkish sovereign rating from "BB-" to "B+" with a stable outlook and also revised the ratings of six Turkish banks. On the same day, Moody's downgraded the Turkish sovereign rating from "Ba2" to "Ba3" and revised the outlook to negative. On 28 August 2018, following the downgrade of Turkey's sovereign rating, Moody's also downgraded the foreign-currency long-term debt ratings of 18 Turkish banks, including the Bank. On 1 October 2018, Fitch downgraded the long-term foreign-currency issuer default ratings of 20 Turkish banks and their subsidiaries, including the Bank. On 14 June 2019, Moody's downgraded Turkey's sovereign credit rating to B1, maintaining a negative outlook. On 18 June 2019, Moody's downgraded the local currency long-term deposit ratings and the local and foreign currency senior unsecured and issuer ratings of 18 Turkish banks, which included a downgrade of the Bank's baseline credit assessment from “b3” to “caa1” and a downgrade of the Bank’s long-term local and foreign currency issuer ratings from “B2” to “B3”. On 12 July 2019, Fitch downgraded Turkey's sovereign long-term foreign-currency issuer default rating from “BB (negative outlook)” to “BB- (negative outlook)” citing the dismissal of the central bank governor, Murat Cetinkaya, in its decision for the downgrade. More recently, on 1 November 2019, Fitch revised Turkey’s sovereign long-term foreign currency issuer default rating from “BB- (negative outlook)” to “BB- (stable outlook)” citing (i) reduced downside risks to Turkey’s ability to support banks and (ii) the lower near-term likelihood of a sharp deterioration in Turkey's external finances, and therefore of government intervention in the banking system. On 12 November 2019, following its revision of Turkey’s long-term foreign-currency issuer default rating, Fitch revised the rating outlooks for 20 Turkish banks to stable, including that of the Bank.”

Risks Related to the Group’s Business – The audit and review reports in relation to the Group’s financial statements include a qualification

The second paragraph of the Risk Factor shall be deleted and replaced in its entirety with the following:

“The auditor’s audit reports in the Group’s BRSA Financial Statements include: (a) a qualification in the Group’s 2017 BRSA Financial Statements related to the free provision amounting to TL 190,000 thousand as of and for the year ended 31 December 2017, including a deferred tax asset based on this reserve amounting to TL 41,800 thousand, provided by the Bank’s management for possible results of circumstances which may arise from possible changes in the economy and market conditions, (b) a qualification in the Group’s 2018 BRSA Financial Statements related to the free provision amounting to TL 220,000 thousand as of and for the year ended 31 December 2018, including a reversal of a deferred tax asset in the amount of TL 41,800 thousand, which was accounted based on the free provision provided as of 31 December 2017 and (c) a qualification in the Group’s Q3 2019 BRSA Financial Statements related to the free provision amounting to TL 240,000 thousand as of and for the nine months ended 30 September 2019, of which TL 20,000 thousand and TL 220,000 thousand were provided in current and prior years respectively by the Bank’s management, for the possible effects of the negative circumstances which may arise in the economy or market conditions. Due to the fact that the above-mentioned items do not meet the requirements of TAS 37, the “Prior years’ income/losses” as of 30 September 2019 is understated by TL 220,000 thousand and the “pretax income” as of 30 September 2019 is understated by TL 20,000 thousand. There was no free provision amount as of 31 December 2016.”

Political, Economic and Legal Risks Related to Turkey – The Turkish economy is subject to macro-economic risks

The following sentences are hereby included before the last sentence of the third paragraph of the Risk Factor:

“On 12 September 2019, the Central Bank further reduced the one-week repo rate from 19.75 per cent. to 16.50 per cent., which was followed by a further reduction to 14.0 per cent. on 24 October 2019. Furthermore, on 20 September 2019, the Central Bank again increased the reserve requirement ratios for foreign-exchange deposits by 100 basis points for all maturity brackets as effective from 4 October 2019.”

Political, Economic and Legal Risks Related to Turkey – Turkey’s economy has been subject to significant inflationary pressures in the past and may become subject to significant inflationary pressures in the future

The last sentence of the second paragraph of the Risk Factor, as amended by the Base Prospectus Supplement dated 23 August 2019, is hereby deleted in its entirety.

The following sentences are hereby added to the end of the second paragraph of the Risk Factor:

"On 31 October 2019, the Central Bank released its October 2019 Inflation Report, revising its 2019 year-end inflation forecast to 12 per cent. The Central Bank attributed this improvement to the underlying trend of inflation and downward revisions in import prices and food prices, which positively impacted the year-end inflation forecast compared to previous years."

Political, Economic and Legal Risks Related to Turkey – The Turkish foreign exchange markets have historically been volatile, which could adversely affect Turkey's general economy

The last sentence of the second paragraph of the Risk Factor shall be deleted and replaced with the following:

"On 25 July 2019, 12 September 2019 and 24 October 2019, the Central Bank reduced the one-week repo rate by 425 basis points, 325 basis points and 250 basis points, respectively. As a result, the one-week repo rate is currently 14.0 per cent."

Political, Economic and Legal Risks Related to Turkey – Turkey and its economy are subject to internal and external unrest and the threat of terrorism

The following is hereby included as the third paragraph of the Risk Factor:

"On 9 October 2019, the Turkish Armed Forces, together with the Syrian National Army, launched a military offensive with the stated goal of protecting the Turkish border, combatting terrorists in northern Syria and protecting the Syrian people from oppression. Although the Government maintained that the offensive was undertaken in full compliance with international law, EU countries signed an agreement to limit arms exports to Turkey on 14 October 2019. On the same day, the U.S. announced sanctions on Turkey's Ministry of National Defence, the Ministry of Energy and Natural Resources and three senior government officials (Minister of National Defence Hulusi Akar, Minister of Energy and Natural Resources Fatih Dönmez and Interior Minister Süleyman Soylu). On 17 October 2019, the Government reached an agreement with the U.S. for a temporary cease-fire. As a result of this agreement, the Government paused its military offensive. The sanctions imposed by the U.S. were lifted on 23 October 2019. However, on 29 October 2019, the U.S. House of Representatives passed a bipartisan bill which threatened further sanctions against Turkey for launching the military offensive into northern Syria. The U.S. may impose additional sanctions on Turkey, Turkish military personnel, political figures and/or entities and may also take other actions that may negatively impact the Turkish economy and/or Turkey's relationship with the United States."

