

THIRD SUPPLEMENT dated 16 December 2016 to the Base Prospectus dated 26 April 2016



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 26 April 2016 (the “**Original Base Prospectus**” and, as supplemented on 19 May 2016 and 15 November 2016, 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 updating the Base Prospectus in respect of certain recent events in connection with the Issuer. As a result, certain modifications to the Base Prospectus are hereby being made.

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

Except as disclosed herein and in the previous supplements to the Original Base Prospectus, there has been no: (a) significant new factor, material mistake or inaccuracy relating to the information included in the Original Base Prospectus since the publication of the Original Base Prospectus, (b) significant change in the financial or trading position of either the Group or the Issuer since 30 September 2016 and (c) material adverse change in the financial position or prospects of either the Bank or the Group since 31 December 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.

AMENDMENTS

The following amendments are made to the Base Prospectus:

GENERAL DESCRIPTION OF THE PROGRAMME

The fifth paragraph of the section entitled “*Accounts and Cash Flow Structure – Collection Account*” on pages 82 and 83 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

The rights, title and interest (both present and future) of the Bank in, to and under: (a) any valuation and (b) all causes and rights of action in favour of the Bank against any person (other than the applicable Borrower) in connection with any report, valuation, opinion, certificate, consent or other statement of fact or opinion, in each case given in connection with a Mortgage Asset or affecting the decision of the Bank to make the relevant advance (all payments received by the Bank for either clause (a) or (b) being a “**Related Payment**”), do not constitute receivables of the Mortgage Assets for the purposes of Article 9 of the Covered Bonds Communiqué and therefore do not benefit from Statutory Segregation; *however*, at any time after the service of a Notice of Default (which has not been revoked (such revocation to be provided in the same manner as the service of a Notice of Default)), as an unsecured contractual obligation only, transfer (within two Istanbul Business Days of receipt or, if such second Istanbul Business Day is not a business day for the Security Agent, by the next day that is both an Istanbul Business Day and a business day for the Security Agent) all Related Payments to the Security Agent for the benefit of the Secured Creditors to be applied in satisfaction of the Secured Obligations; *it being understood* that (as such do not constitute receivables of the Mortgage Assets for the purposes of the Covered Bond Communiqué and therefore do not benefit from Statutory Segregation) any such Related Payments shall not be deposited into the Collection Account or the Designated Accounts and shall otherwise remain segregated from the Cover Pool Assets.

The sub-clauses (g) and (i) of the first paragraph of the section entitled “*Individual Asset Eligibility Criteria*” on page 86 of the Original Base Prospectus are hereby deleted in their entirety and replaced by the following:

- (g) at the time of inclusion of such mortgage loan in the Cover Pool, the applicable LTV is not greater than the maximum percentage (if any) specified in the Covered Bonds Communiqué (as of 15 December 2016, Article 19(1) of the Covered Bonds Communiqué sets this percentage at 75%);
- (i) such mortgage loan is not Delinquent; and

The first two sentences of the second paragraph of the section entitled “*Accounts and Cash Flow Structure – Collection Account*” on pages 95 and 96 of the Original Base Prospectus are hereby deleted in their entirety and replaced by the following:

The Bank will deposit or credit within one Istanbul Business Day of receipt all collections of interest and principal and any other amounts it receives on the Cover Pool Assets denominated in Turkish Lira (including all moneys received from Authorised Investments denominated in Turkish Lira, if any, and payments under Hedging Agreements) included in the Cover Pool Assets into the Collection Account; *provided* that such need not apply with respect to any such amounts that the Issuer collects on behalf of a governmental authority or other third party (*e.g.*, taxes) or for house-related payments due by the applicable Borrower to third parties for which the Issuer is acting as a collection agent (*e.g.*, home insurance). The Bank will not commingle any of its other funds and general assets (including any Related Payments) with amounts standing to the credit of the Collection Account.

