

SECOND SUPPLEMENT dated 10 December 2015 to the Base Prospectus dated 15 May 2015



TÜRKİYE GARANTİ BANKASI A.Ş.

€5,000,000,000

Global Covered Bond Programme

This supplement (this “*Supplement*”) is supplemental to, and must be read in conjunction with, the Base Prospectus dated 15 May 2015 (the “*Original Base Prospectus*” and, as supplemented on 18 August 2015, the “*Base Prospectus*”) prepared by Türkiye Garanti Bankası A.Ş. (the “*Issuer*” or the “*Bank*”) under the Issuer’s global covered bond programme. Capitalised terms used but not otherwise defined herein shall have the meaning ascribed thereto in the Base Prospectus.

This Supplement has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC as amended (including the amendments made by Directive 2010/73/EU) (the “*Prospectus Directive*”). The Central Bank of Ireland only approves this Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. This document constitutes a supplement for the purposes of Article 16 of the Prospectus Directive and has been prepared and published for the purposes of incorporating into the Base Prospectus the latest financial statements and certain recent events in connection with the Issuer. As a result, certain modifications to the Base Prospectus are hereby being made.

A copy of each of: (a) the consolidated BRSA financial statements of the Group as of and for the nine month period ended 30 September 2015 (including any notes thereto, the “*Group’s New BRSA Financial Statements*”), (b) the unconsolidated BRSA financial statements of the Issuer as of and for the nine month period ended 30 September 2015 (including any notes thereto, the “*Issuer’s New BRSA Financial Statements*” and, with the Group’s New BRSA Financial Statements, the “*New BRSA Financial Statements*”) and (c) the consolidated IFRS financial statements of the Group as of and for the nine month period ended 30 September 2015 (including any notes thereto, the “*New IFRS Financial Statements*” and, with the New BRSA Financial Statements, the “*New Financial Statements*”) have been filed with the Central Bank of Ireland and, by means of this Supplement, are incorporated by reference into, and form part of, the Base Prospectus. Copies of the New Financial Statements can be obtained without charge from the registered office of the Issuer and from the Issuer’s website at: (i) with respect to the Group’s New BRSA Financial Statements, <https://www.garantiinvestorrelations.com/en/financial-information/Consolidated-Financial-Statements-full-report/BRSA-Consolidated-Financials/66/0/0>, (ii) with respect to the Issuer’s New BRSA Financial Statements, <https://www.garantiinvestorrelations.com/en/financial-information/Bank-Only-Financial-Statements-full-report/BRSA-Unconsolidated-Financials/67/0/0>, and (iii) with respect to the New IFRS Financial Statements, <https://www.garantiinvestorrelations.com/en/financial-information/IFRS-Financial-Statements-full-report/IFRS-Financial-Reports/68/0/0> (such website is not, and should not be deemed to constitute, a part of, or be incorporated into, this Supplement or the Base Prospectus). The New BRSA Financial Statements, each of which is in English, were prepared as convenience translations of the corresponding Turkish language financial statements (which translations the Issuer confirms were direct and accurate). The New Financial Statements were not prepared for the purpose of their incorporation by reference into the Base Prospectus.

The New Financial Statements were reviewed by Deloitte and Deloitte’s review reports included within the New Financial Statements note that they applied limited procedures in accordance with professional standards for a review of such information and such reports state that they did not audit and they do not express an opinion on the interim financial information in the New Financial Statements.

Statements contained herein shall, to the extent applicable and whether expressly, by implication or otherwise, be deemed to modify or supersede statements set out in, or previously incorporated by reference into, the Base Prospectus. Where there is any inconsistency between the information contained in (or incorporated by reference into) the Base Prospectus and this Supplement, the information contained in (or incorporated by reference into) this Supplement shall prevail.

Except as disclosed herein (including in the New Financial Statements incorporated by reference into the Base Prospectus by means of this Supplement) and in the previous supplement to the Original Base Prospectus, there has been no: (a) significant new factor, material mistake or inaccuracy relating to the information included in the Base Prospectus since the publication of the Original Base Prospectus and (b) significant change in the financial or trading position of either the Group or the Issuer since 30 September 2015.

The Issuer accepts responsibility for the information contained herein. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained herein is in accordance with the facts and contains no omission likely to affect the import of such information. None of the Dealers or the Arrangers make any representation, express or implied, or accept any responsibility, for the contents hereof or any information incorporated by reference into this Supplement.