Political, Economic and Legal Risks Related to Turkey – The Turkish economy is subject to geo-political risks

The following sentence is hereby included as the seventh sentence of the second paragraph of the Risk Factor:

"Although the executive of state-controlled bank, Türkiye Halk Bankası A.Ş., was released from prison on 19 July 2019, prosecutors in a New York federal court announced on 15 October 2019 that Türkiye Halk Bankası A.Ş. was charged with fraud, money laundering and sanctions offences in violation of U.S. sanctions on Iran."

The following paragraph is hereby included as the sixth paragraph of the Risk Factor:

"On 14 October 2019, the U.S. announced sanctions on Turkey's Ministry of National Defence, the Ministry of Energy and Natural Resources and three senior government officials (Minister of National Defence Hulusi Akar, Minister of Energy and Natural Resources Fatih Dönmez and Interior Minister Süleyman Soylu) as a result of the Government's military offensive in north-eastern Syria. These sanctions were lifted on 23 October 2019 following the Government's decision to pause its military operations in Syria as agreed with the U.S. on 17 October 2019. However, on 29 October 2019, the U.S. House of Representatives passed a bipartisan bill which threated further sanctions against Turkey for the military offensive into northern Syria. It is uncertain whether any future sanctions will arise or how any future sanctions may result in a deterioration in the relationship between Turkey and the United States or have a negative impact on the Turkish economy."

The following paragraph is hereby included as the seventh paragraph of the Risk Factor:

"Turkey has had a long-term relationship with the EU since it signed an association agreement with the EU in 1963 and a supplementary agreement, which provided for a transitional second stage of Turkey's integration into the EU, in 1970. On 17 December 2004, the EU commenced accession negotiations with Turkey and affirmed that Turkey's candidacy to join the EU would be judged by the same 28 criteria (or "**Chapters**") applied to other candidates whereby Turkey would be required to implement a range of political, legislative and economic reforms. Despite Turkey's implementation of various of these reforms, the relationship between Turkey and the EU has become strained. Most recently, on 15 July 2019, the EU adopted certain measures against Turkey, including a reduction of certain funding (including loans from the European Investment Bank), a suspension of high-level communication and a suspension of the negotiation for a comprehensive air transport agreement due to Turkey's involvement in the drilling for gas in waters off the coast of Cyprus. On 11 November 2019, the EU adopted a framework for imposing sanctions on individuals or entities responsible for, or involved in, these drilling activities. If such sanctions were to be imposed against Turkey, Turkish individuals or Turkish entities, the relationship between Turkey and the EU could become further strained and result in (or contribute to) a further deterioration in the relationship between Turkey and the EU 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 the criteria required to become an EU member state which could adversely affect the Group's business, financial condition and/or results of operations."

Political, Economic and Legal Risks Related to Turkey – Turkey is located in a high-risk earthquake zone

The first paragraph of the Risk Factor shall be deleted and replaced in its entirety with the following:

"Seismologists classify almost all of Turkey as a high-risk earthquake zone. Furthermore, a significant portion of Turkey's population and most of its economic resources are located in a first-degree earthquake risk zone (the zone with the highest level of risk of damage from earthquakes). On 8 March 2010, an earthquake measuring 6.0 on the Richter scale struck the eastern province of Elazığ. In October 2011, an earthquake measuring 7.2 on the Richter scale struck the eastern part of the country, causing significant property damage and loss of life. On 6 February 2017, two earthquakes with preliminary measurements of 5.3 on the Richter scale struck Turkey's northern Aegean coast and damaged dozens of homes in at least five villages and injured at least five people. On 2 March 2017, an earthquake measuring 5.5 on the Richter scale struck the south-eastern region of Turkey and injured at least five people. More recently, on 26 September 2019, an earthquake measuring 5.8 on the Richter scale struck the Sea of Marmara, damaging a number of buildings in Istanbul. A number of the Group's properties, businesses and customers are located in earthquake risk zones in Turkey and the direct impact of future earthquakes could have a material adverse effect on the Group's business, financial condition and results of operations."

RECENT DEVELOPMENTS

The following summary financial and operating data for the nine-month periods ended 30 September 2019 and 2018 and balance sheet information as of 30 September 2019 and 31 December 2018 have been extracted from the 2019 Q3 Consolidated Interim Financial Statements without material adjustment. This information should be read in conjunction with the 2019 Q3 Consolidated Interim Financial Statements (including the notes therein). Except to the extent stated otherwise, the financial data for the Group included herein are extracted from the 2019 Q3 Consolidated Interim Financial Statements without material adjustment. Potential investors in the Notes should note that this section also includes certain financial information for the Bank only, which is extracted from the 2019 Q3 Unconsolidated Interim Financial Statements of the Bank without material adjustment. Such financial information is identified as being of "the Bank" in the description of the associated tables or information (rather than for the Group on a segmented basis).

The 2019 Q3 Consolidated Interim Financial Statements are not directly comparable to the IFRS financial statements incorporated by reference into the Base Prospectus, which are prepared in accordance with IFRS and on a different consolidation basis. For a description of some of the more significant accounting differences between Turkish GAAP and/or BRSA reporting standards and IFRS, see Appendix A to the Base Prospectus.

Significant Factors Affecting the Group's Financial Condition and Results of Operations

The Group's business, financial condition and results of operations depend significantly upon the macro-economic conditions prevailing in Turkey as well as other factors. The impact of these and other potential factors may vary significantly in the future and many of these factors are outside the control of the Group. In addition to the factors described in the Base Prospectus, the Group's results of operations during the nine months ended 30 September 2019 were principally affected by the factors described below.

