FIRST SUPPLEMENT TO THE BASE PROSPECTUS DATED 2 MARCH 2023
THE DATE OF THIS SUPPLEMENT IS 21 JULY 2023

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 23 of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") 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 is supplemental to, and should be read in conjunction with, the Base Prospectus dated 2 March 2023 (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.

This Supplement has been approved by the Central Bank of Ireland, as the competent authority under the Prospectus Regulation. The Central Bank of Ireland only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or of the quality of the Notes that are the subject of the Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

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, 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 material 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 Euronext Dublin at http://live.euronext.com. 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 (*http://www.tskb.com.tr/en*).

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 10 and 11 of the Base Prospectus;

(ii) incorporate by reference into the Base Prospectus the Group's 2023 Q1 Consolidated Interim Financial Statements and the Issuer's 2023 Q1 Unconsolidated Interim Financial Statements (each as defined below);

(iii) amend and supplement the following Risk Factors:

 (i) "Risks Related to Türkiye – Political Conditions – Political Developments – Political developments in Türkiye may negatively affect the Group's business, financial condition and results of operations" on page 18 and 19 of the Base Prospectus;

 (ii) "Risks Related to Türkiye – Political Conditions – Geo-political Relationships – The Turkish economy is subject to geo-political risks" on pages 20, 21, 22 and 23 of the Base Prospectus;

 (iii) "Risks Related to Türkiye – Economic Conditions – Inflation – Türkiye's economy is subject to significant inflationary pressures" on pages 24 and 25 of the Base Prospectus;

 (iv) "Risks Related to the Group and its Business – Credit Risks – Credit Risk – The Group is subject to credit risk in relation to its borrowers and other counterparties" on pages 29 and 30 of the Base Prospectus;

 (v) "Risks Related to the Group and its Business – Credit Risks – Loan Concentrations – A significant percentage of the Group's loan portfolio consists of project finance and energy loans" on pages 30 and 31 of the Base Prospectus;

 (vi) "Risks Related to the Group and its Business – Credit Risks – 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 debts by, the Turkish government" on page 31 of the Base Prospectus;

 (vii) "Risks Related to the Group and its Business – Market Risks – Foreign Exchange and Currency Risk – The Group is exposed to foreign exchange and currency risks and further devaluations of the Turkish Lira may adversely impact the Bank's business, results of operation and financial condition" on pages 33 and 34 of the Base Prospectus;

 (viii) "Risks Related to the Group and its Business – Market Risks – Interest Rate Risk – The Group may be negatively affected by volatility in interest rates" on page 34 of the Base Prospectus;

 (ix) "Risks Related to the Group and its Business – Market Risks – Reduction in Earnings on Securities Portfolio – The Group may not be able to sustain the level of earnings on its securities portfolio obtained during recent years" on pages 34 and 35 of the Base Prospectus;

 (x) "Risks Related to the Group and its Business – Funding Risks – Reliance on Government Support – The Bank obtains significant funding through loans guaranteed by the Turkish government, any change in the practices or creditworthiness of which could materially negatively impact the Bank and its funding from development financial institutions ("DFIs")" on page 35 of the Base Prospectus;

(xi) “Risks Related to the Group and its Business – Funding Risks – Reliance on DFIs – The Group relies to a significant extent on DFIs for financing, which exposes the Group to significant risk should such funding cease to be available” on page 35 of the Base Prospectus;

(xii) “Risks Related to the Group and its Business – Funding Risks – Liquidity Risk – The Group is subject to liquidity and financing risk” on page 36 of the Base Prospectus;

(xiii) “Risks Related to the Group and its Business – Funding Risks – Access to Capital – The Group may not be able to meet minimum capital adequacy requirements and/or may have difficulty raising capital on acceptable terms, if at all” on page 37 of the Base Prospectus;

(xiv) “Risks Related to the Group and its Business – Operational Risks – Profitability – The Group’s profitability and profitability growth in recent years may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector” on page 39 of the Base Prospectus; and

(xv) “Risks Related to the Group and its Business – Other Group Related Risks – Audit Qualification – The audit and review reports in relation to the Group’s BRSA Financial Statements financial statements include a qualification” on pages 40 and 41 of the Base Prospectus;

(iv) supplement the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for certain developments on page 189 of the Base Prospectus;

(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 pages 207, 208, 209 and 210 of the Base Prospectus;

(vi) supplement the “Management” section on page 226 of the Base Prospectus;

(vii) amend and supplement the “Turkish Regulatory Environment” section beginning on page 243 of the Base Prospectus;

(viii) delete and replace the information under the heading “Significant or Material Change” on page 315 in the section entitled “General Information” of the Base Prospectus; and

(ix) supplement the information under the heading “Independent Auditors” on page 315 in the section entitled “General Information” of the Base Prospectus.

PRESENTATION OF FINANCIAL INFORMATION

The 2023 Q1 Consolidated Interim Financial Statements (as defined below) and the 2023 Q1 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 three months ended 31 March 2023 published on 3 May 2023 (the “**2023 Q1 Consolidated Interim Financial Statements**”) (available at https://www.tskb.com.tr/uploads/file/march-2023-consolidated-report.pdf); and

(ii) the independent auditors' review report and unconsolidated unaudited financial statements of the Issuer as of and for the three months ended 31 March 2023 published on 3 May 2023 (the "**2023 Q1 Unconsolidated Interim Financial Statements**") (available at https://www.tskb.com.tr/uploads/file/march-2023-audit-report.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 Regulation except where such information or other documents are specifically incorporated by reference.

RISK FACTORS

RISKS RELATED TO TÜRKIYE

POLITICAL CONDITIONS

Political Developments – Political developments in Türkiye may negatively affect the Group's business, financial condition and results of operations

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

"In the most recent presidential election, which consisted of a first round held on 14 May 2023 and a second round held on 28 May 2023, President Erdoğan was re-elected in the presidential election with approximately 52.18 per cent. of the vote, while in the parliamentary elections, the People's Alliance (an electoral alliance between the Justice and Development Party (Adalet ve Kalkınma Partisi Adalet ve Kalkınma Partisi, the "**AKP**"), the Nationalist Movement Party (the "**MHP**") and the New Welfare Party (the "**YRP**")) secured a majority with 323 seats out of 600 (with the AKP winning 268 seats, MHP winning 50 seats and YRP winning 5 seats). The next Turkish general election is scheduled to take place in May 2028, although a snap election could be called earlier."

Geo-political Relationships – The Turkish economy is subject to geo-political risks

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

"After Russia's invasion of Ukraine in February 2022, Finland and Sweden applied to join NATO. Their application was initially vetoed by Türkiye, pending resolution of bilateral political issues between Türkiye and these countries. On 31 March 2023, Türkiye approved Finland's application to join NATO and on 11 July 2023, Türkiye agreed to support Sweden's application to join NATO after ongoing negotiations between Türkiye and the two countries. While Türkiye approved Finland's NATO bid and now supports Sweden's NATO bid, any future bilateral political issues could exacerbate Türkiye's tensions with other NATO members."