The sub-clause (b) of the fourth paragraph of the section entitled “*Creation and Administration of the Cover Pool – Statutory Tests*” on page 88 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

- (b) the portion (if any) of a Mortgage Asset in excess of the percentage of the value of the residential property securing the corresponding loan in the manner specified in the Covered Bonds Communiqué (as at 15 December 2016, Article 19(1) of the Covered Bonds Communiqué sets this percentage at 75%.);

The sixth paragraph of the section entitled “*Accounts and Cash Flow Structure – Designated Account(s)*” on page 97 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

After the occurrence of a Potential Breach of Statutory Test, an Event of Default or an Issuer Event, the Issuer shall procure that within two Istanbul Business Days of its detection thereof (and on each Istanbul Business Day thereafter for so long as such Potential Breach of Statutory Test, Event of Default or Issuer Event is continuing), all amounts on deposit in the Collection Account are transferred by the Issuer to the TL Designated Account (and the Issuer may also cause any or all of such amounts to be paid directly into the TL Designated Account). Other than Turkish Lira that is identified to act as

Substitute Assets, the Issuer will not commingle any of its other funds and general assets with amounts standing to the credit of the TL Designated Account.

DESCRIPTION OF THE TRANSACTION DOCUMENTS

The eleventh paragraph of the section entitled “*Security Agency Agreement*” on page 164 of the Original Base Prospectus, starting with “So long as neither an Issuer Event nor an Event of Default exists...” is hereby deleted in its entirety and replaced by the following:

The Issuer will deposit or credit within one İstanbul Business Day of receipt all collections of interest and principal and any other amounts it receives on the Cover Pool Assets denominated in Turkish Lira (including all moneys received from Authorised Investments denominated in Turkish Lira, if any, and payments under Hedging Agreements) included in the Cover Pool Assets into the Collection Account; *provided* that such need not apply with respect to any such amounts that the Issuer collects on behalf of a governmental authority or other third party (*e.g.*, taxes) or for house-related payments due by the applicable Borrower to third parties for which the Issuer is acting as a collection agent (*e.g.*, home insurance). The Issuer will not commingle any of its other funds and general assets (including any Related Payments) with amounts standing to the credit of the Collection Account.

The fourth to last paragraph of the section entitled “*Security Agency Agreement*” on page 165 of the Original Base Prospectus starting with “After the occurrence of a Potential Breach of Statutory Test or an Issuer Event...” is hereby deleted in its entirety and replaced by the following:

After the occurrence of a Potential Breach of Statutory Test, an Event of Default or an Issuer Event, the Issuer shall procure that within two İstanbul Business Days of its detection thereof (and on each İstanbul Business Day thereafter for so long as such Potential Breach of Statutory Test, Event of Default or Issuer Event is continuing), all amounts on deposit in the Collection Account are transferred by the Issuer to the TL Designated Account (and the Issuer may also cause any or all of such amounts to be paid directly into the TL Designated Account). Other than Turkish Lira that is identified to act as Substitute Assets, the Issuer will not commingle any of its other funds and general assets with amounts standing to the credit of the TL Designated Account.

The sub-clauses (ii) and (jj) of the ninth paragraph of the section entitled “*Security Agency Agreement*” on page 163 of the Original Base Prospectus are hereby deleted in their entirety and replaced by the following:

(ii) at any time after the service of a Notice of Default (which has not been revoked (such revocation to be provided in the same manner as the service of a Notice of Default)), as an unsecured contractual obligation only, transfer (within two İstanbul Business Days of receipt or, if such second İstanbul Business Day is not a business day for the Security Agent, by the next day that is both an İstanbul Business Day and a business day for the Security Agent) all Related Payments to the Security Agent for the benefit of the Secured Creditors to be applied in satisfaction of the Secured Obligations; it being understood that (as such do not constitute receivables of the Mortgage Assets for the purposes of the Covered Bond Communiqué and therefore do not benefit from Statutory Segregation) any such Related Payments shall not be deposited into the Collection Account or the Designated Accounts and shall otherwise remain segregated from the Cover Pool Assets.

(jj) at any time after the service of a Notice of Default (which has not been revoked (such revocation to be provided in the same manner as the service of a Notice of Default)), transfer (within two İstanbul Business Days of receipt or, if such second İstanbul Business Day is not a business day for the Security Agent, by the next day that is both an İstanbul Business Day and a business day for the Security Agent) all payments made to the Issuer on Cover Pool Assets (other than Hedging Agreements) in currencies other than Turkish Lira to the applicable Non-TL Designated Account(s).

