Annual Report 2019

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Message from the Chairman

Ömer A. Aras
Chairman

Esteemed Shareholders,

We left behind a challenging yet highly strategic year both for Turkey and the world. 2019 marked a significant year where recovery, growth, political and economic re-balancing followed a critical fluctuation triggered by the world trade wars, from the previous year, geopolitical developments in our region, local elections and currency movements in the economy.

While the trade wars continued in 2019 throughout the world, the change in the European Union was one of the focal points of the entire globe. The UK will formally leave the EU on January 31, 2020.

The rising indebtedness across the globe and slow-down in the global economy constituted other highlights of the year 2019. Particularly the trade wars between the USA and China caused a serious slow-down in the economy on a global scale. The winner of these wars is not known yet, while some moderation was observed later in 2019.

A look into the economic dimension of the change indicates that the digital technologies leveraged in the USA and China have grown tremendously and that Europe -and even Japan and South Korea- failed to keep up with such growth.

With all these developments, digitalization impacts our lives in a number of ways. Deployment of AI creates serious changes in social and economic life.

Yet we observe that global warming and climate change will constitute the number one agenda to be discussed the most in 2020. According to the Global Risk Report of World Economic Forum, climate change is the biggest risk awaiting the planet. The climate crisis was the number one topic of discussion at the World Economic Forum that took place in Davos in January 2020.

We witnessed a set of important developments in 2019 in our country as well. We left behind the local elections. We have entered a long period of no elections. Important military operations took place at the Syrian border. New political parties continue to be formed.

We observed an important economic recovery. The interest rates and inflation were lowered significantly. The economic growth is expected to be around 1% this year; however, we welcome 2020 with hope. We believe that we will reach the 5% growth target announced by the government, and the positive outcome of this achievement will be reflected to the unemployment rates as well.

Our bank and its affiliates performed very successfully despite the challenging circumstances in 2019.

As of December 31, 2019, the total assets reached TL 181 billion 681 million, while net loans reached TL 110 billion 683 million and customer deposits reached TL 100 billion 219 million.

Total equity of the bank increased by 15%, compared to the 2018 year-end, reaching TL 16 billion 685 million, as the capital adequacy ratio realized at 15.73% as of December 31, 2019.

In 2019, profit before taxes of the Bank amounted to TL 3 billion 180 million, while net profit reached TL 2 billion 622 million.

We achieved many firsts in 2019. We prepared our first sustainability report by taking an action against the planet's biggest issue, climate change.

Sustainability is the biggest responsibility we all bear in order to leave a habitable world to the future generations—livable in terms of the environment, culture, and economy. To this end, our bank will continue to take significant steps in 2020, as well.

Tapping into our strong capital structure, we are sustaining our corporate social responsibility projects at full tilt. We continue to launch critical projects with our voluntary bankers under the roof of our "Small Hands Big Dreams" CSR Platform that we initiated to prepare our children for the future.

I, once again, would like to thank all my colleagues, clients and stakeholders that further grow QNB Finansbank.

Kind regards,

Ömer A. Aras
Message from the Chairman

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Message from the CEO

Temel Güzeloğlu
CEO

Esteemed Shareholders and Board Members,

QNB Finansbank concluded 2019 by maintaining its steady growth. The bank attained significant achievements in terms of loan growth, deposit volume and return on equity, unexpectedly growing in the banking sector last year.

As of December 31, 2019, the total assets of the bank increased by 15%, compared to the 2018 year-end, reaching TL 181 billion 681 million, while net loans grew by 18% to TL 110 billion 683 million and customer deposits increased by 20% to TL 100 billion 219 million.

Total equity of the bank increased by 15%, compared to the 2018 year-end, reaching TL 16 billion 685 million, while the capital adequacy ratio realized at 15.73% as of December 31, 2019.

In 2019, net profit reached TL 2 billion 622 million.

2019 was full of significant achievements attained by QNB Finansbank.

2019 was wrapped up successfully as a year that marked significant actions undertaken particularly for corporate loans, SME banking, digital banking, and the path to becoming the main bank of the clients.

We focused on sustainable income generation, while attaining a loan growth above sector. We sustained our profitability through our effective and systematic risk management strategy, which identifies risks accurately and in a timely manner.

Along with our investments in retail banking, we developed products that offer significant solutions including export, digital banking, e-invoice collateralized loan for our SMEs in 2019. We had a major role in paving the way for the international opportunities for women entrepreneurs across the banking sector with our Woman Entrepreneur Export Package, designed exclusively for women. We brought together all of the sectors and corporations on a common ground in order to meet the financing needs of the small-scale businesses, in particular with our e-Invoice collateralized SME loan.