ECONOMIC CONDITIONS

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

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

"Inflation in Türkiye has increased in recent years, with significant increases in 2021 and 2022. CPI was 64.27 per cent., 36.08 per cent. and 14.60 per cent. in 2022, 2021 and 2020 respectively. PPI was 97.72 per cent., 79.89 per cent. and 25.15 per cent. in 2022, 2021 and 2020 respectively. As at 31 March 2023, CPI has decreased to 50.51 per cent., primarily driven by pass-through effects from the depreciation of the Turkish

Lira, rising food and durable goods prices. In response to high inflation and the depreciating Turkish Lira, the CBRT implemented a number of stabilising measures and adopted a tighter monetary policy, increasing its main policy rate to 19.0 per cent. on 18 March 2021. This rate was last lowered to 8.5 per cent. on 23 February 2023 then raised to 15% on 21 June 2022. In the twelve months to November 2022, Türkiye's CPI and PPI increased by 84.4 per cent. and 136.0 per cent., respectively, as compared to the twelve months to November 2021. On 27 October 2022, the CBRT released the fourth Inflation Report of 2022 which stated that inflation is projected to be 65.2 per cent. at the end of 2022 and expected to fall to 22.3 per cent. by the end of 2023 and 8.8 per cent. by the end of 2024. On 4 May 2023, the CBRT published an inflation report indicating an inflation forecast of 22.3 per cent., 8.8 per cent. and 5.0 per cent. at the end of 2023, 2024 and 2025, respectively. The decreasing inflation path implied by the forecasts assumes that commodity prices will gradually converge to their historical averages due to slowing global demand amid tight financial conditions, and therefore foreign currency denominated import prices will decline. Additionally, Mrs. Hafize Gaye Erkan, a former U.S. banker, has been appointed as the CBRT chief."

Changes in Turkish tax laws may have an adverse impact on the taxes applicable to the Group

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

"For instance, recently, amendments to the Corporate Income Tax Law (Law 5520) were introduced to be effective as of 15 July 2023 which provided that the corporate income tax rate in Türkiye for 2023 is: (a) 30 per cent. for banks, financial leasing, factoring and financing companies, e-money and payment services institutions, authorised foreign exchange currency-related entities, asset management companies (*varlık yönetim şirketleri*), securities intermediaries and other capital markets institutions, insurance and reinsurance companies and pension companies; and (b) 25 per cent. for other corporate entities."

RISKS RELATED TO THE GROUP AND ITS BUSINESS

CREDIT RISKS

Credit Risk – The Group is subject to credit risk in relation to its borrowers and other counterparties

The fifth 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 4.1 per cent. and 3.0 per cent. as of 31 December 2020 and 2021, respectively (as compared to the Group's ratio of NPLs to total cash loans of 4.3 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. As of 31 December 2022, the ratio of NPLs to total cash loans in the Turkish banking sector was 2.1 per cent. (as compared to the Group's ratio of NPLs to total cash loans of 2.9 per cent.). Although the Group's NPL ratio is higher than the sector average, the Group, along with the sector, has experienced decreasing NPL ratios in the recent period. As of 31 December 2022 the Group's total NPLs were TL 2,327 million. As of 31 March 2023, the Group's total NPLs was TL 2,232 million and the Group's ratio of NPLs to total cash loans was 2.7 per cent. The Group's management expects no material change in the Bank's NPL status and the NPL ratio to be below 2.5 per cent. at the end of 2023."

Loan Concentrations – A significant percentage of the Group's loan portfolio consists of project finance loans and energy loans

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

"While in recent years the volume of smaller loans in the Group's loan portfolio has been increasing, significant concentrations still exist. As of 31 March 2023, 70.0 per cent. of the Group's loan portfolio consisted of project finance loans (72 per cent., 55 per cent. and 58 per cent. respectively, as of 31 December 2020, 2021 and 2022). As of 31 December 2022, 39.0 per cent. of the Group's loans were attributable to energy production (e.g., renewable energy projects such as hydro, wind, geothermal, biomass and solar power plant projects (see "*Business of the Group – Overview – Diversified Loan Portfolio*")) and 5.2 per cent. of the Group's loans were attributable to electricity/gas distribution sector."

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

"In addition to these sectoral concentrations, the share of the Bank's receivables from the top 10 borrower groups in the Bank's overall cash loan portfolio was 27.3 per cent. as of 31 March 2023 (28.5 per cent., 30.9 per cent. and 30.8 per cent., respectively, as of 31 December 2022, 2021 and 2020) while the top 20 constituted 43.4 per cent. of the Bank's loan portfolio as of the same date (44.7 per cent., 46.9 per cent. and 48.4 per cent., respectively, as of 31 December 2022, 2021 and 2020)."

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 debts by, the Turkish government

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

"As of 31 March 2023, 96.3 per cent. of the Group's total securities portfolio (equal to 17.9 per cent. of its total assets) was invested in securities issued by the Turkish government (96.2 per cent. and 19.5 per cent., respectively, as of 31 December 2022; 93.2 per cent. and 14.3 per cent., respectively, as of 31 December 2021; and 96.1 per cent. and 14.1 per cent., respectively, as of 31 December 2020)."

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

"As of the date of this Base Prospectus, the credit ratings of Türkiye and the Turkish banking sector have been negatively impacted by a series of downgrades and negative actions taken by the credit agencies in 2019, 2020, 2021 and 2022, which have lowered Türkiye's sovereign rating to B by S&P, B3 by Moody's, and B by Fitch, with a negative outlook for Fitch and S&P and a stable outlook for Moody's."

MARKET RISKS

Foreign Exchange and Currency Risk – The Group is exposed to foreign exchange and currency risks and further devaluations of the Turkish Lira may adversely impact the Bank's business, results of operation and financial condition

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

"For example, the Group had extended loans denominated in currencies other than Turkish Lira totalling the equivalent of TL 33,505 million, TL 58,226 million, TL 72,635 million and TL 73,212 million as of 31 December 2020, 2021, 2022 and 31 March 2023, respectively, representing 85.1 per cent., 90.3 per cent., 90.0 per cent. and 86.0 per cent., respectively, of the Group's total loans at such dates."

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

"In the three months ended 31 March 2023, the Turkish Lira depreciated by 2.4 per cent. against the U.S. dollar. The exchange rate amounted to TL 7.3405 per U.S. dollar as of 31 December 2020, TL 12.98 per U.S. dollar as of 31 December 2021 and TL 18.73 per U.S. dollar as of 31 December 2022 and TL 19.18 per U.S. dollar as of 31 March 2023."

Interest Rate Risk – The Group may be negatively affected by volatility in interest rates

The second sentence of the second paragraph of the Risk Factor shall be preceded by the insertion of the following:

"In the three months ended 31 March 2022 and 2023, net interest income contributed 74.6 per cent. of the Bank's operating income and net interest margin as measured on a Bank-only basis was 5.2 per cent. and 5.9 per cent., respectively, over the same periods."

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

"As of 31 March 2023, 96.3 per cent. of the Group's securities portfolio consisted of Turkish government debt securities, which accounted for 17.9 per cent. of the Group's total assets (96.2 per cent. and 20.0 per cent., respectively, as of 31 December 2022, 93.3 per cent. and 14.3 per cent., respectively, as of 31 December 2021 and 92.9 per cent. and 14.1 per cent., respectively as of 31 December 2020), approximately 62.8 per cent. of which consisted of fixed rate securities, the price of which changes in response to movements in interest rates."