The Group's business, financial condition and results of operations have been impacted by decreases in CPI expectations in the market in accordance with realised inflation in the first nine months of 2019 and macroeconomic indicators, which have resulted in the Group altering its own yearly (October to October) CPI expectation from 10.6 per cent. as of 30 June 2019 to 9.5 per cent. as of 30 September 2019. Changes in the Group's CPI expectation have lowered yields of the CPI linked bonds as the Group makes adjustments to the value of its security portfolio based on the difference between its CPI expectation and realised CPI and as a result, the interest income from such securities decreased, which caused a fall in the Group's net interest margin by 10 basis points as of 30 September 2019 compared to 30 June 2019.

Loan growth in the Turkish banking sector began to recover in the nine months ended 30 September 2019 due to an increased demand for loans driven by Central Bank rate cuts and promotional activities by Turkish banks for their consumer loan products. Total loans and corporate loans in the banking sector increased by 4.3 per cent. and 3.3 per cent., respectively, in the nine months ended 30 September 2019, while the Group's total loans and corporate loans increased by 5.1 per cent. and 5.1 per cent., respectively, in the nine months ended 30 September 2019. Corporate loans for private banks, the Bank's peer group, decreased by 2.3 per cent. in the nine months ended 30 September 2019. Foreign exchange adjusted loan growth in the Turkish banking sector amounted to 4.2 per cent. in the nine months ended 30 September 2019, while the Group's foreign exchange adjusted loan growth during the same period amounted to negative 1.3 per cent.

The Group has experienced an increase in its TL-denominated loan book portfolio. For the nine months ended 30 September 2019, the Group extended new loans primarily in TL, which resulted in a 20.5 per cent. increase in the Group's TL loan book portfolio compared to 30 June 2019. The share of energy loans and foreign exchange loans in the Group's total loan portfolio was 37.0 per cent. and 89.0 per cent., respectively, for the nine months ended 30 September 2019.

The Group has experienced increasing NPL ratios in recent periods due to the deteriorating macroeconomic environment globally and in Turkey. The Group's ratio of NPLs to total cash loans was 0.3 per cent. as of 31 December 2016, 0.2 per cent. as of 31 December 2017, 2.1 per cent. as of 31 December 2018 and 3.2 per cent. as of 30 September 2019. Although the Group's NPL ratio remains lower than the banking sector average, its NPL ratio has increased significantly from 31 December 2018 to 30 September 2019. The Group primarily attributes this increase to the reclassification of a syndicated loan financing of a natural gas combined cycle power plant, from Stage 2 to Stage 3 during the third quarter of 2019. The Group has also revised its year-end 2019 guidance on NPL ratios from below 4.0 per cent. for the year ended 31 December 2019 to less than 5.0 per cent. for the same period due to uncertainty in the restructuring process related to certain Stage 2 loans.

The Group's available liquidity has been supported by a syndicated term loan agreement, signed on 9 July 2019, which allowed the Bank to roll over its maturing syndicated term loan agreement for 367 days in the amount of EUR 97,500,000 and U.S.$67,500,000.

Analysis of Results of Operations for the nine months ended 30 September 2018 and 2019

The table below sets out the Group's income statement for the periods indicated.

	Nine months ended 30 September	
	2018	**2019**[(2)]
	(TL thousands)	
Interest Income	**2,211,344**	**2,589,425**
Interest on Loans	1,632,483	1,735,174
Interest Received from Reserve Deposits	7,045	7,129
Interest Received from Banks	53,444	51,115
Interest Received from Money Market Placements	74,382	264,917
Interest Received from Marketable Securities Portfolio	431,800	511,313
Fair Value Through Profit or Loss	1,015	1,229
Fair Value Through other Comprehensive Income	253,418	331,797
Measured at Amortised Cost	177,367	178,287
Finance Lease Income	4,601	4,589
Other Interest Income	7,589	15,188
Interest Expenses	**1,073,816**	**1,093,141**
Interest on Deposits	—	—
Interest on Funds Borrowed	439,004	508,546
Interest on Money Market Borrowings	254,862	148,544
Interest on Securities Issued	378,951	432,540
Leasing Interest Expense	**—**	**871**
Other Interest Expense	999	2,640
Net Interest Income	**1,137,528**	**1,496,284**
Net Fees and Commissions Income / Expenses	**37,306**	**42,559**
Fees and Commissions Received	46,984	52,884
Non-cash Loans	15,347	17,355
Other	31,637	35,529
Fees and Commissions Paid	9,678	10,325
Non-cash Loans	2,127	2,290

	Nine months ended 30 September	
	2018	**2019**(2)
	(TL thousands)	
Other	7,551	8,035
Dividend Income	**5,062**	**6,754**
Net Trading Income	**(250,704)**	**(372,957)**
Securities Trading Gains / Losses	1,769	2,462
Derivative Financial Instruments Gains /Losses	94,990	(496,244)
Foreign Exchange Gains / Losses (Net)	(347,463)	120,825
Other Operating Income	**159,909**	**35,225**
Gross Operating Income	**1,089,101**	**1,207,865**
Expected Credit Loss	**433,830**	**316,089**
Other Provision Expenses	—	**20,000**
Personnel Expense	**98,585**	**115,964**
Other Operating Expenses	**51,742**	**69,561**
Net Operating Income / Loss	**504,944**	**686,251**
Amount in Excess Recorded as Gain After Merger	—	—
Profit / Loss on Equity Method	**52,286**	**39,946**
Gain / Loss on Net Monetary Position	—	—
Profit / Loss from Continued Operations Before Taxes	**557,230**	**726,197**
Tax Provision for Continued Operations	**174,338**	**153,103**
Provision for Current Income Taxes	60,109	212,451
Deferred Tax Income Effect	203,093	191,809
Deferred Tax Expense Effect	88,864	251,157
Net Profit / Loss from Continued Operations	**382,892**	**573,094**
Income on Discontinued Operations	**—**	**—**
Loss from Discontinued Operations	**—**	**—**
Profit / Loss on Discontinued Operations Before Taxes	**—**	**—**
Tax Provision for Discontinued Operations	**—**	**—**
Net Profit / Loss from Discontinued Operations	**—**	**—**
Net Profit / Loss	**382,892**	**573,094**
Group's Profit / Loss	425,905	573,675

	Nine months ended 30 September	
	2018	2019[2]
	(TL thousands)	
Minority Shares	(43,013)	(582)
Earning / Loss per Share[1]	0.137	0.205

Notes:

(1) Earnings per share are calculated by using the average number of shares of the current period. Presented in Turkish Lira, instead of thousands of Turkish Lira.

