FIRST SUPPLEMENT TO THE BASE PROSPECTUS DATED 6 OCTOBER 2020
THE DATE OF THIS SUPPLEMENT IS 4 DECEMBER 2020

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 6 October 2020 (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 (the "**CBI**"), as the competent authority under the Prospectus Regulation. The CBI 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 www.ise.ie. 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 9 and 10 of the Base Prospectus;

(ii) incorporate by reference into the Base Prospectus the Group's 2020 Q3 Consolidated Interim Financial Statements and the Issuer's 2020 Q3 Unconsolidated Interim Financial Statements (each as defined below);

(iii) amend and supplement the following Risk Factors:

  (i) "Risks Related to Turkey – Political Conditions – Political Developments – Political developments in Turkey may negatively affect the Group's business, financial condition and results of operations" on page 17 and 18 of the Base Prospectus;

  (ii) "Risks Related to Turkey – Political Conditions – Geo-political Relationships – The Turkish economy is subject to geo-political risks" on pages 19 and 20 of the Base Prospectus;

  (iii) "Risks Related to Turkey – Economic Conditions – Inflation – 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 23 and 24 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 26 and 27 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 27 and 28 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 28 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 29 and 30 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 pages 30 and 31 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 page 31 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 pages 31 and 32 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 32 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 pages 32 and 33 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 pages 33 and 34 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 36 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 37 and 38 of the Base Prospectus;

(iv) supplement the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 155 of the Base Prospectus, for certain 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 236 of the Base Prospectus;

(vi) amend and supplement the following information under the "Turkish Regulatory Environment" section of the Base Prospectus:

(i) "Liquidity and Reserve Requirements" on pages 292 through 294 of the Base Prospectus;

(ii) "Foreign Exchange Legislation – F/X Transaction Restriction" on page 305 of the Base Prospectus; and

(iii) "Recent Amendments to the Turkish Insolvency and Restructuring Regime – Additional Regulatory Measures Related to COVID-19" on pages 307 and 308 of the Base Prospectus;

(viii) supplement the information under the heading "Significant or Material Change" on page 342 in the section entitled "General Information" of the Base Prospectus; and

(ix) supplement the information under the heading "Independent Auditors" on page 342 in the section entitled "General Information" of the Base Prospectus.

PRESENTATION OF FINANCIAL INFORMATION

The 2020 Q3 Consolidated Interim Financial Statements (as defined below) and the 2020 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 2020 published on 2 November 2020 (the "**2020 Q3 Consolidated Interim Financial Statements**") (available at http://www.tskb.com.tr/i/content/4481_1_TSKB%20KONS%20EN%2030.09.%202020.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 2020 published on 2 November 2020 (the "**2020 Q3 Unconsolidated Interim Financial Statements**") (available at http://www.tskb.com.tr/i/content/4481_1_TSKB%20SOLO%20EN%2030.09.2020.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 TURKEY

POLITICAL CONDITIONS

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

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

"On 9 July 2018, President Erdoğan announced a new cabinet, including non-AKP members and Berat Albayrak as the Minister of Treasury and Finance. On 10 July 2018, President Erdoğan issued a decree: (a) empowering the President to appoint: (i) the governor of the Central Bank, whereas previously the Council of Ministers had the authority to appoint the governor of the Central Bank in the parliamentary system, and (ii) the deputy governors of the Central Bank, while this appointment was previously made by the Council of Ministers among the candidates suggested by the governor of the Central Bank in the parliamentary system, (b) removing the previous requisite condition for deputy governors of the Central Bank to have at least 10 years of professional experience and (c) shortening the office term of the governor and the deputy governors of the Central Bank to four years from five years. On 6 July 2019, President Erdoğan removed the governor of the Central Bank, a year before his four-year term was scheduled to end and, on the same day, appointed Murat Uysal, one of the Central Bank's then-deputy governors, as the new governor of the Central Bank. On 9 August 2019, the board of the Central Bank removed its chief economist and other high-ranking officials from office as part of its reorganisation. On 7 November 2020, President Erdoğan removed Murat Uysal from the position of governor of the Central Bank, replacing Murat Uysal with Naci Agbal. On 8 November 2020, Berat Albayrak resigned as the Minister of Treasury and Finance. Following Berat Albayrak's resignation, President Erdoğan appointed Lutfi Elvan as the new Minister of Treasury and Finance."

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

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

"In December 2017, Turkey entered into an agreement with Russia for the purchase of S-400 missile defence systems independent of the North Atlantic Treaty Organisation ("NATO"), prompting the U.S. to threaten possible sanctions against Turkey unless Turkey cancelled the purchase. In July 2019, Turkey accepted the first shipment of the S-400 missile defence system and as a result, the U.S. suspended Turkey's subcontracting work on the F-35 fighter programme. Turkey faces the threat of sanctions under the Countering America's Adversaries Through Sanctions Act, in connection with significant purchases of Russian-made weapons. In October 2020, President Erdoğan confirmed that Turkey has tested and will continue to test the S-400 missile defense system. In November 2020, Joe Biden was elected to serve as the 46th President of the United States. It remains to be determined how Turkey's relationship with the United States will be impacted or whether U.S. foreign policy towards Turkey will change under Joe Biden's administration. Further disagreements with the U.S. or NATO, or economic sanctions that arise in relation to this agreement may result in (or contribute to) a deterioration in the relationship between Turkey and the United States or Russia and may have a material negative impact on the Turkish economy."