Reduction in Earnings on Securities Portfolio – The Group may not be able to sustain the level of earnings on its securities portfolio obtained during recent years

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

"The Group has historically generated a significant portion of interest income from its securities portfolio, with interest income derived from the Group's securities portfolio in 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023 accounting for 23.2 per cent., 23.9 per cent., 39.9 per cent., 33.7 per cent. and 33.7 per cent., respectively, of its total interest income (and 21.4 per cent., 19.5 per cent., 33.7 per cent., 37.4 per cent. and 45.4 per cent., respectively, of its gross operating income before deducting interest expense and fee and commission expense)."

FUNDING RISKS

Reliance on Government Support – The Bank obtains significant funding through loans guaranteed by the Turkish government, any change in the practices or creditworthiness of which could materially negatively impact the Bank and its funding from development financial institutions ("DFIs")

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

"A significant portion of the Group's obligations are guaranteed by the Turkish Treasury (60.2 per cent. and 59.3 per cent. of its long-term loans including issuances of debt securities and 82.9 per cent. and 70.6 per cent. excluding issuances of debt securities as of 31 December 2022 and 31 March 2023, respectively), including all of its loans from the World Bank, which can only lend to companies that are beneficiaries of a sovereign guarantee."

Reliance on DFIs – The Group relies to a significant extent on DFIs for financing, which exposes the Group to significant risk should such funding cease to be available

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

"As of 31 March 2023, 80.3 per cent. (68.0 per cent., 64.4 per cent. and 66.0 per cent. as of 31 December 2022, 2021 and 2020, respectively) of the Group's total borrowing was sourced from DFIs and the remaining amount was sourced from syndicated loans, bilateral loans, issuances of debt securities and money market as well as repurchase ("**repo**") transactions."

Liquidity Risk – The Group is subject to liquidity and financing risk

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

"The Group, which is not legally empowered to receive deposits, relies primarily upon funds obtained from DFIs, which accounted for almost 72.0 per cent. of the Bank's borrowings as of 31 March 2023."

Access to Capital – The Group may not be able to meet minimum capital adequacy requirements and/or may have difficulty raising capital on acceptable terms, if at all

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

"The Bank's asset composition is concentrated in foreign currency-denominated loans, which makes the Bank's capital adequacy ratio sensitive to currency volatilities. As of 31 March 2023, the FC-denominated assets accounted for 76.9 per cent. of the balance sheet whereas FC-denominated liabilities accounted for 81.25 per cent. of the balance sheet. On these figures, a 10 per cent. depreciation of the Turkish Lira would lead to about 79.0 basis points decrease in the capital adequacy ratio. As of 31 March 2023 and 31 December 2022, the Group's total capital adequacy ratio was 18.58 per cent. and 22.40 per cent., respectively (18.65 per cent. and 22.43 per cent., respectively, for the Bank) and the decrease is primarily due to depreciation of the Turkish Lira."

OPERATIONAL RISKS

Profitability – The Group's profitability and profitability growth in recent years may not be sustainable as a result of regulatory, competitive and other factors impacting the Turkish banking sector

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

"As of 31 March 2023, the Group's return on average total assets was 1.5 per cent. (compared to 1.2 per cent. for the sector according to the BRSA) and the return on its average equity was 12.8 per cent. (compared to 11.6 per cent. for the sector according to the BRSA) (4.1 per cent. and 41.1 per cent., respectively, for the Bank and 3.7 per cent. and 41.6 per cent., respectively, for the sector for the year ended 31 December 2022)."

OTHER GROUP RELATED RISKS

Audit Qualification – The audit and review reports in relation to the Group's BRSA Financial Statements financial statements include a qualification

The following shall be inserted immediately following the third paragraph of the Risk Factor:

"The accompanying consolidated financial statements as at 31 March 2023 include a free provision amounting to TL 950,000 thousand, of which TL 900,000 thousand were provided within prior periods and of which TL 50,000 thousand was provided in the three months ended 31 March 2023. This free provision was provided by the Bank management for the possible effects of the negative circumstances which may arise in the economy or market conditions. Since the above mentioned provisions do not meet the accounting requirements of TAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the "Other Provisions" for the period ended 31 March 2023 are understated by TL 50,000 thousand, while "retained earnings" and "net income" of 31 March 2023 are understated by TL 50,000 thousand and TL 50,000 thousand, respectively."

RECENT DEVELOPMENTS

The following shall be inserted immediately following the end of the section titled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 189 of the Base Prospectus:

“The following summary financial and operating data for the three-month periods ended 31 March 2023 and 2022 and balance sheet information as of 31 March 2023 and 31 December 2022 have been extracted from the 2023 Q1 Consolidated Interim Financial Statements without material adjustment, except to the extent stated otherwise. This information should be read in conjunction with the 2023 Q1 Consolidated Interim Financial Statements (including the notes therein). Potential investors in the Notes should note that this section also includes certain financial information for the Bank only, which is extracted from the 2023 Q1 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).”

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 macro-economic conditions in Türkiye. 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 three months ended 31 March 2023 were principally affected by the factors described below.

The Group’s results of operations and financial condition have also been and will continue to be significantly affected by Turkish political and economic factors, including changes in the Central Bank’s monetary policy.

The Group’s business, financial condition and results of operations have also been impacted by changes in CPI expectations and realizations in the market. For the income calculation of the CPI-linked bonds, the Group uses the own expectation (October to October) for the first 10 months of the year and realization for the reaming two months and adjust accordingly. The CPI realization was 85.5 per cent. as of 31 December 2022 and the CPI expectation is 49.9 per cent. as of 31 March 2023. Income gained from CPI-linked bonds increased to TL 669.7 million for the first quarter ended 31 March 2023 from TL 406.1 million for the first quarter ended 31 March 2022.

Loan growth in the Turkish banking sector increased in 2022 due to an increased demand for loans driven by a highly inflationary environment. Total loans and corporate loans in the banking sector increased by 11.8 per cent. and 10.3 per cent., respectively, in the three months ended 31 March 2023, while the Bank’s total loans and corporate loans increased by 1.5 per cent. in the three months ended 31 March 2023 on a currency-adjusted basis. Corporate loans for private banks, the Bank’s peer group, increased by 5.8 per cent. in the three months ended 31 March 2023. Foreign exchange adjusted loan growth in the Turkish banking sector amounted to 10.7 per cent. in the three months ended 31 March 2023, while the Group’s foreign exchange adjusted loans increased during the same period by 1.5 per cent.

The Group has experienced a significant increase in its Turkish Lira-denominated loan book portfolio in line with Turkish banking sector dynamics. For 2022, the Group extended new loans primarily in Turkish Lira, which resulted in a 67.0 per cent. increase in the Group’s Turkish Lira loan book portfolio compared to 2021. The share of energy generation loans and foreign exchange loans in the Group’s total loan portfolio was 38.0 per cent. and 14.0 per cent., respectively, for the three months ended 31 March 2023.

In addition, 37.0 per cent. of the Group’s securities portfolio consisted of floating rate notes and CPI-linked securities as of 31 March 2023; however the remaining securities portfolio, consisting of fixed rate notes, may create a negative or positive effect on the Group’s equity as a result of changes in market interest rates. The remaining 63.0 per cent. of the Group’s securities portfolio consisting of fixed rate notes had an average maturity of 4.1 years. In addition, rising interest rates are expected to reduce the value of the Group’s existing securities investment portfolio while ultimately being expected to result in increased interest income on additional assets included in this portfolio. However, only 22.0 per cent. of the Group’s Turkish Lira-denominated securities portfolio consisted of fixed rate securities as at 31 March 2023. The remaining 78.0

per cent. of the Group's Turkish Lira-denominated securities portfolio as at 31 March 2023 (of which more than 95.0 per cent. is linked to CPI), was composed of floating rate notes which makes the Group's portfolio more resilient to interest rate volatility.