AMENDMENTS

The following amendments are made to the Base Prospectus:

RISK FACTORS

The fourth paragraph of the risk factor entitled “*Risks relating to Turkey - Political Developments*” on page 18 of the Original Base Prospectus, as amended by a supplement dated 18 August 2015, is hereby deleted in its entirety and replaced by the following:

Most recently, elections were held in Turkey on 7 June 2015 resulting in no party receiving a majority of the members of parliament. The parties with seats in parliament could not form a coalition within the period provided in the Turkish Constitution; therefore, early elections were held on 1 November 2015. In this election, the Justice and Development Party (known as the AKP) received approximately 49% of the vote and a significant majority of the members of parliament, thus enabling it to form a single-party government. Notwithstanding this, social and political conditions remain challenging, including with increased tension resulting from Turkey’s conflict with the People’s Congress of Kurdistan (formerly known as the PKK) (an organisation that is listed as a terrorist organisation by states and organisations including Turkey, the EU and the United States). The events surrounding any future elections and/or the results of such elections could contribute to the volatility of Turkish financial markets and/or have an adverse effect on investors’ perception of Turkey, including Turkey’s ability to adopt macroeconomic reforms, support economic growth and manage domestic social conditions. Actual or perceived political instability in Turkey and/or other political circumstances (and related actions, rumors and/or uncertainties) could have a material adverse effect on the Group’s business, financial condition and/or results of operations and on the price of the Covered Bonds.

The second paragraph of the risk factor entitled “*Risks relating to Turkey – Terrorism and Conflicts*” on page 18 of the Original Base Prospectus, as amended by a supplement dated 18 August 2015, is hereby deleted in its entirety and replaced by the following:

More recently, a suicide bomb attack, allegedly conducted by ISIS, targeted a peace protest in Ankara in October 2015 and killed at least 95 people and wounded many more. In addition, in late 2015, Russian war planes started air strikes in Syria in support of the Syrian government. On 24 November 2015, Turkey shot down a Russian military aircraft near the Syrian border claiming a violation of Turkey’s airspace, which has resulted in a deterioration in the relationship between Turkey and Russia. While the long-term impact of these events on Turkey’s economic and geopolitical circumstances is unpredictable, heightened tensions between Turkey and Russia over Syria could materially negatively affect the Turkish economy, including through any negative impact on Turkey’s access to Russian energy supplies (according to Turkstat and the 2014 natural gas report of the Turkish Energy Market Regulatory Board (*Enerji Piyasası Düzenleme Kurulu*), Russia was one of the largest trading partners of Turkey and its largest supplier of natural gas in 2014). Any such negative impacts could have a material adverse effect on the Group’s business, financial condition and/or results of operations and on the price of the Covered Bonds.

The last sentence of the second paragraph of the risk factor entitled “*Risks relating to the Group’s Business – Banking Regulatory Matters*” on page 23 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

The BRSA published a Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks in the Official Gazette dated 23 October 2015 and numbered 29511 (the “**2016 Capital Adequacy Regulation**”), which will enter into force on 31 March 2016, at which time it will replace the current Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, which was published in the Official Gazette dated 28 June 2012 and numbered 28337 and entered into force on 1 July 2012 (the “**2012 Capital Adequacy Regulation**”). The 2016 Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation, but changes the risk weights of certain items. In order to further align Turkish banking legislation with Basel principles, the BRSA also amended certain regulations and communiqués as published in the Official Gazette dated 23 October 2015 and numbered 29511, which amendments will also enter into force on 31 March 2016. See “*Capital Adequacy*”.

The risk factor entitled “*Risks related to the Market generally – EU Savings Directive*” on page 41 of the Original Base Prospectus is hereby deleted in its entirety.

THE GROUP AND ITS BUSINESS

The section entitled “*Litigation and Administrative Proceedings*” on pages 207 and 208 of the Original Base Prospectus is hereby amended by the addition of the following at the end thereof:

Tax Evasion Lawsuit

The Bank is a party to a lawsuit filed before the authorised department of the Paris Court of Appeals. The lawsuit is filed against a number of French citizens who were claimed to be involved in tax evasion and similar activities with respect to their income generated from carbon emission allowances trading. The bank accounts established by two foreign individuals at the Bank and certain other international institutions as well as the transactions relating to these accounts have been investigated. The Bank’s management is of the view that the Bank has complied with all applicable laws and regulations. The claims against the Bank represent an insignificant portion of this lawsuit and the Bank’s management believes that the subject matter of this investigation should not have any material monetary or administrative impact on the Bank’s ability to conduct its business. The lawsuit is pending as of 9 December 2015.