RECENT DEVELOPMENTS

The section entitled “*Recent Developments*” included in the Original Base Prospectus by supplements dated 19 May 2016 and 15 November 2016 is amended by the addition of the following at the end thereof:

On 17 November 2016, the Central Bank announced that certain reserve option coefficients were changed in order to provide additional foreign exchange liquidity to the financial system. Accordingly, while the coefficients for the first tranche of the foreign exchange facility of the Reserve Option Mechanism were unchanged, the coefficients for the second tranche were decreased by 0.1 point and the other tranches were decreased by 0.2 points. Based upon the then current level of reserve

option utilisation rates, the Central Bank estimated that these changes would provide approximately US\$700 million additional liquidity to the financial system.

In nominal terms, the Turkish Lira depreciated against the U.S. Dollar by 20.5% between 31 December 2015 and 15 December 2016. As a response to the depreciation of the Turkish Lira, on 24 November 2016, the Central Bank's Monetary Policy Committee: (a) increased the upper bound of the interest rate corridor by 25 basis points to 8.50% from 8.25%, (b) increased its one-week repo rate (policy rate) by 50 basis points to 8.00% from 7.50%, which increase was the first rate hike since January 2014, (c) reduced the reserve requirements for foreign currency liabilities for all maturity brackets by 50 basis points, which change is estimated to provide approximately US\$1.5 billion additional liquidity to the financial system, and (d) provided certain advantages for the repayment of export and foreign exchange earning rediscount credits.

As of 6 December 2016, necessary approvals for the transfer of shares in GBM (Garanti Bank Moscow) have been obtained and the share transfer was finalized. Accordingly, the Bank and Garanti Technology transferred 99.94% and 0.06%, respectively, stakes in GBM to Sovcombank for an aggregate final purchase price of US\$38,412,833.76.

On 9 December 2016, the BRSA published amendments to the 2015 Capital Adequacy Regulation, which amendments changed the definition of SME to enterprises that have an annual turnover that does not exceed a limit to be determined by the BRSA. As of 15 December 2016, the BRSA has not determined the limit for the definition of SMEs. The Bank uses the BRSA definition of SME in order to render SME-related data comparable to that of other Turkish banks. The former definition of SME had classified enterprises as “micro enterprises” (being those with annual sales of under TL 1,000,000 and up to 10 employees), “small enterprises” (being those with annual sales of between TL 1,000,000 and TL 8,000,000 and up to 50 employees) and “medium enterprises” (companies with more than 250 employees and/or annual sales and asset size over TL 40,000,000).

On 14 December 2016, the BRSA published amendments to the Regulation on Provisions and Classification of Loans and Receivables, adding new provisional articles related to the restructuring of loans and other receivables and to the delay periods during the state of emergency. The provisional article 12 states that (among other things) the loans and other receivables classified as frozen receivables by the banks may be restructured up to two times until 31 December 2017. Such restructured loans may be classified under Group II (*Loans and Other Receivables Under Close Monitoring*) if: (a) in the first restructuring, there is no overdue debt as of the date of the re-classification and the last three payments prior to the date of the re-classification have been made in a timely manner and in full, and (b) in the second restructuring, there is no overdue debt as of the date of the re-classification and the last six payments prior to the date of the re-classification have been made in a timely manner and in full. Loans and other receivables classified under Group II (*Loans and Other Receivables Under Close Monitoring*) after the restructuring are monitored under the “Renewed/Restructured Loans Account.” Information regarding renewed/restructured loans and other receivables is required to be disclosed in the annual and interim financial reports of the banks. Furthermore, the provisional article 13 (which entered into force retroactively as of 21 July 2016) states (among other things) that the delay periods of payments stipulated for the loans defined in Groups II (*Loans and Other Receivables Under Close Monitoring*), Group III (*Loans and Other Receivables with Limited Recovery*), Group IV (*Loans and Other Receivables with Improbable Recovery*) and Group V (*Loans and Other Receivables Considered as Losses*) may be counted as of 21 January 2017 for the obligations of the credit debtors that have been liquidated, assigned to the Directorate General of Foundations or the Treasury or to which the SDIF is assigned as the trustee as per the Decrees enforced within the scope of the state of emergency declared in Turkey by the Decree of the Council of Ministers dated 20 July 2016 and the public officials discharged within the scope of the state of emergency and the assets of such real persons and legal entities that are subject to injunctions.