The last two sentences of the fifth paragraph of the Risk Factor shall be deleted and replaced in their entirety with the following:

"In October 2020, tensions increased between Turkey and France due to differing interests in the conflict in Libya, which led to Turkey boycotting French goods and France withdrawing its ambassador from Turkey. Following these actions, France and Greece asked the EU to consider suspending the bloc's customs agreement with Turkey. Any decision by the EU to abolish the customs agreement with Turkey, end Turkey's EU accession bid or impose additional sanctions on Turkey, Turkish individuals or Turkish entities may further strain or 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 results of operations."

ECONOMIC CONDITIONS

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

"The Turkish economy has experienced significant inflationary pressures in the past. Inflation remains higher than certain emerging market peers and has been a key area of focus of the Central Bank. On 29 July 2020, the Central Bank published its third inflation report of 2020, revising its inflation forecasts for 2020 and 2021 from 7.4% and 5.4% to 8.9% and 6.2%, respectively. In October 2020, the inflation forecast for 2020 increased by 3.2 percentage points from 8.9% to 12.1%. As of October 2020, the 12-month consumer price inflation ("CPI") was at 11.9 per cent. in comparison to 11.8 per cent. as of August 2020. CPI was 11.8 per cent., 20.3 per cent. and 11.9 per cent. in 2019, 2018 and 2017, respectively. Producer price inflation was at 18.2 per cent. in October 2020 in comparison to 11.5 per cent. in August 2020. Producer price inflation was at 7.4 per cent., 33.6 per cent. and 15.5 per cent. in 2019, 2018 and 2017, respectively. Despite the low prices and weak demand for crude oil, the negative impact of the normalization of commodity prices and developments in FX rates continued to impact inflation."

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 2.9 per cent. as of 31 December 2017, 3.8 per cent. as of 31 December 2018 and 5.3 per cent. as of 31 December 2019 (as compared to the Group's ratio of NPLs to total cash loans of 0.2 per cent., 2.1 per cent. and 3.5 per cent., respectively), with the Turkish banking sector's statistics being as reported in the BRSA's monthly statistical bulletin. As of 30 September 2020, the ratio of NPLs to total cash loans in the Turkish banking sector was 4.1 per cent. (as compared to the Group's ratio of NPLs to total cash loans of 3.4 per cent.). 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 1,107,772 thousand as of 31 December 2019 primarily due to energy project which the restructuring negotiations are undergoing). As of 30 September 2020, the Group's total NPLs was TL 1,375,319. The Group's NPL guidance for the end of 2020 stands at 3.5 per cent."

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 30 September 2020, 54.7 per cent. of the Group's loan portfolio consisted of project finance loans (52.4 per cent., 52.5 per cent. and 52.1 per cent. respectively, as of 31 December 2017, 2018 and 2019). As of 30 September 2020, 63.3 per cent. of the Group's project finance 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 13.0 per cent. of the Group's loans were attributable to the finance sector."

The third 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 32.6 per cent. as of 30 September 2020 (29.7 per cent., 29 per cent. and 29.3 per cent., respectively, as of 31 December 2017, 2018 and 2019) while the top 20 constituted 51.2 per cent. of the Bank's loan portfolio as of the same date (47 per cent., 46 per cent. and 48.8 per cent., respectively, as of 31 December 2017, 2018 and 2019)."

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 30 September 2020, 96.5 per cent. of the Group's total securities portfolio (equal to 13.9 per cent. of its total assets and 130 per cent. of its shareholders' equity) was invested in securities issued by the Turkish government (95.9 per cent., 15.4 per cent. and 125.7 per cent, respectively, as of 31 December 2019; 97.0 per cent., 14.3 per cent. and 131.2 per cent, respectively, as of 31 December 2018; and 95.8 per cent., 14.6 per cent. and 117.4 per cent., respectively, as of 31 December 2017)."

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 20,088 million, TL 25,558 million, TL 27,808 million and TL 35,588 million as of 31 December 2017, 2018, 2019 and 30 September 2020, respectively, representing 89.9 per cent., 92.1 per cent., 90.8 per cent. and 92.4 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 nine months ended 30 September 2020, the Turkish Lira depreciated by 31.4 per cent. against the U.S. dollar. The exchange rate amounted to TL 3.7719 per U.S. dollar as of 29 December 2017, TL 5.2609 per U.S. dollar as of 31 December 2018, TL 5.9402 per U.S. dollar as of 31 December 2019 and TL 7.8080 per U.S. dollar as of 30 September 2020."

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 deleted and replaced in its entirety with the following:

"In the nine months ended 30 September 2019 and 2020, net interest income contributed 130.2 per cent. and 89.8 per cent. of the Bank's operating income, respectively, and net interest margin as measured on a Bank-only basis was 4.3 per cent. and 4.6 per cent., respectively, over the same periods."