The Digital Bridge Project that we announced in the final quarter of the year, further enriched the scope our products and services offered for SMEs. We started to work with 25,000 new SME clients in the final quarter alone, thanks to this project that we undertook with our affiliate QNB eFinans, making a tremendous difference across SME banking activities of QNB Finansbank. We aim to reach 50,000 new customers in 2020; and 100,000 in 2021.

Through the syndication agreement signed in December 2019, we became the first and only Turkish bank granted a three-year loan since 2016. The syndicated loan facility, through which USD 457 mn international funding were raised in two maturity periods comprised of 1-year and 3-year options with participation from 34 banks across 19 countries, demonstrated the confidence of international financial institutions in Turkish banking sector and QNB Finansbank.

Launched to create future-ready banking technologies, our Fincube transformed into a special project under the umbrella of QNB Group to be deployed all over the world. To serve as a hub in Istanbul, Fincube will now continue its journey under the title QNBEYOND to create the digital applications that build the future of the banking industry.

Through our Miles&Smiles partnership, we made a significant achievement in our strategy of widening our client portfolio as well as becoming the main bank of our clients.

QNB Finansbank Human Resources received 11 awards for its training applications “Financier 360” and “Branch Manager Development Programs” at two separate employer awards, namely the Brandon Hall Group Excellence Awards and Stevie Awards for Great Employers, which are among the most prominent business awards around the globe.

We also continue to contribute to the future of our children, through collaboration with other institutions, together with our esteemed volunteering bankers under our “Small Hands Big Dreams” CSR Platform.

Launched in 2018, our QNB Finansbank Tales Math Museum Mobile Track Project successfully continued in 2019 as well.

As part of our project entitled “By the Power of Imagination”, in association with the Community Volunteers Foundation (TOG), we maintain training sessions in the 2019-2020 academic year as well in order to expand our children’s imagination and enhance their fiction writing and storytelling skills.

We have been maintaining the coding training sessions we pioneered since 2015 alongside the “Tiny Hands Are Coding” Project that we launched with Habitat Association this year.

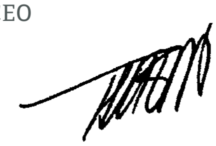
We reached out 83,801 children through various projects with our 726 volunteering bankers across 39 cities in 2019. Additionally, we maintained our scholarship support for our bankers’ children, including 160 successful children, 110 children with special needs and 107 children with deceased parents. We aim to extend support to more children with more of our volunteering bankers in 2020.

We will continue to undertake the projects that train our children in many topics from coding to mathematics, from arts to cultural development in 2020.

I would like to thank our bankers, clients, all of our strategic business partners and correspondent banks who reinforce our strength as we achieve our goals.

Kind regards,

Temel Güzeloğlu
CEO



Board of Directors

Ömer A. Aras
Chairman

Ömer Aras, Chairman of QNB Finansbank, is the founding executive of Finansbank founded in 1987. He served as Assistant General Manager until 1989, as General Manager (CEO) between 1989 and 1995, and served as Executive Board Member between 1995 and 2006. During this period he also served as Vice Chairman of Fiba Holding; Board member of Finansbank's international subsidiaries in Switzerland, France, Holland, Romania and Russia; Chairman of Marks&Spencer in Turkey; and Board member of Gima. In 2006, upon acquisition of Finansbank by the National Bank of Greece (NBG), Aras was appointed Vice Chairman and Group CEO . In 2008, he joined the Executive Committee of NBG as member responsible for international subsidiaries (Serbia, Romania, Albania, Bulgaria and Macedonia). In 2010, he was appointed Chairman of Finansbank. Aras has also been serving as Chairman of Cigna Finans Life and Pension, Finansbank's partnership company in Turkey with Cigna Corporation, since 2012. Since the acquisition of Finansbank by QNB in 2016, Aras has been serving as Chairman and Group CEO. Prior to his career at QNB Finansbank, Aras worked for Citibank (1984-1987) and Yapı Kredi Bank (1987) in Turkey. He also served on the Board of TUSIAD (Turkish Businessmen Association) between 2003 and 2007. Currently, he is the Vice President of the High Advisory Council of TUSIAD, a member of the Higher Advisory Board of Darüşşafaka Cemiyeti and Board of Trustees of Boğaziçi University Foundation. Aras received his MBA and PhD (1981) degrees at Syracuse University School of Management, and was a lecturer at the business Administration Faculty at the Ohio State University for 3 years (1981-1984).