As of 31 December 2020, 2021, 2022 and 31 March 2023, respectively, approximately 49.0 per cent., 51.8 per cent., 58.0 per cent. and 58.8 per cent. of the Bank's loans and 54.0 per cent., 47.7 per cent., 47.1 per cent. and 51.5 per cent. of the Bank's interest-earning assets were at floating rates.

The Group's ratio of NPLs to total cash loans was 4.3 per cent. as of 31 December 2020, 3.2 per cent. as of 31 December 2021, 2.9 per cent. as of 31 December 2022 and 2.7 per cent. as of 31 March 2023.

Analysis of Results of Operations for the three months ended 31 March 2022 and 2023

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

	Three months ended 31 March	
	2022	**2023**
	(TL thousands)	
Interest Income	**1,879,019**	**2,972,765**
Interest on Loans	1,064,069	1,820,603
Interest Received from Reserve Deposits	237	11
Interest Received from Banks	8,557	44,572
Interest Received from Money Market Placements	166,367	95,740
Interest Received from Marketable Securities Portfolio	632,769	1,001,164
Fair Value Through Profit or Loss	1,072	333
Fair Value Through other Comprehensive Income	234,820	221,693
Measured at Amortised Cost	396,877	779,138
Finance Lease Income	3,611	5,248
Other Interest Income	3,409	5,427
Interest Expenses	**618,661**	**1,325,222**
Interest on Deposits	—	—
Interest on Funds Borrowed	240,061	975,100
Interest on Money Market Borrowings	32,042	76,222
Interest on Securities Issued	345,736	259,716
Leasing Interest Expense	91	1,130
Other Interest Expense	731	13,054
Net Interest Income	**1,260,358**	**1,647,543**
Net Fees and Commissions Income / Expenses	**60,041**	**113,067**
Fees and Commissions Received	67,472	125,787
Non-cash Loans	10,914	29,509

	Three months ended 31 March	
	2022	**2023**
	(TL thousands)	
Other	56,558	96,278
Fees and Commissions Paid	7,431	12,720
Non-cash Loans	1,967	4,827
Other	5,464	7,893
Dividend Income	**7,068**	**11,827**
Net Trading Income	**291,675**	**121,077**
Securities Trading Gains / Losses	10,578	(16,365)
Derivative Financial Instruments Gains / Losses	891,561	(30,200)
Foreign Exchange Gains / Losses (Net)	(610,464)	167,642
Other Operating Income	**71,499**	**314,148**
Gross Operating Income	**1,690,641**	**2,207,662**
Expected Credit Loss	**412,231**	**67,275**
Other Provision Expenses	**319,403**	**50,000**
Personnel Expense	**84,837**	**185,674**
Other Operating Expenses	**94,410**	**195,928**
Net Operating Income / Loss	**779,760**	**1,708,785**
Amount in Excess Recorded as Gain After Merger	—	—
Profit / Loss on Equity Method	**50,286**	**138,096**
Gain / Loss on Net Monetary Position	—	—
Profit / Loss from Continued Operations Before Taxes	**830,046**	**1,846,881**
Tax Provision for Continued Operations	**223,658**	**433,022**
Provision for Current Income Taxes	695,065	625,397
Deferred Tax Income Effect	135,806	252,680
Deferred Tax Expense Effect	607,213	445,055
Net Profit / Loss from Continued Operations	**606,388**	**1,413,859**
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	—	—

	Three months ended 31 March	
	2022	**2023**
	(TL thousands)	
Net Profit / Loss	**606,388**	**1,413,859**
Group's Profit / Loss	605,031	1,411,669
Minority Shares	1,357	2,190
Earning / Loss per Share[(1)]	0.216	0.504

Note:

(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.

Results of Operations as of and for the three months ended 31 March 2022 and 2023

Interest Income

The Group's interest income is derived from interest on loans, reserve deposits, banks, money market placements and securities. In the three months ended 31 March 2023, the Group's interest income increased by 58.0 per cent. to TL 2,972.8 million from TL 1,879.0 million in the three months ended 31 March 2022. This increase was mainly a result of an increase in interest received from securities, an increase in interest received from loans, as well as an increase in interest received from banks. The increase in interest received was mainly due to higher exchange rate levels and a larger volume of lending. For the three months ended 31 March 2023, interest income from loans amounted to TL 1,820.6 million (61.2 per cent. of total interest income), interest from reserve deposits amounted to TL 11 thousand, interest from money market placements and interest received from banks amounted to TL 140.3 million (4.7 per cent. of total interest income) and interest from securities amounted to TL 1,001.2 million (33.7 per cent. of total interest income), compared to TL 1,064.1 million (56.6 per cent.), TL 0.2 million, TL 174.9 million (9.3 per cent) and TL 632.8 million (33.7 per cent.), respectively, in the three months ended 31 March 2022.

Interest Expenses

In the three months ended 31 March 2023, the Group's interest expenses increased to TL 1,325.2 million from TL 618.7 million in the three months ended 31 March 2022. This increase is attributable to higher exchange rate levels since the majority funding of the Group is in foreign currency.

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 30.7 per cent. to TL 1,647.5 million in the three months ended 31 March 2023 from TL 1,260.4 million in the three months ended 31 March 2022. This increase is primarily due to the factors described above. The Group's net interest margin in the three months ended 31 March 2023 was 5.9 per cent. as compared to 5.2 per cent. in the three months ended 31 March 2022, as a result of CPI contribution, higher lending volume and higher exchange rates.

Net Fees and Commission Income

The Group's net fees and commission income increased to TL 113.1 million in the three months ended 31 March 2023 from TL 60.0 million in the three months ended 31 March 2022. This increase was driven by investment banking income.

Dividend Income

The Group's dividend income increased by 66.2 per cent. from TL 7.1 million in the three months ended 31 March 2022 to TL 11.8 million in the three months ended 31 March 2023.

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 net trading income decreased from TL 291.7 million in the three months ended 31 March 2022 to a net income of TL 121.1 million in the three months ended 31 March 2023. This decrease was a result of derivative valuations.

Other Operating Income

The Group's other operating income increased to TL 314.1 million in the three months ended 31 March 2023 from TL 71.5 million in the three months ended 31 March 2022. The increase was primarily driven by NPL collection of TL 101 million in the three months ended 31 March 2023.

Expected Credit Losses

In the three months ended 31 March 2023, the Group's provisioning for loans and other receivables decreased to TL 117.3 million from TL 731.6 million in the three months ended 31 March 2022. The decrease in provisioning is mainly driven by decreases in credit risks for the overall banking sector. The following table shows the Group's provisioning for loans and other receivables for the periods indicated.