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

"As of 30 September 2020, 96.5 per cent. of the Group's securities portfolio consisted of Turkish government debt securities, which accounted for 13.9 per cent. of the Group's total assets (95.9 per cent. and 15.4 per cent., respectively, as of 31 December 2019; 97.0 per cent. and 14.3 per cent., respectively, as of 31 December 2018; and 95.8 per cent. and 14.6 per cent., respectively, as of 31 December 2017), approximately 31 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 2017, 2018 and 2019 and the nine months ended 30 September 2019 and 2020 accounting for 23.1 per cent., 24.5 per cent., 20.2 per cent., 19.7 per cent. and 23.7 per cent., respectively, of its total interest income (and 22.6 per cent., 25.8 per cent., 19.8 per cent., 19.0 per cent. and 22.4 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 (61.4 per cent. and 80.0 per cent. of its long-term loans including issuances of debt securities and 79.1 per cent. and 59.5 per cent. excluding issuances of debt securities as of 31 December 2019 and 30 September 2020, 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 30 September 2020, 71.4 per cent. (71.0 per cent., 70.2 per cent. and 72.2 per cent. as of 31 December 2019, 2018 and 2017, respectively) of the Group's foreign currency-denominated borrowing and 66.9 per cent. (63.6 per cent., 66.7 per cent. and 66.9 per cent. as of 31 December 2019, 2018 and 2017, 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 65.0 per cent. of the Bank's borrowings as of 30 September 2020."

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 30 September 2020, the FC-denominated assets accounted for 73.7 per cent. of the balance sheet whereas FC-denominated liabilities accounted for 85.1 per cent. of the balance sheet. On these figures, a 10 per cent. depreciation in TL would lead to about 90 basis points decrease in the capital adequacy ratio."

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 30 September 2020, 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) (1.9 per cent. and 15.7 per cent., respectively, for the Bank and 1.2 per cent. and 10.9 per cent., respectively, for the sector for the year ended 31 December 2019)."

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

"The free provisions amounted to TL 220,000 thousand for the year ended 31 December 2019 and TL 220,000 thousand for the nine months ended 30 September 2020."

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

"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" is understated by TL 20,000 thousand. The "Prior years' Profit/Loss" as of 30 September 2020 is understated by TL 220,000 thousand and the "net income" as of 30 September 2019 is understated by TL 20,000 thousand. The Bank's management expects that similar qualifications will be included in the corresponding audit or review reports for future fiscal periods."

RECENT DEVELOPMENTS

The following summary financial and operating data for the nine-month periods ended 30 September 2020 and 2019 and balance sheet information as of 30 September 2020 and 31 December 2019 have been extracted from the 2020 Q3 Consolidated Interim Financial Statements without material adjustment, except to the extent stated otherwise. This information should be read in conjunction with the 2020 Q3 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 2020 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 2020 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 1 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, such as the coronavirus ("COVID-19") pandemic, as well as other macroeconomic conditions prevailing in Turkey. 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 2020 were principally affected by the factors described below.

Since early 2020, the COVID-19 pandemic has had and is likely to continue to have a significant impact on the Group's business. Due to COVID-19, the Bank has begun allowing loan customers to defer their principal, interest and instalments under current conditions if they request to do so. To date, COVID-19 has not resulted in material changes to the Group's asset quality. However, the Bank has not been in position to benefit from BRSA's forbearances in relation to loans classified as Stage 2 and Stage 3. As of 30 September 2020, the Group's Stage 2 loans stood at 11.2% and its Stage 3 loans stood at 3.4% which may put pressure on the Group's asset quality. Due to the uncertainties in the economic environment related to the COVID-19 pandemic, the Bank has continued to maintain a prudent provisioning policy. Compared to 31 December 2019, the Bank's total loan book coverage ratio (including NPLs, Stage 2 specific provisioning and Stage 1 general provisioning) has increased from 2.8% to 3.9% as of 30 September 2020.

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. Following the appointment of Naci Agbal as the new governor of the Central Bank, the Central Bank increased the one-week repo rate by 4.75 percentage points from 10.25 per cent. to 15 per cent. in November 2020. Although the Central Bank's monetary policies have limited direct impact on the Group's financial performance during the periods under review as the Group relies principally on long-term funding from DFIs and its dependence on short-term TL funding is negligible, the Central Bank's monetary policy has a significant effect on the economic conditions in Turkey, stability of the Turkish Lira and, in turn, many of the Group's borrowers. Furthermore, with respect to general provisions (TFRS 9 expected loss provisions for Stage 1 and Stage 2 loans), deferred tax assets calculations were applied as of 1 January 2018 in accordance with the Communiqué on "Uniform Chart of Accounts and Prospectus" issued on 20 September 2017 and published in the Official Gazette No. 30186. However, the deferred tax assets calculations were abolished in November 2020 as stated in the Official Gazette No. 31309 dated 19 November 2020.

The Group's business, financial condition and results of operations have also been impacted by changes in CPI expectations in the market in accordance with realised inflation in the first nine months of 2020 as well as other macroeconomic indicators which have resulted in the Group altering its own yearly (October to October) CPI expectation from 10.7 per cent. as of 30 June 2020 to 11.5 per cent. as of 30 September 2020. Changes in the Group's CPI expectation have led to an increase in the Group's CPI-linked income book for the quarter, which has been nearly TL 114 million for the third quarter ended 30 September 2020, which totals TL 267 million for the nine months ended 30 September 2020.