(2) The necessary reclassifications have been made to the prior period's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by BRSA on 1 February 2019.

Results of Operations as of and for the nine months ended 30 September 2019 and 2018

Interest Income

The Group's interest income is derived from interest on loans, securities, banks and money market placements. In the nine months ended 30 September 2019, the Group's interest income increased by 17.1 per cent. to TL 2,589.4 million from TL 2,211.3 million in the nine months ended 30 September 2018. This increase was driven by higher net foreign currency loan spreads. Average balances of loans and lease receivables increased by TL 2,099 million while that of the securities portfolio increased by TL 963 million. Average interest rates also had a net positive effect on growth in net interest income, with average rates on interest earning assets increasing by 90 basis points, primarily due to increasing loan and money market placement spreads. For the nine months ended 30 September 2019, interest income from loans amounted to TL 1,735.2 million (67.0 per cent. of total interest income), interest from securities amounted to TL 511.3 million (19.7 per cent. of total interest income) and interest from money market placements and interest received from banks amounted to TL 316.0 million (12.2 per cent. of total interest income), compared to TL 1,632.5 million (73.8 per cent.), TL 431.8 million (19.5 per cent.) and TL 127.8 million (5.8 per cent.), respectively, in the nine months ended 30 September 2018.

Interest Expenses

In the nine months ended 30 September 2019, the Group's interest expenses increased by 1.8 per cent. to TL 1,093.1 million from TL 1,073.8 million in the nine months ended 30 September 2018. This was mainly due to changes in currency rates. As 95.7 per cent. of the Group's liabilities are foreign currency denominated, any depreciation in the Turkish Lira results in a proportionate increase in the Group's interest expense as measured in Turkish Lira.

Net Interest Income

The Group's net interest income is the difference between interest income from interest earning assets and interest expense on interest-bearing liabilities. The Group's net interest income increased by 31.5 per cent. to TL 1,496.3 million in the nine months ended 30 September 2019 from TL 1,137.5 million in the nine months ended 30 September 2018. This increase is primarily due to increasing loan and money market placement spreads. The Group's net interest margin in the nine months ended 30 September 2019 was 4.2 per cent. as compared to 3.4 per cent. in the nine months ended 30 September 2018, as a result of higher foreign exchange loan spreads.

Net Fees and Commission Income

The Group's net fees and commission income increased by 14.1 per cent. to TL 42.6 million in the nine months ended 30 September 2019 from TL 37.3 million in the nine months ended 30 September 2018. This stemmed from higher investment banking and brokerage commissions compared to the prior period.

Dividend Income

The Group's dividend income increased by 33.4 per cent. from TL 5.1 million in the nine months ended 30 September 2018 to TL 6.8 million in the nine months ended 30 September 2019.

Net Trading Income/(Loss)

The Group's net trading income/(loss) comprises three components: securities trading, derivative transactions and foreign exchange income. The Group's trading loss increased from a net loss of TL 250.7 million in the nine months ended 30 September 2018 to a net loss of TL 373.0 million in the nine months ended 30 September 2019. In the nine months ended 30 September 2019, a proportion of the Bank's foreign exchange liquidity was converted into TL by short-term swaps, which are used to fund TL loans and other TL liquid assets. The expenses of these transactions are booked in trading income/(loss) while the revenues are booked in interest income. In addition, the remaining trading loss was primarily driven by hedge accounting expenses, partially offset by the additional revenues from the long position in foreign currency as a result of the TL depreciation.

Other Operating Income

The Group's other operating income decreased by 78.0 per cent. to TL 35.2 million in the nine months ended 30 September 2019 from TL 159.9 million in the nine months ended 30 September 2018. The decrease is primarily driven by decreases in the amount of provisions that have been reversed, including the reversal of TL 150,000 thousand in other provisions as of 30 September 2018 and the reversal of TL 26,925 thousand in loan provisions as of 30 September 2019.

Expected Credit Losses

In the nine months ended 30 September 2019, the Group's provisioning for loans and other receivables decreased by 27.1 per cent. to TL 316.1 million (excluding free provisions in the amount of TL 20 million) from TL 433.8 million in the nine months ended 30 September 2018. The decrease in provisioning is mainly driven by general provisioning between the periods. For the nine months ended 30 September 2019, the Bank's Stage 2 and Stage 3 loan ratio was 10.1 per cent. and 3.2 per cent., respectively, compared to 7.4 per cent. and 2.0 per cent., respectively, for the nine months ended 30 September 2018. Furthermore, the Bank's Stage 2 and Stage 3 coverage ratio for the nine months ended 30 September 2019 amounted to 9.9 per cent. and 30.7 per cent., respectively, compared to 13.2 per cent. and 24.1 per cent., respectively, for the nine months ended 30 September 2018. These changes are in line with the Bank's proactive and prudent approach under TFRS 9, in line with other Turkish banks that finance the relevant syndicated loans as members of the syndicate with the Bank. The Group's NPL ratio has increased significantly from 2.1 per cent. as of 31 December 2018 to 3.2 per cent. as of 30 September 2019 primarily due to the reclassification of a syndicated loan financing of a natural gas combined cycle power plant, from Stage 2 to Stage 3 during the third quarter of 2019. Furthermore, the Group's marketable securities impairment expenses also increased significantly to TL 34.3 million for the nine months ended 30 September 2019 from TL 8.5 million for the nine months ended 30 September 2018 due to a loan that has been classified under financial assets at fair value through profit or loss. The following table shows the Group's provisioning for loans and other receivables for the periods indicated.

	For the nine months ended 30 September	
	2018	2019
	(TL thousands)	
Expected Credit Loss	**424,452**	**281,341**
12 Months Expected Credit Loss (Stage 1)	53,791	45,430
Significant Increase in Credit Risk (Stage 2)	250,588	89,435
Non-performing Loans (Stage 3)	120,073	146,476
Marketable Securities Impairment Expenses	**8,511**	**34,270**
Financial Assets at Fair Value through Profit or Loss	—	26,921
Financial Assets at Fair Value through Other Comprehensive Income	8,511	7,349
Associates, Subsidiaries, and Entities under Common Control (Joint Venture)	—	—
Value Decrease	—	—
Associates	—	—
Subsidiaries	—	—
Entities under Common Control (Joint Venture)	—	—
Other(1)	867	20,478
Total	**433,830**	**336,089**

Note:

(1) Contains a free provision addition of TL 20 million in the current period, which has resulted in a qualification to the auditor's report in relation to the Group. The free provision is included in other provision expenses in the statement of profit or loss.