	For the three months ended 31 March	
	2022	**2023**
	(TL thousands)	
Expected Credit Loss	**390,635**	**65,739**
12 Months Expected Credit Loss (Stage 1)	141,099	61,919
Significant Increase in Credit Risk (Stage 2)	172,453	—
Non-performing Loans (Stage 3)	77,083	3,820
Marketable Securities Impairment Expenses	**21,596**	**1,536**
Financial Assets at Fair Value through Profit or Loss	8,702	—
Financial Assets at Fair Value through Other Comprehensive Income	12,894	1,536
Associates, Subsidiaries, and Entities under Common Control (Joint Venture) Value Decrease	—	—
Associates	—	—
Subsidiaries	—	—
Entities under Common Control (Joint Venture)	—	—
Other	319,403	50,000

	For the three months ended 31 March	
	2022	2023
	(TL thousands)	
Total	**731,634**	**117,275**

Other Operating Expenses

In the three months ended 31 March 2023, the Group's other operating expenses increased to TL 195.9 million from TL 94.4 million in the three months ended 31 March 2022, which was principally attributable to higher inflation and higher exchange rate environment.

Net Profit from Continuing Operations

The Group's net profit from continuing operations in the three months ended 31 March 2023 increased to TL 1,413.9 million from TL 606.4 million in the three months ended 31 March 2022, which is mainly attributable to improved contribution from net interest income and fees and commission and relatively lower provisioning.

For the three months ended 31 March 2023, the Group's return on average total assets was 4.9 per cent. and the return on its average equity was 41.5 per cent., compared to 2.7 per cent. and 33.0 per cent., respectively, for the three months ended 31 March 2022.

Segmental Analysis

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

	As of (or for the three months ended) 31 March 2023			
	Corporate Banking	Investment Banking	Other	Total
	(TL thousands)			
Net Interest Income	785,578	783,295	78,670	1,647,543
Net Fees and Commissions Income	28,084	35,077	49,906	113,067
Other Income	94,498	117,757	372,893	585,148
Other Expense	(96,621)	(23,586)	(378,670)	(498,877)
Profit Before Tax	811,539	912,543	122,799	1,846,881
Tax Provision				433,022
Net Profit				**1,413,859**
Group's Profit/Loss				1,411,669
Minority share profit / loss				(2,190)
Segment Assets	78,776,659	28,135,463	6,397,278	113,309,400
Investment in Associates and Subsidiaries	—	—	1,587,720	1,587,720
Total Assets	**78,776,659**	**28,135,463**	**7,894,998**	**114,897,120**
Segment Liabilities	87,695,708	5,416,047	7,527,666	100,639,421

	As of (or for the three months ended) 31 March 2023			
	Corporate Banking	**Investment Banking**	**Other**	**Total**
	(TL thousands)			
Shareholders' Equity............	—	—	14,257,699	14,257,699
Total Liabilities and Shareholders' Equity	**87,695,708**	**5,416,047**	**21,785,365**	**114,897,120**

	As of (or for the three months ended) 31 March 2022			
	Corporate Banking	**Investment Banking**	**Other**	**Total**
	(TL thousands)			
Net Interest Income	368,605	872,175	19,578	1,260,358
Net Fees and Commissions Income	10,182	21,174	28,685	60,041
Other Income	—	281,397	139,131	420,528
Other Expense......................	(746,826)	(21,481)	(142,574)	(910,881)
Profit Before Tax	(368,039)	1,153,265	44,820	830,046
Tax Provision.......................				(223,658)
Net Profit				**606,388**
Group's Profit/Loss..............				605,031
Non-Controlling Interests				1,357
Segment Assets	60,822,054	26,964,446	4,045,872	91,832,372
Investment in Associates and Subsidiaries...................	—	—	841,508	841,508
Total Assets	**60,822,054**	**26,964,446**	**4,887,380**	**92,673,880**
Segment Liabilities..............	77,315,319	2,757,537	4,938,414	85,011,270
Shareholders' Equity............	—	—	7,662,610	7,662,610
Total Liabilities and Shareholders' Equity	**77,315,319**	**2,757,537**	**12,601,024**	**92,673,880**

Financial Condition

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

	As of 31 December	As of 31 March
	2022	2023
	(TL thousands)	
ASSETS		
Financial Assets (Net)	**24,129,681**	**16,157,786**
Cash and Cash Equivalents	10,469,187	**6,406,267**
Cash and Balances with Central Bank	2,797,941	2,613,949
Banks	1,957,080	1,742,106
Money Market Placements	5,721,043	2,060,125
Expected Credit Losses (-)	6,877	9,913
Financial Assets at Fair Value Through Profit or Loss	**175,599**	**53,878**
Government Debt Securities	—	—
Equity Instruments	98,313	35
Other Financial Assets	77,286	53,843
Financial Assets at Fair Value Through Other Comprehensive Income	11,089,289	8,110,755
Government Debt Securities	9,749,787	6,818,319
Equity Instruments	519,728	564,528
Other Financial Assets	819,774	727,908
Derivative Financial Assets	**2,395,606**	**1,586,886**
Derivative Financial Assets at Fair Value Through Profit or Loss	2,395,606	1,586,886
Derivative Financial Assets at Fair Value Through Other Comprehensive Income	—	—
Financial Assets Measured at Amortised Cost	**88,616,419**	**93,543,089**
Loans	**80,930,195**	**84,696,658**
Lease Receivables	**380,231**	**392,887**
Factoring Receivables	**—**	**—**
Other Financial Assets Measured at Amortised Cost	**12,825,981**	**13,745,097**
Government Debt Securities	12,825,981	13,745,097
Other Financial Assets	—	—
Expected Credit Losses (-)	**5,519,988**	**5,291,553**
Property and Equipment Held for Sale Purpose and Related to Discontinued Operations (Net)	**—**	**—**
Held for Sale Purpose	—	**—**
Related to Discontinued Operations	—	—

	As of 31 December	As of 31 March
	2022	2023
	(TL thousands)	
Equity Investments	**1,551,348**	**1,587,720**
Investments in Associates (Net)	**1,493,750**	**1,524,050**
Accounted Under Equity Method	1,493,750	1,524,050
Unconsolidated Associates	—	—
Subsidiaries (Net)	**51,970**	**57,512**
Unconsolidated Financial Subsidiaries	—	—
Unconsolidated Non-Financial Subsidiaries	51,970	57,512
Entities under Common Control (Joint Venture) (Net)	**5,628**	**6,158**
Joint Ventures Valued Based on Equity Method	5,628	6,158
Unconsolidated Joint Ventures	—	—
Tangible Assets (Net)	**1,214,227**	**1,246,615**
Intangible Assets (Net)	**4,278**	**10,333**
Goodwill	1,005	1,005
Other	3,273	9,328
Investment Property (Net)	**764,910**	**764,910**
Current Tax Asset	**177**	**268**
Deferred Tax Asset	**724,131**	**946,280**
Other Assets	**616,489**	**640,119**
Total Assets	**117,621,660**	**114,897,120**
LIABILITIES AND EQUITY		
Deposits	**—**	**—**
Funds Borrowed	**70,814,085**	**71,555,460**
Money Market Balances	**2,472,123**	**4,234,555**
Marketable Securities Issued (Net)	**21,553,457**	**15,161,680**
Bills	333,220	515,791
Assets Backed Securities	172,485	107,720
Bonds	21,047,752	14,538,169
Borrower Funds	**737,733**	**730,115**
Borrower Funds	737,733	730,115
Other	—	—