Sinan Şahinbaş
Vice Chairman

Şahinbaş graduated from TED Ankara College in 1984, and from Istanbul Technical University, Engineering Faculty in 1988. He received masters degrees in International Relations at Istanbul University and in Finance at Yeditepe University. Şahinbaş began his professional career at Finansbank A.Ş. in 1990, and held various positions in Treasury, Corporate Banking and Credit Departments until 1997. In 1997, he founded Finansbank A.Ş. (Suisse) SA and Finansbank A.Ş. (Holland) NV representative offices in Turkey. He transferred to Garanti Bank in 1997 as Department Head in charge of the design of a new risk management system for subsidiaries. In the same year Şahinbaş was promoted to Executive Vice President of Garanti Bank (Holland) N.V.. After a year, Şahinbaş moved back to Finansbank A.Ş (Holland) N.V. as Executive Vice President, and became General Manager between 1999 and 2001. In 2001, Şahinbaş became Senior Executive Vice Chairman at Finansbank A.Ş. and was promoted to General Manager in October 2003, and served as the General Manager until April 2010. Şahinbaş became Vice Chairman in April 2010.

Adel Ali M A AL-Malki
Member of the Board of Directors

Al-Malki holds a bachelor's degree in Computer Information Technology from Qatar University in 2001, Doha, Qatar. He joined QNB and served in various positions. Al-Malki has been QNB Group Information Technology General Manager since 2010. As of May 2019, he serves as a Member of QNB Finansbank Board of Directors.

Ali Teoman Kerman
Member of the Board of Directors and Chairman of the Audit Committee

Kerman received his graduate degree in Economics at Hacettepe University, and post graduate degree in Project Planning and National Development at University of Bradford, UK, in 1982. He started his career at the Undersecretariat of Treasury in 1980 and he served as Deputy Economic and Commercial Counsellor at Washington Embassy and Deputy and Assistant Board Member of Asian Development Bank, Philippines, for three years in each position. In 1997, he was appointed Turkish Eximbank Executive Vice President. In the same year, he returned to Undersecretariat of Treasury as Director General of Insurance Department. In July 1999, he was appointed Deputy Undersecretary of Treasury, and in 2000, he became Vice President of the newly established Banking Regulation and Supervision Agency (BRSA). He also served as a Board Member of Savings Deposit Insurance Fund (SDIF). He was appointed as an Advisor to BRSA Chairman in 2004. In addition, he served as Chairman of the Board in Toprak, Ege and Generali Insurance Companies on behalf of SDIF. Kerman retired in April 2005 and became founding partner of KDM Financial Consultancy Company. He has been a Board Member of QNB Finansbank since April 2013 and he was appointed Chairman of Audit Committee in April 2014. Kerman is also a Board Member of Bahcesehir University Graduate School of Business since May 2018.

Durmuş Ali Kuzu
Member of the Board of Directors

Kuzu graduated from Business Management Department of Political Science School at Ankara University in 1996, received an MBA degree in 2008 from University of Illinois at Urbana-Champaign, and completed his PhD degree in the field of Accounting and Finance from Baskent University in 2018 with his thesis titled "Factors Determining Credit Volume: an Empirical Study on Turkish Banking Industry". He has a CPA and an Independent Auditor Certificate. During this period, he worked at many national and international committees, represented Turkey as a member at BASEL and FSB Banking Committees, attended various seminars-conferences, published many articles, and lectured at a university. He began his professional career in Vakıfbank in 1996 as an assistant loan analyst and went on to Türkiye Emlak Bankası, where he worked as an internal auditor in 1997-1999. From 1999 to 2016, he worked as Vice President at the Undersecretariat of the Treasury, Public Oversight Accounting And Auditing Standards Authority, and Banking Regulation And Supervision Agency (BRSA). He worked on teams for creating and developing banking legislation, participating in project development, implementation and leadership, and group presidency. He held various managerial positions as team leader, coordinator, head of department and vice president. Since August 2016, he has been serving as a member of the Board of Directors and Audit Committee at QNB Finansbank.

Fatma Abdulla S S Al-Suwaidi
Member of the Board of Directors

She joined QNB in 2000 and currently serves as Group Chief Risk Officer, having previously held the role of Assistant General Manager of Credit Risk Management. She holds a BSc in Accounting (1999), and she has a Master's in Business Administration from Qatar University (2004), and an MSc in Risk Management from the University of New York. Currently, she is a member of the Board in QNB Tunisia.

Noor Mohd J A Al-Naimi
Member of the Board of Directors

She joined QNB in 2000. She has 17 years of banking experience. She received her bachelor's degree in Business Administration at the University of Qatar in 1999. She held various positions in the Treasury Operations and Control Division, the last being Assistant General Manager Treasury Operations Trading & Investment until appointed General Manager Group Treasury. Currently, she is a Board member and Audit committee member at QNB Finansbank in Turkey. She has attended and participated in various courses, conferences and seminars locally and internationally, including legal of aspects of banking, leadership skills for bankers, international cash & treasury management, clear stream, treasury documentation and IIF Future Leaders Program. Al-Naimi completed the Qatar Executive Leaders Program 2017 – 2018.