Other Operating Expenses

In the nine months ended 30 September 2019, the Group's other operating expenses increased by 34.4 per cent. to TL 69.6 million from TL 51.7 million in the nine months ended 30 September 2018, which was principally attributable to currency depreciation (which in turn increased the cost of the Group's operating expenses incurred in foreign currencies), yearly inflation and a one-off operational expense.

Net Profit from Continuing Operations

The Group's net profit from continuing operations in the nine months ended 30 September 2019 increased by 49.7 per cent. to TL 573.1 million from TL 382.9 million in the nine months ended 30 September 2018, which is mainly attributable to higher loan spreads despite a challenging provisioning environment.

For the nine months ended 30 September 2019, the Group's return on average total assets was 1.9 per cent. and the return on its average equity was 16.8 per cent., compared to 1.4 per cent. and 13.7 per cent., respectively, for the nine months ended 30 September 2018.

Segmental Analysis

The following tables set forth certain information regarding the Group's business segments as of (or for the nine months ended on) the indicated dates:

	As of (or for the nine months ended) 30 September 2019			
	Corporate Banking	**Investment Banking**	**Other**	**Total**
		(TL thousands)		
Net Interest Income	488,010	1,023,540	(15,266)	1,496,284
Net Fees and Commissions Income	18,718	1,067	22,774	42,559
Other Income	13,505	—	68,420	81,925
Other Expense	(328,727)	(425,651)	(140,193)	(894,571)
Profit Before Tax	191,506	598,956	(64,265)	(726,197)
Tax Provision				(153,103)
Net Profit				**573,094**
Group's Profit/Loss				573,676
Non-Controlling Interests				(582)
Segment Assets	28,913,888	9,439,165	2,213,054	40,566,107
Investment in Associates and Subsidiaries	—	—	487,700	487,700
Total Assets	**28,913,888**	**9,439,165**	**2,700,754**	**41,053,807**
Segment Liabilities	32,881,901	1,182,712	2,092,010	36,156,623
Shareholders' Equity	—	—	4,897,184	4,897,184
Total Liabilities and Shareholders' Equity	**32,881,901**	**1,182,712**	**6,989,194**	**41,053,807**

	As of (or for the nine months ended) 30 September 2018			
	Corporate Banking	**Investment Banking**	**Other**	**Total**
		(TL thousands)		
Net Interest Income	521,992	639,594	(24,058)	1,137,528
Net Fees and Commissions Income	15,176	(1,959)	24,089	37,306
Other Income	—	—	217,257	217,257
Other Expense	(372,855)	(148,913)	(313,093)	(834,861)
Profit Before Tax	164,313	488,722	(95,805)	557,230
Tax Provision				(174,338)
Net Profit				**382,892**
Group's Profit/Loss				425,905

	As of (or for the nine months ended) 30 September 2018			
	Corporate Banking	Investment Banking	Other	Total
	(TL thousands)			
Non-Controlling Interests				(43,013)
Segment Assets	32,999,176	8,541,057	2,469,877	44,010,110
Investment in Associates and Subsidiaries	—	—	393,780	393,780
Total Assets	**32,999,176**	**8,541,057**	**2,863,657**	**44,403,890**
Segment Liabilities	36,747,762	1,093,110	2,821,236	40,662,108
Shareholders' Equity	—	—	3,741,782	3,741,782
Total Liabilities and Shareholders' Equity	**36,747,762**	**1,093,110**	**6,563,018**	**44,403,890**

Financial Condition

The tables below set forth the Group's balance sheet data as of the indicated dates.

	As of 31 December	As of 30 September
	2018[1]	2019[1]
	(TL thousands)	
ASSETS		
Financial Assets (Net)	**6,823,382**	**8,080,340**
Cash and Cash Equivalents	**2,123,572**	**2,873,481**
Cash and Balances with Central Bank	743,228	878,228
Banks	807,231	359,263
Money Market Placements	573,613	1,637,197
Expected Credit Losses (-)	500	1,207
Financial Assets at Fair Value Through Profit or Loss	**300,519**	**256,378**
Government Debt Securities	8	8
Equity Instruments	1	1
Other Financial Assets	300,510	256,369
Financial Assets at Fair Value Through Other Comprehensive Income	3,420,070	3,896,953
Government Debt Securities	3,173,453	3,655,263
Equity Instruments	94,029	103,187
Other Financial Assets	152,588	138,503
Derivative Financial Assets	**979,221**	**1,053,528**

	As of 31 December	As of 30 September
	2018[1]	2019[1]
	(TL thousands)	
Derivative Financial Assets at Fair Value Through Profit or Loss	979,221	1,053,528
Derivative Financial Assets at Fair Value Through Other Comprehensive Income	—	—
Financial Assets Measured at Amortised Cost	**29,706,395**	**31,085,555**
Loans	**27,935,319**	**29,467,390**
Lease Receivables	**133,929**	**117,138**
Factoring Receivables	**—**	**—**
Other Financial Assets Measured at Amortised Cost	**2,154,941**	**2,268,483**
Government Debt Securities	2,154,941	2,268,483
Other Financial Assets	—	—
Expected Credit Losses (-)	**517,794**	**767,456**
Property and Equipment Held for Sale Purpose and Related to Discontinued Operations (Net)	**1**	**64,403**
Held for Sale Purpose	1	64,403
Related to Discontinued Operations	—	—
Equity Investments	**435,915**	**487,700**
Investments in Associates (Net)	**429,546**	**481,181**
Accounted Under Equity Method	428,490	480,125
Unconsolidated Associates	1,056	1,056
Subsidiaries (Net)	**4,609**	**4,759**
Unconsolidated Financial Subsidiaries	—	150
Unconsolidated Non-Financial Subsidiaries	4,609	4,609
Entities under Common Control (Joint Venture) (Net)	**1,760**	**1,760**
Joint Ventures Valued Based on Equity Method	—	—
Unconsolidated Joint Ventures	1,760	1,760
Tangible Assets (Net)	**292,651**	**296,671**
Intangible Assets (Net)	**4,872**	**4,777**
Goodwill	1,005	1,005
Other	3,867	3,772
Investment Property (Net)	**247,793**	**248,180**
Current Tax Asset	**3,575**	**226**