Loan growth in the Turkish banking sector began to recover in 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 21 per cent. and 16 per cent., respectively, in the nine months ended 30 September 2020, while the Bank's total loans and corporate loans decreased by 2.1 per cent. in the nine months ended 30 September 2020 on a currency-adjusted basis. Corporate loans for private banks, the Bank's peer group, increased by 8.7 per cent. in the nine months ended 30 September 2020. Foreign exchange adjusted loan growth in the Turkish banking sector amounted to 20.7 per cent. in the nine months ended 30 September 2020, while the Group's foreign exchange adjusted loans decreased during the same period by 2.1 per cent.

The Group has experienced an increase in its TL-denominated loan book portfolio. For 2019, the Group extended new loans primarily in TL, which resulted in a 16 per cent. increase in the Group's TL loan book portfolio compared to 2018. The share of energy loans and foreign exchange loans in the Group's total loan portfolio was 38.4 per cent. and 91.2 per cent., respectively, for the nine months ended 30 September 2020.

During the COVID-19 pandemic, the FX loan demand was subdued, resulting in close to flat FX adjusted loan growth. With respect to TL loans, the Group continued to respond to its clients working capital loan needs and the Group's year to date TL loan growth reached 17.0 per cent. at 30 September 2020.

In addition, 46 per cent. of the Group's securities portfolio consisted of floating rate notes and CPI-linked securities as of 30 September 2020; 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 54 per cent. of the Group's securities portfolio consisting of fixed rate notes had an average maturity of 3.9 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 32 per cent. of the Group's TL-denominated securities portfolio consisted of fixed rate securities as at 30 September 2020. The remaining 68 per cent. of the Group's TL-denominated securities portfolio as at 30 September 2020 (of which more than 52 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 2017, 2018, 2019 and 30 September 2020, respectively, approximately 61 per cent., 62 per cent., 56 per cent. and 53 per cent. of the Bank's loans and 57 per cent., 56 per cent., 54 per cent. and 52 per cent. of the Bank's interest-earning assets were at floating rates.

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 0.2 per cent. as of 31 December 2017, 2.1 per cent. as of 31 December 2018, 3.5 per cent. as of 31 December 2019 and 3.4 per cent. as of 30 September 2020. 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 2020. 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.

Analysis of Results of Operations for the nine months ended 30 September 2019 and 2020

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

	Nine months ended 30 September	
	2019	**2020**
	(TL thousands)	
Interest Income	**2,589,425**	**2,492,675**
Interest on Loans	1,735,174	1,811,355
Interest Received from Reserve Deposits	7,129	32
Interest Received from Banks	51,115	23,974
Interest Received from Money Market Placements	264,917	55,219
Interest Received from Marketable Securities Portfolio	511,313	590,110
Fair Value Through Profit or Loss	1,229	1,099
Fair Value Through other Comprehensive Income	331,797	327,712
Measured at Amortised Cost	178,287	261,299
Finance Lease Income	4,589	6,281
Other Interest Income	15,188	5,704
Interest Expenses	**1,093,141**	**1,003,993**
Interest on Deposits	—	—
Interest on Funds Borrowed	508,546	474,987
Interest on Money Market Borrowings	148,544	31,435
Interest on Securities Issued	432,540	495,573
Leasing Interest Expense	871	155
Other Interest Expense	2,640	1,843

	Nine months ended 30 September	
	2019	**2020**
	(TL thousands)	
Net Interest Income	**1,496,284**	**1,488,682**
Net Fees and Commissions Income / Expenses	**42,559**	**85,533**
Fees and Commissions Received	52,884	96,127
Non-cash Loans	17,355	27,736
Other	35,529	68,391
Fees and Commissions Paid	10,325	10,594
Non-cash Loans	2,290	2,184
Other	8,035	8,410
Dividend Income	**6,754**	**10,801**
Net Trading Income	**(372,957)**	**65,959**
Securities Trading Gains / Losses	2,462	3,765
Derivative Financial Instruments Gains / Losses	(496,244)	458,263
Foreign Exchange Gains / Losses (Net)	120,825	(396,069)
Other Operating Income	**35,225**	**35,477**
Gross Operating Income	**1,207,865**	**1,686,452**
Expected Credit Loss	**316,089**	**829,442**
Other Provision Expenses	**20,000**	—
Personnel Expense	**115,964**	**129,059**
Other Operating Expenses	**69,561**	**100,889**
Net Operating Income / Loss	**686,251**	**627,062**
Amount in Excess Recorded as Gain After Merger	—	—
Profit / Loss on Equity Method	**39,946**	**50,048**
Gain / Loss on Net Monetary Position	—	—
Profit / Loss from Continued Operations Before Taxes	**726,197**	**677,110**
Tax Provision for Continued Operations	**153,103**	**154,821**
Provision for Current Income Taxes	212,451	235,786
Deferred Tax Income Effect	191,809	349,473
Deferred Tax Expense Effect	251,157	430,438
Net Profit / Loss from Continued Operations	**573,094**	**522,289**
Income on Discontinued Operations	**—**	—

	Nine months ended 30 September	
	2019	**2020**
	(TL thousands)	
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	**573,094**	**522,289**
Group's Profit / Loss	573,676	528,164
Minority Shares	(582)	(5,875)
Earning / Loss per Share(1)	0.205	0.189