	As of 31 December	As of 31 March
	2022	**2023**
	(TL thousands)	
Financial Liabilities at Fair Value Through Profit or Loss	**—**	**—**
Derivative Financial Liabilities	**1,132,353**	**924,549**
Derivative Financial Liabilities at Fair Value Through Profit or Loss	1,132,353	924,549
Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	—	—
Factoring Liabilities	**—**	**—**
Lease Liabilities	**5,563**	**33,280**
Provisions	**1,071,429**	**1,131,896**
Restructuring Provisions	—	—
Reverse for Employee Benefits	48,190	64,105
Insurance Technical Provisions (Net)	—	—
Other Provisions	1,023,239	1,067,791
Current Tax Liability	**580,310**	**1,222,547**
Deferred Tax Liability	**—**	**—**
Liabilities for Property and Equipment Held for Sale and Related to Discontinued Operations (Net)	**—**	**—**
Held for Sale Purpose	—	—
Related to Discontinued Operations	—	—
Subordinated Debt Instruments	**3,829,127**	**3,816,000**
Loans	3,829,127	3,816,000
Other Debt Instruments	—	—
Other Liabilities	**2,433,024**	**1,829,339**
Shareholders' Equity	**12,992,456**	**14,257,699**
Paid-in capital	2,800,000	2,800,000
Capital Reserves	1,381	15,665
Share Premium	1,007	1,007
Share Cancellation Profits	—	—
Other Capital Reserves	374	14,658
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	1,313,495	1,636,958

	As of 31 December	As of 31 March
	2022	2023
	(TL thousands)	
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	1,010,451	538,431
Profit Reserves	3,702,923	7,745,309
Legal Reserves	440,207	644,594
Status Reserves	75,641	75,641
Extraordinary Reserves	3,184,155	7,022,154
Other Profit Reserves	2,920	2,920
Profit Or Loss	3,945,723	1,300,724
Prior Years' Profit/Loss	(34,689)	(110,945)
Current Year Profit/Loss	3,980,412	1,411,699
Non-Controlling Interests	218,483	220,612
Total Liabilities and Equity	**117,621,660**	**114,897,120**

Assets

As of 31 March 2023, the Group had total assets of TL 114.9 billion, a 2.3 per cent. decrease from TL 117.6 billion as of 31 December 2022. The decrease was primarily due to less short-term money market placements.

Cash and Balances with the Central Bank

As of 31 March 2023, the amount of the Group's cash and balances with the Central Bank was TL 2.6 billion, a 7.1 per cent. decrease compared to TL 2.8 billion as of 31 December 2022. The decrease was due to a lower reserve requirement for the period.

Loans and Leasing Receivables

As of 31 March 2023, the Group had loans and leasing receivables net of allowance for expected credit losses of TL 85.1 billion (74.1 per cent. of total assets), an increase of 4.7 per cent. compared to TL 81.3 billion (69.1 per cent.) as of 31 December 2022. The Group's portfolio of cash total loans and advances to customers, less allowance for possible losses, increased by 4.6 per cent. as of 31 March 2023 compared to year-end 2022. The Group's foreign exchange adjusted loan growth in the three months ended 31 March 2023 amounted to 1.5 per cent.

In addition to loans, the Group had outstanding guarantees amounting to TL 10.5 billion and letters of credit, surety and acceptances amounting to TL 5.3 billion as of 31 March 2023 (TL 7.3 billion and TL 3.5 billion, respectively, as of 31 December 2022).

As of 31 March 2023, the average effective interest rates charged to borrowers on loans were 7.1 per cent. for EUR and 9.1 per cent. for USD (6.6 per cent. and 8.3 per cent., respectively, in EUR and USD as of 31 December 2022). The average effective interest rates on TL loan rates were 19.1 per cent. as of 31 March 2023 (19.7 per cent. as of 31 December 2022).

Liabilities

As of 31 March 2023, the Group had total liabilities and equity of TL 114.9 billion, a decrease of 2.3 per cent. from TL 117.6 billion as of 31 December 2022. The decrease was primarily due to the redemption of one of the Bank's Eurobonds in January 2023. As of 31 March 2023, the Group had TL 4.2 billion in money market balances and TL 71.6 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 109.2 billion as of 31 March 2023 and TL 126.1 billion as of 31 December 2022.

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	As of 31 March
	2022	2023
	(TL thousands)	
Paid-in capital	2,800,000	2,800,000
Paid-in capital inflation adjustments	374	14,658
Profit reserves	3,702,923	7,745,309
Profit	3,945,723	1,300,724
Tier I Capital (I)	16,610,292	18,062,984
Tier II Capital (II)	874,682	1,166,272
Deductions (III)	—	—
Own Funds (I+II-III)	17,484,974	19,229,256
Risk Weighted Assets (including market and operational risk)	78,041,838	103,512,466
Capital Ratios:		
Tier I Ratio	21.28%	17.45%
Total Capital Adequacy Ratio(1)	22.40%	18.58%

Note:

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

As of 31 March 2023 and 31 December 2022, the Group's total capital adequacy ratio was 18.58 per cent. and 22.40 per cent., respectively (18.65 per cent. and 22.43 per cent., respectively, for the Bank). The decrease in the Group's total capital adequacy ratio is primarily due to depreciation of the Turkish Lira. See "*Risk Factors – Risks Related to the Group and its Business – Market Risks – Foreign Exchange and Currency Risk – The Group is exposed to foreign exchange and currency risks and further devaluations of the Turkish Lira may adversely impact the Bank's business, results of operation and financial condition*".

Liquidity and Funding

The Group's principal sources of funding are loans from developmental organisations, of which a total of approximately 46.8 per cent. were provided by the World Bank Group and the European Investment Bank as of 31 March 2023. As of 31 March 2023, 87.3 per cent. (68.0 per cent. as of 31 December 2022) 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 31 March 2023, the Group's total foreign currency-denominated borrowings constituted 78.9 per cent. of its consolidated assets (82.4 per cent. as of 31 December 2022). In addition, 59.3 per cent. of the Bank's long-term funds were guaranteed by the Turkish Treasury as of 31 March 2023 (53.2 per cent as of 31 December 2022). 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 65.6 per cent., 63.4 per cent., 67.7 per cent. and 66.1 per cent. of its total liabilities as of 31 March 2023, 31 December 2022, 2021 and 2020, respectively. As of 31 March 2023, the Group's loans amounted to TL 75.4 billion, an increase of 1.0 per cent. from TL 74.6 billion as of 31 December 2022, itself an increase of 28.2 per cent. from TL 58.3 billion as of 31 December 2021. The remaining sources short-term funding, including syndicated loans, bilateral loans and money market transactions, which accounted 2.8 per cent., 1.65 per cent., 2.1 per cent. and 3.7 per cent. of the Group's total liabilities as of 31 December 2020, 2021, 2022 and as of 31 March 2023, respectively, and issuances of debt securities, which accounted for 13.2 per cent. and 18.3 per cent. as of 31 March 2023 and 31 December 2022, respectively."

<u>BUSINESS OF THE GROUP</u>

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 209 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 31 March 2023 and 31 December 2022, 2021 and 2020, the Bank's NPL ratios were 2.7 per cent., 2.9 per cent., 3.2 per cent. and 4.3 per cent., respectively, compared to banking sector average NPL ratios of 1.8 per cent., 2.1 per cent., 3.2 per cent. and 4.0 per cent. as of the same date, according to the BRSA.

In the three months ended 31 March 2023, there has been no new transfer of loans to NPLs. The restructured ratio of NPLs also reached 92.0 per cent. in the same period. To note, the management does not expect any substantial inflow of problematic loans for the rest of 2023. Any substantial inflow to Stage 2 loans which account for 10.3 per cent. as of 31 March 2023, is also not expected. The Stage 2 coverage ratio has reached 28.5 per cent. in the same period. Moreover, the outstanding free provisions reached TL 950 million as of 31 March 2023 with an additional TL 50 million worth of free provisioning as an additional cushion for unprecedented developments.