	As of 31 December	As of 30 September
	2018[1]	2019[1]
	(TL thousands)	
Deferred Tax Asset	**3,844**	**25,528**
Other Assets	**751,012**	**760,427**
Total Assets	**38,269,440**	**41,053,807**
LIABILITIES AND EQUITY		
Deposits	—	—
Funds Borrowed	**23,819,670**	**24,818,891**
Money Market Balances	**402,278**	**436,454**
Marketable Securities Issued (Net)	**6,949,189**	**7,867,417**
Bills	—	86,572
Assets Backed Securities	—	—
Bonds	6,949,189	7,780,845
Borrower Funds	**32,529**	**38,691**
Borrower Funds	32,529	38,691
Other	—	—
Financial Liabilities at Fair Value Through Profit or Loss	—	—
Derivative Financial Liabilities	**792,340**	**626,460**
Derivative Financial Liabilities at Fair Value Through Profit or Loss	792,340	626,460
Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	—	—
Factoring Liabilities	—	—
Lease Liabilities	—	**5,303**
Provisions	**261,276**	**272,733**
Restructuring Provisions	—	—
Reverse for Employee Benefits	15,054	17,106
Insurance Technical Provisions (Net)	—	—
Other Provisions	246,222	255,627
Current Tax Liability	**94,104**	**83,406**
Deferred Tax Liability	—	54
Liabilities for Property and Equipment Held for Sale and Related to Discontinued Operations (Net)	—	—
Held for Sale Purpose	—	—

	As of 31 December	As of 30 September
	2018[1]	2019[1]
	(TL thousands)	
Related to Discontinued Operations	—	—
Subordinated Debt Instruments	**1,549,774**	**1,717,171**
Loans	—	—
Other Debt Instruments	1,549,774	1,717,171
Other Liabilities	**184,204**	**290,043**
Shareholders' Equity	**4,184,076**	**4,897,184**
Paid-in capital	2,800,000	2,800,000
Capital Reserves	890	900
Share Premium	516	526
Share Cancellation Profits	—	—
Other Capital Reserves	374	374
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	284,370	282,409
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(139,563)	7,212
Profit Reserves	529,059	1,226,557
Legal Reserves	272,773	306,633
Status Reserves	75,641	75,641
Extraordinary Reserves	177,725	841,363
Other Profit Reserves	2,920	2,920
Profit Or Loss	670,698	546,761
Prior Years' Profit/Loss	(58)	(26,915)
Current Year Profit/Loss	670,756	573,676
Non-Controlling Interests	38,622	33,345
Total Liabilities and Equity	**38,269,440**	**41,053,807**

Note:

(1) The necessary reclassifications have been made to the prior period's financial statements in order to be comparable with the current period financial statements in the new financial statements format published by BRSA on 1 February 2019.

Assets

As of 30 September 2019, the Group had total assets of TL 41.1 billion, a 7.3 per cent. increase from TL 38.3 billion as of 31 December 2018. During the same period, foreign exchange assets increased by 1.7 per cent. in foreign exchange adjusted terms and TL assets increased by 26.7 per cent., which, in each case, was attributable to the effects of foreign exchange rates.

Cash and Balances with the Central Bank

As of 30 September 2019, the amount of the Group's cash and balances with the Central Bank was TL 878.2 million, an 18.2 per cent. increase compared to TL 743.2 million as of 31 December 2018.

Loans and Leasing Receivables

As of 30 September 2019, the Group had loans and leasing receivables net of allowance for expected credit losses of TL 28.8 billion (70.2 per cent. of total assets), an increase of 4.3 per cent. compared to TL 27.6 billion (72.0 per cent.) as of 31 December 2018. The Group's portfolio of cash total loans and advances to customers, less allowance for possible losses, increased by 6.3 per cent. as of 30 September 2019 compared to year-end 2018. The Group's foreign exchange adjusted loan growth in the nine months ended 30 September 2019 amounted to negative 1.3 per cent.

In addition to loans, the Group had outstanding guarantees amounting to TL 1.5 billion and letters of credit, surety and acceptances amounting to TL 2.2 billion as of 30 September 2019 (TL 1.6 billion and TL 1.6 billion, respectively, as of 31 December 2018).

As of 30 September 2019, the average effective interest rates charged to borrowers on loans were 4.7 per cent. for EUR and 7.1 per cent. for USD (4.5 per cent. and 7.4 per cent., respectively, in EUR and USD as of 31 December 2018). The average effective interest rates on TL loan rates were 18.3 per cent. as of 30 September 2019 (19.1 per cent. as of 31 December 2018).

Liabilities

As of 30 September 2019, the Group had total liabilities and equity of TL 41.1 billion, an increase of 7.3 per cent. from TL 38.3 billion as of 31 December 2018. As of 30 September 2019, the Group had TL 436.5 million in money market balances, and TL 24.8 billion in funds borrowed.

Off-Balance Sheet Arrangements

The aggregate amount of off-balance sheet arrangements, comprising guarantees, letters of credit and similar obligations, totalled TL 3.7 billion as of 30 September 2019 and TL 3.2 billion as of 31 December 2018.

Capital Adequacy

The following table sets out information on the Group's capital and its capital adequacy ratios as of the indicated dates, calculated in accordance with Basel III.