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 nine months ended 30 September 2019 and 2020

Interest Income

The Group's interest income is derived from interest on loans, reserve deposits, banks, money market placements and securities. In the nine months ended 30 September 2020, the Group's interest income decreased by 3.7 per cent. to TL 2,492.7 million from TL 2,589.4 million in the nine months ended 30 September 2019. This decrease was mainly a result of a decrease in interest received from reserve deposits, a decrease in interest received from money market placements, as well as a decrease in interest received from banks. The reduction in interest received was mainly due to a lower interest rate environment for the nine-month period ended 30 September 2020 compared to the same period in 2019. The Central Bank carried out a rate cutting cycle between July 2019 and May 2020, pulling the policy rate down from 24% to 8.25%. For the nine months ended 30 September 2020, interest income from loans amounted to TL 1,811.4 million (72.7 per cent. of total interest income), interest from reserve deposits amounted to 32 thousand, interest from money market placements and interest received from banks amounted to TL 79.2 million (3.2 per cent. of total interest income) and interest from securities amounted to TL 590.1 million (23.7 per cent. of total interest income), compared to TL 1,735.2 million (67.0 per cent.), TL 7.1 million (nil per cent.), TL 316.0 million (12.2 per cent) and TL 511.3 million (19.7 per cent.), respectively, in the nine months ended 30 September 2019.

Interest Expenses

In the nine months ended 30 September 2020, the Group's interest expenses decreased by 8.2 per cent. to TL 1,004.0 million from TL 1,093.1 million in the nine months ended 30 September 2019. This decrease is attributable to the lower interest rate environment during the first nine months of 2020 in comparison to the same period in 2019.

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 decreased by 0.5 per cent. to TL 1,488.7 million in the nine months ended 30 September 2019 from TL 1,496.3 million in the nine months ended 30 September 2019. This decrease is primarily due to the factors described above. The Group's net interest margin in the nine months ended 30 September 2020 was 4.5 per cent. as compared to 4.2 per cent. in the nine months ended 30 September 2019, as a result of the return on CPI-indexed securities and the currency impact.

Net Fees and Commission Income

The Group's net fees and commission income increased by 100.98 per cent. to TL 85.5 million in the nine months ended 30 September 2020 from TL 42.6 million in the nine months ended 30 September 2019. This increase was driven by advisory services, and non-cash loans and increased trading volume in the capital markets.

Dividend Income

The Group's dividend income increased by 59.9 per cent. from TL 6.8 million in the nine months ended 30 September 2019 to TL 10.8 million in the nine months ended 30 September 2020.

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 (loss) changed from a net loss of TL 373.0 million in the nine months ended 30 September 2019 to a net income of TL 66.0 million in the nine months ended 30 September 2020. This change was a result of the depreciation in Turkish Lira since the Bank has long foreign exchange positions.

Other Operating Income

The Group's other operating income increased by 0.7 per cent. to TL 35.5 million in the nine months ended 30 September 2020 from TL 35.2 million in the nine months ended 30 September 2019.

Expected Credit Losses

In the nine months ended 30 September 2020, the Group's provisioning for loans and other receivables increased by 162.4 per cent. to TL 829.4 million from TL 316.1 million in the nine months ended 30 September 2019. The increase in provisioning is mainly driven by the transition to IFRS 9, increases in credit risks for the overall banking sector and the Bank's prudent and proactive approach for the unprecedented impacts of COVID-19. The following table shows the Group's provisioning for loans and other receivables for the periods indicated.

	For the nine months ended 30 September	
	2019	**2020**
	(TL thousands)	
Expected Credit Loss	**281,341**	**691,448**
12 Months Expected Credit Loss (Stage 1)	45,430	231,779
Significant Increase in Credit Risk (Stage 2)	89,435	273,178
Non-performing Loans (Stage 3)	146,476	186,491
Marketable Securities Impairment Expenses	**34,270**	**137,994**

	For the nine months ended 30 September	
	2019	2020
	(TL thousands)	
Financial Assets at Fair Value through Profit or Loss	26,921	109,597
Financial Assets at Fair Value through Other Comprehensive Income	7,349	28,397
Associates, Subsidiaries, and Entities under Common Control (Joint Venture)	—	—
Value Decrease	—	—
Associates	—	—
Subsidiaries	—	—
Entities under Common Control (Joint Venture)	—	—
Other[1]	20,478	—
Total	**336,089**	**829,442**

Note:

(1) Contains a free provision addition of TL 20 million in the nine-month period ended 30 September 2019, which 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 2020, the Group's other operating expenses increased by 45.0 per cent. to TL 100.9 million from TL 69.6 million in the nine months ended 30 September 2019, which was principally attributable to a recently established subsidiary.

Net Profit from Continuing Operations

The Group's net profit from continuing operations in the nine months ended 30 September 2020 decreased by 8.9 per cent. to TL 522.3 million from TL 573.1 million in the nine months ended 30 September 2019, which is mainly attributable to higher expected credit loss due to the increase in provisions caused by deterioration in the operating environment.