<u>MANAGEMENT</u>

The following shall be inserted immediately following the sixth paragraph of the section titled "*Board of Directors*" on page 226 of the Base Prospectus:

"Effective 21 March 2023, Mr. Hüseyin Yalçın retired from his position on the Board. On 29 March 2023, Mr. M. Sefa Pamuksuz was elected to the Board of Directors as an Independent Board Member.

On 22 March 2023, Mr. Mithat Rende's six-year term on the Board of Directors as an Independent Board Member ended. On 29 March 2023, Mr. Mithat Rende was re-elected to the Board of Directors as a Board Member.

Effective 28 February 2023, Mr. A Ferit Eraslan retired from his role as the Executive Vice President of Financial Control and Budget Planning. Mr. Eraslan's responsibilities have been transferred to Mr. Egin Topaloğlu, who acts as the Chair of the Board of Internal Auditors and the Executive Vice President of Risk Management and Internal Control."

TURKISH REGULATORY ENVIRONMENT

The last paragraph of the section titled "*Liquidity and Reserve Requirement*" on page 263 of the Base Prospectus, is hereby deleted in its entirety and replaced by the following:

"On 15 January 2023, the CBRT amended the Communiqué Regarding Reserve Requirements so that (starting with the maintenance period starting on 3 February 2023), the reserve requirement rate for Turkish Lira deposit accounts and participation accounts held by certain customers with maturities longer than three months is 0 per cent., and the securities issued by the investment and development banks with maturities more than 1 year is 0 per cent. Additionally, should there be an increase (compared to 6 January 2023, based upon a calculation to be made on the last Friday of every two-week period) in a bank's foreign currency-denominated liabilities with maturities longer than six months provided directly from abroad, the reserve requirement rate for such increased amount is 0 per cent. until 22 December 2023. On 7 April 2023, the CBRT amended the Communiqué Regarding Reserve Requirements (effective as of 28 April 2023) so that if the share of a Turkish bank's Turkish Lira deposits/participation funds calculated for real and legal persons is less than 60 per cent. of its total deposits/participation funds, then the mandatory reserve ratios for its foreign currency liabilities for deposits/participation funds and precious metal accounts will be increased by five basis points. On 8 July 2023, the CBRT further amended the Communiqué Regarding Reserve Requirements (effective as of 7 July 2023) and decreased such ratio from 60 per cent. to 57 per cent. On 21 July 2023, the CBRT amended the Communiqué Regarding Reserve Requirements (effective as of 21 July 2023) and obliged banks to hold mandatory reserves at the rate of 15 per cent. for the foreign exchange protected Turkish Lira-denominated deposit accounts, regardless of their maturities."

The section titled "*Macroprudential Measures requiring Maintenance of Securities*" staring from page 263 of the Base Prospectus, is hereby deleted in its entirety and replaced by the following:

"Effective on 24 June 2022, The CBRT issued on 10 June 2022 the Communiqué on the Maintenance of Turkish Lira Securities for Foreign Currency Liabilities (the name of which was later changed to Communiqué on the Maintenance of Securities) (the "Communiqué on the Maintenance of Securities"). Pursuant to this regulation (as amended on 31 December 2022), effective from 24 June 2022, each Turkish bank is required to hold with the CBRT long-term Turkish Lira-denominated securities issued by the Turkish government (including lease certificates issued by Undersecretariat of Treasury Asset Leasing Company) for the foreign currency deposits, participation funds and precious metals accounts held with such bank (excluding those of certain depositors, including the CBRT itself, the Turkish Treasury, certain other governmental entities, other Turkish banks and non-citizens, and such deposits/funds/accounts funded by foreign direct investments as determined by the CBRT) as well as the funds from foreign exchange-denominated repo transactions. Pursuant to an amendment to the Communiqué on the Maintenance of Securities made on 25 June 2023, each Turkish bank is required to hold an amount of such securities equal to 5 per cent. of the amount of the foreign currency deposits, participation funds and precious metals accounts held by the relevant customers with such bank as well as the funds from foreign exchange-denominated repo transactions; however, if the relevant bank's ratio of Turkish Lira deposits to total deposits is: (a) less than 57 per cent., then such rate is to be increased to 12 per cent., and (b) greater than or equal to 70 per cent., then such rate is to be decreased to 3 per cent.

On 20 August 2022 and 31 December 2022, the CBRT amended the Communiqué on the Maintenance of Securities to: (a) require Turkish banks to hold with the CBRT long-term Turkish Lira-denominated securities issued by the Turkish government in an amount equal to 30 per cent. of the amount of the securities issued by entities (other than financial institutions) held by such banks, (b) replace the Commercial Cash Loan Reserve Requirement with a requirement to hold with the CBRT long-term Turkish Lira-denominated securities issued by the Turkish government in an amount equal to 30 per cent. of the amount of such Turkish Lira-denominated commercial cash loans (excluding the loans previously excluded from the Commercial Cash Loan Reserve Requirement as noted above only if such loans are disbursed against expenditures) and (c) provide that if:

(i) a bank's Turkish Lira-denominated commercial cash loan growth (excluding such excluded loans) during each calculation period from 26 August 2022 to 25 November 2022 compared to the previous calculation period was higher than 3 per cent., then such bank is required to hold with the CBRT long-term Turkish Lira-denominated securities issued by the Turkish government in an amount equal to the amount over such 3 per cent.,

(ii) a bank's Turkish Lira-denominated commercial cash loan (excluding such excluded loans) growth as of 30 December 2022 compared to 29 July 2022 is higher than 10 per cent., then such bank is required to hold with the CBRT long-term Turkish Lira-denominated securities issued by the Turkish government in an amount equal to the amount over such 10 per cent. minus the amount already held as required by clause (i), and

(iii) a bank's Turkish Lira-denominated commercial cash loan growth (excluding such excluded loans) during each calculation period from 27 January 2023 to 29 December 2023 compared to the previous calculation period was higher than 3 per cent., then such bank is required to hold with the CBRT long-term Turkish Lira-denominated securities issued by the Turkish government in an amount equal to the amount over such 3 per cent.

Additionally, the 20 August 2022 amendment provides that, for commercial loans extended from 20 August 2022 until 31 December 2022, a Turkish bank is required to hold with the CBRT long-term Turkish Lira-denominated securities issued by the Turkish government in an amount equal to:

(A) 20 per cent. of the amount of Turkish Lira-denominated commercial cash loans (excluding such excluded loans) extended during such period at an annual compound interest rate from and including 1.4 times to but excluding 1.8 times higher than the CBRT-released annual compound reference rate (which reference rate is 10.31 per cent. for the period between 1 December 2022 and 31 December 2022), and

(B) 90 per cent. of the amount of Turkish Lira-denominated commercial cash loans (excluding such excluded loans) extended during such period at an annual compound interest rate of 1.8 times or more higher than such CBRT-released annual compound reference rate.