SUMMARY OF THE TURKISH COVERED BONDS LEGISLATION

The third sub-clause of the section entitled “*Derivative Instruments*” on page 249 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

- subject to CMB approval, an agreement for derivative instruments may include a provision indicating that the applicable derivative counterparty may unilaterally terminate such agreement in the event of: (a) failure by the issuer to partially or completely perform its Total Liabilities and the cover assets (including derivative instruments) being insufficient to cover the issuer’s Total Liabilities under the transaction, (b) any impossibility or illegality within the scope of the relevant legislation or any material changes to the legislation that are related to the provisions of the agreement, (c) any early redemption of the applicable covered bonds, (d) any failure to register such agreement in the cover register or removing such agreement from the cover register in breach of its provisions or (e) in any other circumstance that is accepted by the CMB in advance of entering into such agreement;

TURKISH REGULATORY ENVIRONMENT

The third paragraph of the section entitled “*Capital Adequacy*” on pages 261 and 262 of the Original Base Prospectus is hereby amended by the addition of the following at the end thereof:

The BRSA published the 2016 Capital Adequacy Regulation, which will enter into force on 31 March 2016, at which time it will replace the 2012 Capital Adequacy Regulation. The 2016 Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation, but changes the risk weights of certain items. In order to further align Turkish banking legislation with Basel principles, the BRSA also amended certain other regulations and communiqués as published in the Official Gazette dated 23 October 2015 and numbered 29511, which amendments will also enter into force on 31 March 2016.

The fifth paragraph of the section entitled “*Capital Adequacy*” on page 262 of the Original Base Prospectus is hereby amended by the addition of the following at the end thereof:

This restriction is to be repealed as of 31 March 2016, in line with a regulation (published in the Official Gazette dated 23 October 2015 and numbered 29511) amending the 2013 Equity Regulation, at which time it will be replaced by a provision requiring the reduction (for purposes of calculating capital) of any investment by a Turkish bank in additional Tier I or Tier II capital of another bank or financial institution holding such Turkish bank’s additional Tier I or Tier II capital, as applicable.

The section entitled “*Capital Adequacy - Tier II Rules under Turkish Law - New Tier II Rules*” on pages 263 and 264 of the Original Base Prospectus is hereby amended by the addition of the following at the end thereof:

In order to further align Turkish banking legislation with Basel principles, the BRSA has amended some of its regulations and communiqués, including the 2013 Equity Regulation, which amendments will come into force on 31 March 2016. As part of the amendments to 2013 Equity Regulation, as of 31 March 2016: (a) sub-clauses (e)(iii) and (i) above under the New Tier II Conditions will be deleted in their entirety and be replaced with the following sub-clauses (e)(iii) and (i), respectively, (b) the period at the end of sub-clause (j) thereof will be replaced with “; and” and (c) the New Tier II Conditions will be amended by the addition of the following sub-clause (k) at the end thereof:

(e)(iii) following the exercise of the option, the equity of the bank shall exceed the higher of: (A) the capital adequacy requirement that is to be calculated pursuant to the 2016 Capital Adequacy Regulation along with the Regulation on the Capital Conservation and Cyclical Capital Buffer, (B) the capital requirement derived as a result of an internal capital adequacy assessment process of the bank and (C) the higher capital requirement set by the BRSA (if any);

(i) if there is a possibility that the bank’s operating license would be cancelled or the probability of transfer of management of the bank to the SDIF arises pursuant to Article 71 of the Banking Law due to the bank’s loss, then removal of the debt instrument from the bank’s records or the debt instrument’s conversion to share certificates for the absorption of the loss would be possible if the BRSA so decides;

(k) the repayment of the principal of the debt instrument before its maturity is subject to the approval of the BRSA and the approval of the BRSA is subject to the same conditions as the exercise of the prepayment option as described under clause (e) above.

The third sentence of the fourth paragraph of the section entitled “*Capital Adequacy - Tier II Rules under Turkish Law - New Tier II Rules*” on page 264 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

The amendments to the 2013 Equity Regulation, which will enter into force on 31 March 2016, provide that if the terms of the executed loan agreement or debt instrument contain different provisions than the draft thereof so provided to the BRSA, then a written statement of the board of directors confirming that such difference does not affect Tier II capital qualifications is required to be submitted to the BRSA within five business days following the signing date of such loan agreement or the issuance date of such debt instrument. If the applicable interest rate is not explicitly indicated in such loan agreement or the prospectus of such debt instrument (*borçlanma aracı izahnamesi*), as applicable, or if such interest rate is excessively high compared to that of similar loans or debt instruments, then the BRSA might not authorise the inclusion of the loan or debt instrument in the calculation of Tier II capital.

The fourth and fifth sentences of the section entitled “*Capital Adequacy - Basel Committee - Basel II*” on page 265 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

While the previous rules provided a 0% risk weight for exposures to the Turkish sovereign and the Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which currently results in a 50% risk weighting for Turkey; *however*, the Turkish rules implementing the Basel principles in Turkey (*i.e.*, the “**Turkish National Discretion**”) revised this general rule by providing that all Turkish Lira-denominated claims on sovereign entities in Turkey and the Central Bank shall have a 0% risk weight. According to the 2016 Capital Adequacy Regulation, which will enter into force on 31 March 2016, only Turkish Lira-denominated claims on the Central Bank will continue to be subject to a preferential treatment of a 0% risk weight, whereas the risk weights of foreign currency-denominated claims on the Central Bank in the form of required reserves will be increased from 0% to 50%.