For the nine months ended 30 September 2020, the Group's return on average total assets was 1.5 per cent. and the return on its average equity was 12.8 per cent., compared to 1.9 per cent. and 16.8 per cent., respectively, for the nine months ended 30 September 2019.

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 2020			
	Corporate Banking	Investment Banking	Other	Total
	(TL thousands)			
Net Interest Income	772,292	703,061	13,329	1,488,682
Net Fees and Commissions Income	27,099	11,482	46,952	85,533
Other Income	—	121,093	41,192	162,285
Other Expense	(816,886)	(43,260)	(199,244)	(1,059,390)
Profit Before Tax	(17,495)	792,376	(97,771)	677,110
Tax Provision				(154,821)
Net Profit				**522,289**
Group's Profit/Loss				528,164
Minority share profit / loss				(5,875)
Segment Assets	38,651,702	11,469,582	2,806,901	52,928,185
Investment in Associates and Subsidiaries	—	—	571,557	571,557
Total Assets	**38,651,702**	**11,469,582**	**3,378,458**	**53,499,742**
Segment Liabilities	44,311,774	1,045,190	2,433,262	47,790,226
Shareholders' Equity	—	—	5,709,516	5,709,516
Total Liabilities and Shareholders' Equity	**44,311,774**	**1,045,190**	**8,142,778**	**53,499,742**

	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

	As of (or for the nine months ended) 30 September 2019			
	Corporate Banking	Investment Banking	Other	Total
	(TL thousands)			
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**

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
	2019	2020
	(TL thousands)	
ASSETS		
Financial Assets (Net)	**7,014,693**	**9,407,766**
Cash and Cash Equivalents	**1,587,171**	**2,799,264**
Cash and Balances with Central Bank	804,041	1,085,031
Banks	257,692	398,840
Money Market Placements	526,286	1,296,644
Expected Credit Losses (-)	848	1,251
Financial Assets at Fair Value Through Profit or Loss	**278,918**	**268,239**
Government Debt Securities	—	—
Equity Instruments	1	1,433
Other Financial Assets	278,917	266,806
Financial Assets at Fair Value Through Other Comprehensive Income	4,186,273	4,721,253
Government Debt Securities	3,923,434	4,449,577
Equity Instruments	116,569	152,718
Other Financial Assets	146,270	118,958
Derivative Financial Assets	**962,331**	**1,639,010**
Derivative Financial Assets at Fair Value Through Profit or Loss	962,331	1,639,010

	As of 31 December	As of 30 September
	2019	**2020**
	(TL thousands)	
Derivative Financial Assets at Fair Value Through Other Comprehensive Income	—	—
Financial Assets Measured at Amortised Cost	**33,344,084**	**41,708,772**
Loans	**31,516,616**	**40,087,620**
Lease Receivables	**128,874**	**216,762**
Factoring Receivables	—	—
Other Financial Assets Measured at Amortised Cost	**2,585,160**	**2,974,584**
Government Debt Securities	2,585,160	2,974,584
Other Financial Assets	—	—
Expected Credit Losses (-)	**886,566**	**1,570,194**
Property and Equipment Held for Sale Purpose and Related to Discontinued Operations (Net)	**64,403**	**64,403**
Held for Sale Purpose	64,403	64,403
Related to Discontinued Operations	—	—
Equity Investments	**473,335**	**571,557**
Investments in Associates (Net)	**465,976**	**545,794**
Accounted Under Equity Method	464,920	545,794
Unconsolidated Associates	1,056	—
Subsidiaries (Net)	**5,109**	**25,064**
Unconsolidated Financial Subsidiaries	—	—
Unconsolidated Non-Financial Subsidiaries	5,109	25,064
Entities under Common Control (Joint Venture) (Net)	**2,250**	**699**
Joint Ventures Valued Based on Equity Method	—	699
Unconsolidated Joint Ventures	2,250	—
Tangible Assets (Net)	**347,206**	**348,207**
Intangible Assets (Net)	**5,074**	**4,680**
Goodwill	1,005	1,005
Other	4,069	3,675
Investment Property (Net)	**273,918**	**276,782**
Current Tax Asset	**255**	**333**
Deferred Tax Asset	**39,930**	**146,756**

	As of 31 December	As of 30 September
	2019	**2020**
	(TL thousands)	
Other Assets	**690,113**	**970,486**
Total Assets	**42,253,011**	**53,499,742**
LIABILITIES AND EQUITY		
Deposits	—	—
Funds Borrowed	**26,628,325**	**33,818,651**
Money Market Balances	**1,197,367**	**1,140,400**
Marketable Securities Issued (Net)	**6,277,368**	**8,945,922**
Bills	108,662	105,625
Assets Backed Securities	145,256	377,990
Bonds	6,023,450	8,462,307
Borrower Funds	**58,950**	**61,474**
Borrower Funds	58,950	61,474
Other	—	—
Financial Liabilities at Fair Value Through Profit or Loss	—	—
Derivative Financial Liabilities	**484,834**	**680,412**
Derivative Financial Liabilities at Fair Value Through Profit or Loss	484,834	680,412
Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	—	—
Factoring Liabilities	—	—
Lease Liabilities	**4,913**	**4,900**
Provisions	**264,166**	**271,705**
Restructuring Provisions	—	—
Reverse for Employee Benefits	18,095	20,192
Insurance Technical Provisions (Net)	—	—
Other Provisions	246,071	251,513
Current Tax Liability	**83,358**	**48,110**
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	—	—