TURKISH REGULATORY ENVIRONMENT

The second paragraph of the section entitled “*Liquidity and Reserve Requirements*” on page 259 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

Pursuant to the Communiqué Regarding Reserve Requirements (the “**Communiqué Regarding Reserve Requirements**”), as of 18 November 2016, the reserve requirements for foreign currency liabilities vary by category and tenor, as set forth below:

Category of Foreign Currency Liabilities	Required Reserve Ratio
1) Deposit/participation accounts (excluding deposit/participation accounts held at foreign banks)	
Demand deposits, notice deposits.....	12.5%
Up to 1-month, 3-month, 6-month and 1-year maturities.....	12.5%
With maturities of 1-year and longer.....	8.5%
2) Borrowers' deposit accounts held at development and investment banks*.....	12.5%
3) Other liabilities (including deposit/participation accounts held at foreign banks)	
Up to 1-year maturity (including 1-year).....	24.5%
Up to 2-years maturity (including 2-years).....	19.5%
Up to 3-years maturity (including 3-years).....	14.5%
Up to 5-years maturity (including 5-years).....	6.5%
Longer than 5-years maturity.....	4.5%

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

The third paragraph of the section entitled “*Liquidity and Reserve Requirements*” on pages 259 and 260 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

Notwithstanding the above, as of 18 November 2016, 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).....	19.5%
Other liabilities up to 2-years maturity (including 2-years).....	13.5%
Other liabilities up to 3-years maturity (including 3-years).....	7.5%
Other liabilities up to 5-years maturity (including 5-years).....	6.5%
Other liabilities longer than 5-years maturity.....	5.5%

The fourth paragraph of the section entitled “*Loan Loss Reserve*” on page 252 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

Pursuant to the Regulation on Provisions and Classification of Loans and Receivables, banks are required to reserve adequate provisions for loans and other receivables until the end of the month in which the payment of such loans and receivables has been delayed. This regulation also requires Turkish banks to provide a general reserve calculated at 1% of the total cash loan portfolio plus 0.2% of the total non-cash loan portfolio (i.e., letters of guarantee, avals and their sureties and other non-cash loans) (except for: (a) commercial cash loans defined in Group I (*Loans of a Standard Nature and Other Receivables*), for which the general reserve is calculated at 0.5% of the total commercial cash loan portfolio, (b) commercial non-cash loans defined in Group I (*Loans of a Standard Nature and Other Receivables*), for which the general reserve is calculated at 0.1% of the total commercial non-cash commercial loan portfolio, and (c) cash and non-cash loans defined in Group I (*Loans of a Standard Nature and Other Receivables*) relating to small- and medium-scaled transit trade, export, export sales and deliveries, services and activities resulting in gains of foreign currency and syndicated loans used for the financing of large-scale public tenders, for which the general loan loss reserve is calculated at 0%) for standard loans defined in Group I (*Loans of a Standard Nature and Other Receivables*) and a general reserve calculated at 2% of the total cash loan portfolio plus 0.4% of the total non-cash loan portfolio (i.e., letters of guarantee, avals and their sureties and other non-cash loans) for closely-monitored loans defined in Group II (*Loans and Other Receivables Under Close Monitoring*) (except for: (i) commercial cash loans, cash loans for SMEs and relating to transit trade, export, export sales and deliveries and services, activities resulting in gains of foreign currency and syndicate loans used for the financing of large-scale public tenders, for which the general loan loss reserve is calculated at 1% and (ii) non-cash loans related to the items stated in (i) above for which the general loan loss reserve is calculated at 0.2%). The exceptions regarding the loan loss reserve calculation stated above will be applied to the respective loans defined in Group I (*Loans of a Standard Nature and Other Receivables*) and Group II (*Loans and Other Receivables Under Close Monitoring*) until 31 December 2017.

The last paragraph of the section entitled “*Loan Loss Reserves*” on page 254 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

In addition to the general provisioning rules, the BRSA has from time to time enacted provisional rules relating to exposures to debtors in certain industries or countries. In June 2016, the BRSA published a regulation (which is amended from time to time) that will replace the Regulation on Provisions and Classification of Loans and Receivables as of 1 January 2018 in order to ensure compliance with the requirements of IFRS and the Financial Sector Assessment Programme, which is a joint programme of the International Monetary Fund and the World Bank. The proposed regulation will require banks to adopt IFRS 9 principles (unless an exemption is granted by the BRSA) related to the assessment of credit risk by the end of 2017 and to set aside general provisions in line with such principles.