	As of 31 December 2018	As of 30 September 2019
	(TL thousands)	
Paid-in capital	2,800,000	2,800,000
Paid-in capital inflation adjustments	374	374

	As of 31 December	As of 30 September
	2018	2019
	(TL thousands)	
Profit reserves	525,053	1,226,557
Profit	670,698	546,761
Tier I Capital (I)	4,144,042	4,874,524
Tier II Capital (II)	1,901,952	2,160,596
Deductions (III)	—	—
Own Funds (I+II-III)	6,045,994	7,035,120
Risk Weighted Assets (including market and operational risk)	37,814,453	39,957,298
Capital Ratios:		
Tier I Ratio	10.96%	12.20%
Total Capital Adequacy Ratio[(1)]	15.99%	17.61%

Note:

(1) The Group's own funds as a percentage of its risk-weighted assets.

As of 30 September 2019 and 31 December 2018, the Group's total capital adequacy ratio was 17.6 per cent. and 16.0 per cent., respectively (17.8 per cent. and 16.2 per cent., respectively, for the Bank). The increase in the Group's total capital adequacy ratio is primarily due to profitability of the Bank. The Bank expects its total capital adequacy ratios to be above 15 per cent. and intends to maintain its (and the Group's) capital ratios in excess of those required by both Turkish law and internal risk limits determined by Board of Directors.

Liquidity and Funding

The Group's principal sources of funding are loans from developmental organisations, of which 64.3 per cent. were provided by the World Bank Group and the European Investment Bank as of 30 September 2019. The Group also received a U.S.$200 million loan from the China Development Bank during the first nine months of 2019. As of 30 September 2019, 89.0 per cent. (73.5 per cent. as of 31 December 2018) of the Group's foreign currency-denominated borrowings were sourced from international banks and DFIs. For its other funding, the Bank's strategy has been largely to utilise money market funds (including repos), issuances of debt securities, bilateral loans and syndicated loans, although this approach is subject to change, depending upon market opportunities and changes in prevailing rates and other funding sources.

As of 30 September 2019, the Group's total foreign currency-denominated borrowings constituted 89.1 per cent. of its consolidated borrowings (83.7 per cent. as of 31 December 2018). In addition, 51.6 per cent. of the Bank's long-term funds were guaranteed by the Turkish Treasury as of 30 September 2019 (53.4 per cent. as of 31 December 2018). Development and investment banks (such as the Bank) are exempt from reserve requirements for their funding guaranteed by the Turkish Treasury.

The Group's loans constituted in aggregate 60.4 per cent. and 62.2 per cent. of its total liabilities as of 30 September 2019 and 31 December 2018, respectively. As of 30 September 2019, the Group's loans amounted to TL 24.8 billion, an increase of 4.2 per cent. from TL 23.8 billion as of 31 December 2018. The remaining sources of funds for the Group are repos and money market funds, which accounted for 1.2 per cent. and 1.1 per cent. of the Group's total liabilities as of 30 September 2019 and 31 December 2018, respectively, and issuances of debt securities, which accounted for 22.0 per cent. and 18.2 per cent. as of 30 September 2019 and 31 December 2018, respectively. The Bank's short-term funding, including syndicated loans, bilateral loans and money market transactions, represented 8.0 per cent. of its outstanding funding base as of 30 September 2019.

BUSINESS OF THE GROUP

Lending Policies and Procedures – Portfolio Supervision and Non-Performing Loans ("NPLs")

The ninth and tenth paragraphs of the section titled "*Portfolio Supervision and Non-Performing Loans ("NPLs")*" on page 225 of the Base Prospectus, are hereby deleted in their entirety and replaced by the following:

"The NPL ratio of the Bank has historically been among the lowest in the Turkish banking sector. As of 30 September 2019 and 31 December 2018, 2017 and 2016, the Bank's NPL ratios were 3.2 per cent., 2.1 per cent., 0.2 per cent. and 0.3 per cent., respectively, compared to banking sector average NPL ratios of 4.7 per cent., 3.8 per cent., 2.9 per cent. and 3.2 per cent. as of the same date, according to the BRSA.

The Group's increase in NPL levels as of 30 September 2019 was primarily attributable to the reclassification of a syndicated loan financing of a natural gas combined cycle power plant, from Stage 2 to Stage 3 during the third quarter of 2019. Although the natural gas combined cycle power plant investment was completed in 2016, the decline in the market electricity price over the years has negatively impacted the Group's ability to reclaim payment on this loan. As a result, this loan was reclassified from Stage 2 to Stage 3. The Group now expects the syndicate banks to negotiate a restructuring of this loan which will allow the Group to reclassify the loan from NPL status to Stage 2 after one year from the restructuring date. As of the date hereof, the provision ratio for this loan is approximately 30 per cent. according to TFRS 9.

The Group's increase in NPL levels in 2018 compared to prior periods was attributable to a single syndicated loan financing of a hydropower plant project. The project was ineligible for the feed-in tariff mechanism, and following disagreements as to governance of the project among sponsors, the loans related to this project were classified as NPLs as of 30 June 2018, following which the Bank's NPL level increased from 0.2 per cent. as of 31 December 2017 to 2.1 per cent. as of 31 December 2018. The provision ratio for this loan is approximately 20 per cent. according to TFRS 9 and the provision rate of previous NPLs is 100 per cent. The new provisioning rate changed the average NPL coverage ratio from 100 per cent. to 28.4 per cent. as of 31 December 2018, with the ratio reaching 30.3 per cent. as of 30 September 2019. As of the date hereof, the project has been in operation and produces electricity. The disagreement between the sponsors of the project and the lenders has also been resolved and in accordance with BRSA requirements, the Bank expects the reclassification of this loan from NPL status to Stage 2 to be completed after the second quarter of 2020."