	As of 31 December	As of 30 September
	2019	2020
	(TL thousands)	
Subordinated Debt Instruments	**1,830,045**	**2,394,115**
Loans	—	—
Other Debt Instruments	1,830,045	2,394,115
Other Liabilities	**244,696**	**424,537**
Shareholders' Equity	**5,178,989**	**5,709,516**
Paid-in capital	2,800,000	2,800,000
Capital Reserves	904	1,150
Share Premium	530	776
Share Cancellation Profits	—	—
Other Capital Reserves	374	374
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	336,987	349,436
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	72,193	32,084
Profit Reserves	1,226,589	1,947,078
Legal Reserves	306,633	342,716
Status Reserves	75,641	75,641
Extraordinary Reserves	841,395	1,525,801
Other Profit Reserves	2,920	2,920
Profit Or Loss	704,226	528,689
Prior Years' Profit/Loss	(26,278)	525
Current Year Profit/Loss	730,504	528,164
Non-Controlling Interests	38,090	51,079
Total Liabilities and Equity	**42,253,011**	**53,499,742**

Assets

As of 30 September 2020, the Group had total assets of TL 53.5 billion, a 26.6 per cent. increase from TL 42.3 billion as of 31 December 2019.

Cash and Balances with the Central Bank

As of 30 September 2020, the amount of the Group's cash and balances with the Central Bank was TL 1.1 billion, a 34.9 per cent. increase compared to TL 804.0 million as of 31 December 2019.

Loans and Leasing Receivables

As of 30 September 2020, the Group had loans and leasing receivables net of allowance for expected credit losses of TL 38.7 billion (72.4 per cent. of total assets), an increase of 25.9 per cent. compared to TL 30.8 billion (72.8 per cent.) as of 31 December 2019. The Group's portfolio of cash total loans and advances to customers, less allowance for possible losses, increased by 25.7 per cent. as of 30 September 2020 compared to year-end 2019. The Group's foreign exchange adjusted loan growth in the nine months ended 30 September 2020 amounted to negative 2.1 per cent.

In addition to loans, the Group had outstanding guarantees amounting to TL 2.2 billion and letters of credit, surety and acceptances amounting to TL 2.6 billion as of 30 September 2020 (TL 1.8 billion and TL 2.7 billion, respectively, as of 31 December 2019).

As of 30 September 2020, the average effective interest rates charged to borrowers on loans were 4.6 per cent. for EUR and 5.7 per cent. for USD (4.6 per cent. and 6.7 per cent., respectively, in EUR and USD as of 31 December 2019). The average effective interest rates on TL loan rates were 12.9 per cent. as of 30 September 2020 (17.0 per cent. as of 31 December 2019).

Liabilities

As of 30 September 2020, the Group had total liabilities and equity of TL 53.5 billion, an increase of 26.6 per cent. from TL 42.3 billion as of 31 December 2019. As of 30 September 2020, the Group had TL 1.1 billion in money market balances and TL 33.8 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 4.8 billion as of 30 September 2020 and TL 4.5 billion as of 31 December 2019.

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 30 September**
	2019	**2020**
	(TL thousands)	
Paid-in capital	2,800,000	2,800,000
Paid-in capital inflation adjustments	374	374
Profit reserves	1,226,589	1,947,078
Profit	704,226	528,689
Tier I Capital (I)	5,171,309	5,792,656
Tier II Capital (II)	2,279,212	2,769,106
Deductions (III)	—	—
Own Funds (I+II-III)	7,450,521	8,561,762
Risk Weighted Assets (including market and operational risk)	42,842,113	39,490,598

	As of 31 December	As of 30 September
	2019	2020
	(TL thousands)	
Capital Ratios:		
Tier I Ratio	12.07%	14.67%
Total Capital Adequacy Ratio[1]	17.39%	21.68%

Note:

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

As of 30 September 2020 and 31 December 2019, the Group's total capital adequacy ratio was 21.7 per cent. and 17.4 per cent., respectively (21.7 per cent. and 17.8 per cent., respectively, for the Bank). The increase in the Group's total capital adequacy ratio is primarily due to an increase in the capital base driven by strong profitability.

Liquidity and Funding

The Group's principal sources of funding are loans from developmental organisations, of which a total of approximately 65 per cent. were provided by the World Bank Group and the European Investment Bank as of 30 September 2020. As of 30 September 2020, 71.4 per cent. (71.0 per cent. as of 31 December 2019) 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 2020, the Group's total foreign currency-denominated borrowings constituted 81.9 per cent. of its consolidated assets (79.5 per cent. as of 31 December 2019). In addition, 59.4 per cent. of the Bank's long-term funds were guaranteed by the Turkish Treasury as of 30 September 2020 (59.8 per cent as of 31 December 2019). 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 63.8 per cent., 63.0 per cent., 62.2 per cent. and 63.5 per cent. of its total liabilities as of 30 September 2020, 31 December 2019, 2018 and 2017, respectively. As of 30 September 2020, the Group's loans amounted to TL 40.6 billion, an increase of 27.1 per cent. from TL 26.6 billion as of 31 December 2019, itself an increase of 11.8 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 4.4 per cent., 1.1 per cent., 2.8 per cent. and 2.0 per cent. of the Group's total liabilities as of 31 December 2017, 2018, 2019 and as of 30 September 2020, respectively, and issuances of debt securities, which accounted for 16.1 per cent. and 14.8 per cent. as of 30 September 2020 and 31 December 2019, respectively. The Bank's short-term funding, including syndicated loans, bilateral loans and money market transactions, represented 9.1 per cent. of its outstanding funding base as of 30 September 2020. In November 2020, the Bank entered into an additional facilities agreement totalling approximately EUR 19 million.