With respect to commercial loans extended from 31 December 2022, banks are required (based upon a calculation to be made on the last Friday of every month) until 29 December 2023 to hold with the CBRT long-term Turkish Lira-denominated securities issued by the Turkish government in an amount equal to 20 per cent. or 90 per cent. of the amount of Turkish Lira-denominated commercial cash loans (excluding such excluded loans) extended during such month depending upon their annual compound interest rate. [On 7 April 2023, the CBRT further amended the Communiqué on the Maintenance of Securities and increased such rate from 90per cent. to 150per cent. other than for banks having a ratio of Turkish Lira deposits to total deposits of greater than or equal to 70per cent.] In May 2023, the CBRT introduced new rules for credit growth for consumer loans, vehicle loans, SME loans and loans subject to the Commercial Cash Loan Reserve Requirement, which rules provide that, if any of such loan types grows more than 3 per cent. per month, the applicable bank will be required to hold with the CBRT long-term Turkish lira-denominated securities issued by the Turkish Treasury in an amount equal to the excess of loans over the 3 per cent. growth rate.

Also in August 2022, the CBRT introduced new regulations to increase the share of Turkish Lira-denominated assets in the collateral system and to ensure the maintenance of additional required reserves for foreign currency deposits. Effective as of 18 April 2022, the remuneration rate for Turkish Lira-denominated required reserves was reduced to 0 per cent. from 8.5 per cent. Effective as of 2 September 2022, the collateral discount rate for CPI-indexed securities and assets subject to collateral in foreign currency and gold was gradually increased from 50 per cent. to 60 per cent. and further increased to 70 per cent. on 9 January 2023.

On 26 May 2023, the BRSA published a new regulation of Regulation on Net Stable Funding Ratio Calculations of Banks to align the Turkish regulatory capital regime with Basel III requirements and strengthen the liquidity of the banks. Pursuant to the Regulation on Net Stable Funding Ratio Calculations of Banks, starting as of 1 January 2024, the three-month arithmetic mean of a bank's consolidated and non-consolidated net stable funding ratios (calculated on a monthly basis for the equity calculation periods) shall not be less than 100 per cent. The BRSA shall also announce minimum rate for the banks' consolidated and non-consolidated net stable funding ratios calculated monthly and if either the consolidated or non-consolidated net stable funding ratio of a bank falls below such minimum requirement, then such bank should resolve this discrepancy by the next equity calculation period; however, this minimum rate shall not be applied to development and investment banks until further notice by the BRSA. In addition, the banks will be required to report their consolidated and non-consolidated net stable funding ratios within the periods to be determined by the BRSA.

On 25 June 2023, as a provision application to be applied from 28 June 2023 to 29 September 2023, the CBRT required each Turkish bank hold (for a six month period) additional Turkish Lira-denominated securities issued by the Turkish government, if their conversion rates from foreign currency deposits/participation funds to Turkish Lira deposits/participation funds are less than 10 per cent., in which event such banks will be required to maintain two times Turkish Lira-denominated securities, and double the amount of the shortfall."

The first paragraph of the section titled "*Foreign Exchange Position Requirements*" on page 265 of the Base Prospectus, is hereby deleted in its entirety and replaced by the following:

"According to the Regulation on Foreign Exchange Net Position/Capital Base issued by the BRSA and published in the Official Gazette dated 1 November 2006 and numbered 26333, for both the unconsolidated and consolidated financial statements, the ratio of a bank's foreign exchange net position to its capital base should not exceed (+/-) 20 per cent., which calculation is required to be made on a weekly basis for unconsolidated and monthly basis for consolidated financial statements. The net foreign exchange position is the difference between the sum of a bank's foreign exchange assets and its foreign exchange liabilities and the Turkish Lira equivalent of such. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank (including its foreign branches), its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. If the weekly arithmetic mean of the ratio of a bank's net foreign exchange position to its capital base exceeds (+/-) 20 per cent., then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed the legal net foreign exchange position to capital base ratio up to six times per calendar year. With the recent amendments to the Regulation on Foreign Exchange Net Position/Capital Base set to become effective as of 9 January 2023, the weekly arithmetic mean of the ratio of a Bank's foreign exchange net position to its capital base decreased from (+/-) 20 per cent. to (+/-) 5 per cent. and with the BRSA's decision numbered 10534, as of 9 March 2023 increase such ration from to (+/-) 5 per cent to (+/-) 10 per cent. In addition, the recent amendments determined that banks should include the general and special provisions set aside pursuant to the Provisioning Regulation for the calculation of the standard ratio of their foreign exchange net position to their capital base.”

The first paragraph of the section titled “*Disclosure of Financial Statements*” on page 270 of the Base Prospectus, is hereby deleted in its entirety and replaced by the following:

“The BRSA published amendments, which entered into force on 31 March 2016, to the Communiqué on Financial Statements to be Disclosed to the Public setting forth principles of disclosure of annotated financial statements of banks in accordance with the Communiqué on Public Disclosure regarding Risk Management of Banks and the Equity Regulation. The amendments reflect the updated requirements relating to information to be disclosed to the public in line with the amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios, liquidity coverage ratios and leverage ratios. Rules relating to equity items presented in the financial statements were also amended in line with the amendments to the Equity Regulation. Furthermore, the changes require publication of a loan agreement of the bank or a prospectus relating to a loan or debt instrument, which will be taken into account in the calculation of the capital of a (parent company) bank as an element for additional principal capital (i.e., additional Tier 1 capital) and supplementary capital (i.e., Tier 2 capital), on the bank’s website. In addition, banks are required to make necessary disclosures on their websites immediately upon repayment of a debt instrument, depreciation or conversion of a share certificate or occurrence of any other material change. On 26 May 2023, the BRSA amended the Communiqué on Financial Statements to be Disclosed to the Public to reduce uncertainties that may arise in the market through the implementation of the net stable funding ratio rules, and obliged banks to disclose the arithmetic mean of their three-month consolidated and non-consolidated net stable funding ratios and other related items to the public, as of 1 January 2024.”

TAXATION

The last paragraph of the section titled “*Certain Turkish Tax Considerations*” on page 286 of the Base Prospectus, is hereby deleted in its entirety and replaced by the following:

“Capital gains realised by a resident corporation or individual on the sale or redemption of the Notes (or beneficial interests therein) are subject to income tax or corporate (income) tax declaration. The corporate income tax rate in Türkiye for 2023 is: (a) 30 per cent. for banks, financial leasing, factoring and financing companies, e-money and payment services institutions, authorised foreign exchange currency-related entities, asset management companies (*varlık yönetim şirketleri*), securities intermediaries and other capital markets institutions, insurance and reinsurance companies and pension companies; and (b) 25 per cent. for other corporate entities (the current rate for individuals’ income tax ranges from 15 per cent. to 40 per cent. at progressive rates). For resident individuals, the acquisition cost can be increased at the Producer Price Index rate of increase for each month except for the month of discharge so long as such index increased by at least 10 per cent.”

SIGNIFICANT OR MATERIAL CHANGE

There has been (a) no significant change in the financial performance or financial position of either the Group or the Bank since 31 March 2023 and (b) no material adverse change in the financial position or prospects of either the Group or the Bank since 31 December 2022.

INDEPENDENT AUDITORS

The 2023 Q1 Consolidated Interim Financial Statements of the Group and the 2023 Q1 Unconsolidated Interim Financial Statements of the Bank, incorporated by reference in the Base Prospectus by virtue of this Supplement, have been reviewed by EY, independent auditors, in accordance with the Standard on Review

Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity," as stated in their review reports incorporated by reference herein.