Lending Policies and Procedures – Credit Ratings

The first paragraph and the table included immediately following such paragraph, appearing in the section titled "*Credit Ratings*" on pages 229 and 230 of the Base Prospectus, are hereby deleted in their entirety and replaced by the following:

"Each of the Bank's credit ratings from Moody's and Fitch as of the date hereof is set out below. Each of these rating agencies is established in the European Union and is registered under Regulation (EU) No. 1060/2009, as amended. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Moody's (18 June 2019)	
Baseline Credit Assessment (BCA)	caa1
Outlook	Not on watch
Foreign Currency (issuer)	
Long-Term Maturity	B3
Outlook	Negative
Short-Term Maturity	NP
Domestic Currency (issuer)	
Long-Term Maturity	B3
Outlook	Negative
Short-Term Maturity	NP

Fitch (12 November 2019)	
Long-Term Maturity Foreign Currency (issuer)	B+ (Stable)
Short-Term Maturity Foreign Currency (issuer)	B
Long-Term Maturity National Currency (issuer)	BB- (Stable)
Short-Term Maturity National Currency (issuer)	B
Support Note	4
National Support Note	B+
National Note	AA (tur)
National Note Outlook	Stable
Viability Rating	b+"

TURKISH REGULATORY ENVIRONMENT

Loan Loss Reserves – Loan Loss Reserves post-1 January 2018

The following paragraph is hereby included before the last paragraph of the section titled "*Loan Loss Reserves post-1 January 2018*" on page 268 of the Base Prospectus:

"On 27 November 2019, the BRSA published an amendment to the 2016 Provisioning Regulation which was entered into force on the same date. The amendment is effective from 19 July 2019. According to the amendment, if the portion of loans for which a lifelong expected loan loss provision or a special provision has been set aside due to the debtor's default, and which are classified under Stage V, are not reasonably expected to be recovered; such portion of loans may be written down within the scope of TFRS 9 as of the first reporting period (i.e. interim period or year-end reporting period) following their classification under Stage V. Writing-down these uncollectible loans, in this context, is merely an accounting practice and does not bear the consequences of the remission of a debt."

Liquidity and Reserve Requirements

The fifth paragraph and the table included immediately following such paragraph, appearing in the section titled "*Liquidity and Reserve Requirements*" on pages 279 and 280 of the Base Prospectus, are hereby deleted in their entirety and replaced by the following:

"Pursuant to the amendments to the Communiqué Regarding Reserve Requirements, published in the Official Gazette dated 21 September 2019 and numbered 30895 (the "**Communiqué Regarding Reserve Requirements**"), the reserve requirements starting from 20 September 2019 and onwards for foreign currency liabilities are as set forth below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
Demand deposits, notice deposits, private current accounts, deposit/participation accounts up to one-month, three-month, six-month and one-year maturities	17%
Deposit/participation accounts with maturities of one-year and longer	13%
Other liabilities up to one-year maturity (including one-year)	21%
Other liabilities up to two-year maturity (including two-year)	16%
Other liabilities up to three-year maturity (including three-year)	11%
Other liabilities up to five-year maturity (including five-year)	7%
Other liabilities longer than five-year maturity	5%
Borrowers' deposit accounts held at development and investment banks[(1)]	17%

Note:

(1) Due to laws applicable to development and investment banks, the amount deposited in such accounts cannot exceed the total outstanding loan amount extended by the relevant development and investment bank to such borrower."

The last sentence of the fifth paragraph in the section titled "*Liquidity and Reserve Requirements*" on pages 281 and 282 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

"On 9 May 2019 and 27 May 2019, the Central Bank further increased the reserve requirement ratios for foreign exchange deposits by 200 basis points for all maturity brackets, through which approximately U.S.$3.0 billion and U.S.$4.2 billion of liquidity, respectively, was withdrawn from the market. On each of 7 August 2019 and 20 September 2019, the Central Bank, again, increased the reserve requirements for foreign-exchange deposits/participation funds by 100 basis points for all maturity brackets."

Recent Amendments to the Turkish Insolvency and Restructuring Regime

The second and third paragraphs of the section titled "*Recent Amendments to the Turkish Insolvency and Restructuring Regime*" on pages 291 and 292 of the Base Prospectus are hereby deleted in their entirety and replaced by the following:

"On 15 August 2018, the BRSA published the Regulation on Restructuring of Debts in the Financial Sector (the "**Restructuring Regulation**") which was amended on 21 November 2018 and 12 September 2019, with a view to regulate a financial restructuring opportunity for Turkish companies that are in financial distress and have entered into loan transactions with: (i) Turkish banks; (ii) financial lease, factoring and financing companies; (iii) banks and financial institutions established outside Turkey; (iv) multilateral banks and institutions which directly invest in Turkey; (v) special purpose companies established by the foregoing institutions for collection of receivables; and/or (vi) investment funds established as per the Capital Market Law ("**Creditor Institutions**"). The Restructuring Regulation sets forth the procedures and principles on financial restructuring framework agreement(s) (the "**Framework Agreement**") to be executed amongst the Creditor Institutions; and on the respective financial restructuring agreements to be entered into by and between each respective debtor and the relevant Creditor Institutions within the scope of such Framework Agreement(s).

Accordingly, some Creditor Institutions (including most of the Turkish banks) have initially executed a Framework Agreement dated 11 September 2018 (as amended and restated with two respective amendment protocols) which entered into force upon approval of the BRSB on 19 September 2018. Furthermore, implementation of the restructuring for large-scale companies which are financially indebted against banks and financial institutions for an outstanding principal amount of more than TL 25 million has recently been initiated with a Framework Agreement applicable to the Restructuring for the Large-Scale Companies published on the website of the Banks Association of Turkey on 9 October 2019 and which has been signed by 23 Turkish banks and 32 other Turkish financial institutions as of the date hereof. On 8 November 2019, implementation of the restructuring for small-scale companies, for which the respective outstanding principal amounts are lower than TL 25 million, was published and has been signed by 22 Turkish banks and 30 other Turkish financial institutions as of the date hereof."

Other Legislative Amendments and BRSA Decision

The last sentence of the first paragraph of the section titled "*Other Legislative Amendments and BRSA Decision*" within the section "*Recent Amendments to the Turkish Insolvency and Restructuring Regime*" on page 292 of the Base Prospectus is hereby deleted in its entirety and replaced by the following:

"The BRSA extended the application of this provision to eighteen months from the effective date of the requirement (i.e., until 4 March 2020)."

SIGNIFICANT OR MATERIAL CHANGE

There has been (a) no significant change in the financial or trading position of either the Group or the Bank since 30 September 2019 and (b) no material adverse change in the financial position or prospects of either the Group or the Bank since 31 December 2018.

INDEPENDENT AUDITORS

The 2019 Q3 Consolidated Interim Financial Statements and the 2019 Q3 Unconsolidated Interim Financial Statements have been reviewed by EY in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".