The second paragraph of the section entitled “*Capital Adequacy - Basel Committee - Basel III*” on pages 265 and 266 of the Original Base Prospectus is hereby amended by the addition of the following at the end thereof:

The BRSA has published the 2016 Capital Adequacy Regulation, which will enter into force on 31 March 2016, at which time it will replace the 2012 Capital Adequacy Regulation. The 2016 Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation, but changes the risk weights of certain items. In order to further align

Turkish banking legislation with Basel principles, the BRSA also amended some of its other regulations and communiqués as published in the Official Gazette dated 23 October 2015 and numbered 29511, which amendments will also enter into force on 31 March 2016.

The second paragraph of the section entitled “*Liquidity and Reserve Requirements*” on page 266 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

Pursuant to the amendments to the Communiqué regarding Reserve Requirements, published in the Official Gazette dated 29 August 2015 and numbered 29460, as of 9 October 2015, the reserve requirements for foreign currency liabilities vary by category and tenor, as set forth below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
Demand deposits, notice deposits, private current accounts, deposit/participation accounts up to 1-month, 3-month, 6-month and 1-year maturities.....	13%
Deposit/participation accounts with maturities of 1-year and longer.....	9%
Other liabilities up to 1-year maturity (including 1-year).....	25%
Other liabilities up to 2-year maturity (including 2-year).....	20%
Other liabilities up to 3-year maturity (including 3-year).....	15%
Other liabilities up to 5-year maturity (including 5-year).....	7%
Other liabilities longer than 5-year maturity.....	5%

Notwithstanding the above, as of 9 October 2015, the reserve requirements for foreign currency liabilities other than deposits and participation accounts that existed on 28 August 2015 vary by tenor until their maturity, as set forth below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
Other liabilities up to 1-year maturity (including 1-year).....	20%
Other liabilities up to 2-year maturity (including 2-year).....	14%
Other liabilities up to 3-year maturity (including 3-year).....	8%
Other liabilities up to 5-year maturity (including 5-year).....	7%
Other liabilities longer than 5-year maturity.....	6%

The second and third sentences of the third paragraph of the section entitled “*New Consumer Loan, Provisioning and Credit Card Regulations*” on page 276 of the Original Base Prospectus are hereby deleted in their entirety and replaced by the following:

Pursuant to such limitations, the instalment payment period for the purchase of goods and services and cash withdrawals is not permitted to exceed nine months (four months for jewelry expenditures and 12 months for whiteware, furniture expenditures and education fees). In addition, credit card instalment payments (except for corporate credit cards) are not allowed for telecommunication and related expenses and purchases of nutriment, fuels, gift cards, gift checks and other similar intangible goods. With respect to corporate credit cards, the instalments for the purchase of goods and services and cash withdrawals are not permitted to exceed nine months (12 months for whiteware, furniture expenditures and education fees).

The fifth sentence of the sixth paragraph of the section entitled “*New Consumer Loan, Provisioning and Credit Card Regulations*” on page 277 of the Original Base Prospectus is hereby deleted and replaced by the following:

As for limitations regarding instalments, the maturity of consumer loans (other than loans to consumers for housing finance and complementary goods and services in relation to home renovation/improvement, the financial leases for homes leased to consumers, other loans for the purpose of purchasing real estate and student loans and any refinancing of the same) are not permitted to exceed 36 months, while auto loans and loans secured by autos may not have a maturity longer than 48 months. Provisions regarding the minimum loan-to-value requirement for auto loans entered into force on 1 February 2014 and the other provisions of this amendment entered into force on 31 December 2013.

TAXATION

The section entitled “*EU Savings Directive*” on pages 286 and 287 of the Original Base Prospectus is hereby deleted in its entirety.

RECENT DEVELOPMENTS

The section entitled “*Recent Developments*” supplemented to the Base Prospectus by a supplement dated 18 August 2015 is hereby amended by the addition of the following at the end thereof:

The Bank’s Board of Directors resolved on 30 July 2015 that since Mr. Aydın Şenel, the former Executive Vice President of Purchasing and Tax Management, resigned from his duties, which resignation became effective as of 2 September 2015: (a) the tax operations management department is to function under Mr. İbrahim Aydınlı, the Executive Vice President for General Accounting, Economic Research and Customer Satisfaction, and (b) the purchasing and premises department is to function under Mr. Osman Tüzün, the Executive Vice President for Human Resources & Support Services.