BUSINESS OF THE GROUP

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

The ninth, tenth and eleventh paragraphs of the section titled "*Portfolio Supervision and Non-Performing Loans ("NPLs")*" on page 236 of the Base Prospectus, are hereby deleted in their entirety and replaced by the following:

"The NPL ratio of the Group has historically been among the lowest in the Turkish banking sector. As of 30 September 2020 and 31 December 2019, 2018 and 2017, the Group's NPL ratios were 3.4 per cent., 3.5 per cent., 2.1 per cent. and 0.2 per cent., respectively, compared to banking sector average NPL ratios of 4.1 per cent., 5.3 per cent., 3.8 per cent. and 2.9 per cent. as of the same date, according to the BRSA.

The Group's NPL levels as of 30 September 2020 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 2020. 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 53 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. As of 30 September 2020, the provision ratio for this loan is 26 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 per cent. as of 31 December 2018, with the ratio reaching 32 per cent. as of 31 December 2019 and 39 per cent. as of 30 September 2020. 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 and the loan has been restructured in 2019. Nevertheless, in good alignment with prudent banking approach due to COVID-19 developments, as of 30 September 2020, the Bank decided to keep the classification of the loan in Stage 3."

TURKISH REGULATORY ENVIRONMENT

Liquidity and Reserve Requirements

The fifth paragraph of this section and the following two tables shall be deleted and replaced in their entirety with the following:

"Pursuant to the amendments to the Communiqué Regarding Reserve Requirements, published in the Official Gazette dated 27 November 2020 and numbered 31317 (the "Communiqué Regarding Reserve Requirements"), the reserve requirements starting from 11 December 2020 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	19%
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)	19%

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.

Pursuant to the Communiqué Regarding Reserve Requirements, the reserve requirements starting from 11 December 2020 regarding Turkish Lira liabilities vary by category, as set forth below:

Category of Turkish Lira Liabilities	Required Reserve Ratio
Demand deposits, notice deposits and private current accounts	6%
Deposits/participation accounts up to one-month maturity (including one-month)	6%
Deposits/participation accounts up to three-month maturity (including three-month)	6%
Deposits/participation accounts up to six-month maturity (including six-month)	4%
Deposits/participation accounts up to one-year maturity	2%
Deposits/participation accounts with maturities of one-year and longer	1%
Other liabilities up to one-year maturity (including one-year)	6%
Other liabilities up to three-years maturity (including three-years)	3.5%
Other liabilities longer than three-year maturity	1%
Borrowers' deposit accounts held at development and investment banks(1)	6%

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."

Foreign Exchange Legislation

F/X Transaction Restriction

The last paragraph of this section shall be deleted and replaced in its entirety with the following:

"On 18 December 2019, the BRSA announced that the total notional amount of a Turkish bank's currency swaps, forwards, options and other similar products in transactions with non-residents with a remaining maturity of seven days or fewer where, at the maturity date, such bank pays Turkish Lira and receives foreign exchange shall not exceed 10% of such bank's most recently calculated regulatory capital; provided that this restriction does not apply to transactions with a bank's non-Turkish financial subsidiaries and other affiliates that are subject to consolidation. With its press release on 12 April 2020, the BRSA amended this threshold by announcing that transactions with a remaining maturity of seven days or less shall not exceed 1% of the applicable bank's most recently calculated regulatory capital on any given calendar date. Such threshold was applied as 2% for transactions with a remaining maturity of 30 days and 10% for transactions with a remaining maturity of one year or less. However, upon further assessment of the markets, the BRSA announced on 25 September 2020 that such thresholds were revised once again to 2%, 5% and 20%, respectively, for transactions with a remaining maturity of seven days or less, 30 days or less and one year or less. The BRSA replaced such thresholds once again to 5%, 10% and 30%, respectively, in its announcement on 11 November 2020."

Recent Amendments to the Turkish Insolvency and Restructuring Regime

Additional Regulatory Measures Related to COVID-19

The following sentences shall be included at the end of the second paragraph of this section:

"Most recently, on 27 November 2020, the BRSA has resolved with its resolution numbered 9273 that, as a part of the financial normalisation steps taken in relation to the COVID-19 pandemic:

- the above-mentioned cap will be applied as 2.5% (instead of 0.5%); and
- overdraft TRY loans made available by Turkish banks to foreign banks and financial institutions will not be subject to the TRY Outflow Restriction."

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 30 September 2020 and (b) no material adverse change in the financial position or prospects of either the Group or the Bank since 31 December 2019.

INDEPENDENT AUDITORS

The 2020 Q3 Consolidated Interim Financial Statements and the 2020 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".