Osman Reha Yolalan
Independent Member of the Board of Directors

Yolalan holds a bachelors's degree in Industrial engineering at Istanbul Technical University, a Master's degree from Bogaziçi University in Industrial Engineering, and a PhD Degree in Management Sciences from Laval University, Quebec-Canada. In 2000, he received the title of University Associate Professor in the department of Operations Research. He started his career as a specialist at Yapı Kredi in Strategic Planning Department in 1991. He worked as Head of Corporate and Economic Research Department between 1994-2000 and as Executive Vice President in charge of Financial Analysis and Credit Risk Management between 2000-2004. He was appointed as CEO of Yapı Kredi and member of the Board of Directors between 2004-2005. Yolalan worked at Tekfen Holding as Vice President in charge of Corporate Affairs between 2006 and 2019; since March 2019, he has been a Vice President of Financial Affairs. Besides, he has been a part-time lecturer in banking field at various universities in Turkey and has authored a number articles in the field of banking management, published in international journals.

Ramzi Talat A Mari
Member of the Board of Directors

He joined QNB in 1997 and is the current Executive General Manager and Group Chief Financial Officer. He received the Certified Public Accountant Certificate in the State of California, USA in 1989 and holds a Master's Degree in Accounting. Currently, he is a board member in Housing Bank for Trade and Finance (Jordan) and QNB Capital LLC.

Temel Güzeloğlu
CEO and Member of the Board of Directors

Born in 1969, Güzeloğlu has received BA degrees at the Electrical end Electronics Engineering Department and Physics Department of Bogazici University. Güzeloğlu received his MA degree in Electrical and Computer Engineering at Northeastern University, Massachusetts and his MBA at Bilgi University, Istanbul. Prior to his career at Finansbank, Güzeloğlu worked for Unilever (1994-1996), Citibank (1996-2000) and McKinsey between 2000 and 2004. Güzeloğlu worked as Executive Vice President of Finansbank responsible for Consumer Banking until August 2008. He then served as Executive Vice President responsible for Retail Banking, and Member of Management Committee of Finansbank. Güzeloğlu was appointed General Manager (CEO) in April 2010.

Yousef Mahmoud H N Al-Neama
Member of the Board of Directors

Al-Neama received his bachelor of science degree in Aviation Management at Florida Institute of Technology in 1989. He also has a diploma in Business Administration at Glamorgan University (Wales) in 2004. Prior to joining QNB, Al-Neama worked as an Executive Manager International&Institutional Banking in Doha Bank between 2003 and 2004. After he joined QNB in 2005, he served as various positions at QNB such as Executive Manager in Corporate Products Marketing, and Executive Manager in International Banking. He was acted as CEO of QNB Syria between 2010 and 2011. In 2013, he served as General Manager of International Business division. Al-Neama served as General Manager of QNB Group Corporate Banking between 2014 and 2019. He is currently QNB Group Chief Business Officer. As of May 2019, he serves as a Member of the Board of Directors of QNB Finansbank. He also serves as a Member of the Board of Directors of Housing Bank for Trade and Finance (HBTF) in Jordan and Member of the Board of Directors of Bank Mansour in Iraq.

Prof. Dr. Mustafa Aysan
Consultant to the Board of Directors

Aysan is a graduate of the Economics Department, Istanbul University. He received his MBA degree at Harvard University in 1959 and became a professor in 1974. He has taught in various Turkish and international universities between 1968 and 2000. Aysan served as Head of the Committee for the Restructuring of State Economic Enterprises from 1964 to 1968, Head of the Budget Committee of Turkish Republic Advisory Council in 1981, and as Minister of Transportation from 1982 to 1983. Between 1993 and 2016, he was a member of the Board of Directors of Finansbank A.Ş. Since August 2016, Aysan works as a consultant to the Board of Directors.

Senior Management

Adnan Menderes Yayla
Executive Vice President

Yayla graduated from the Economics Department of the Faculty of Political Science of Ankara University in 1985, and completed his MBA at the University of Illinois at Urbana-Champaign between 1992 and 1994. He worked at the Ministry of Finance as Assistant Auditor and Auditor from 1985 to 1995; at the Privatization Administration as Project Valuation Division Chief from 1995 to 1996; at Price Waterhouse Coopers as Manager, Senior Manager and Partner in Istanbul and London offices from 1996 to 2000; and at Türk Dış Ticaret Bankası (Fortis) as the Executive Vice President in charge of the Financial Control Group and Risk Management from 2000 to 2008. Having joined Finans Bank A.Ş. on May 2008, Yayla has been working as Executive Vice President of Financial Control and Planning and the Group CFO.

Ahmet Erzengin
Head of Internal Control and Compliance Division

Erzengin received his bachelor's degree at the Public Administration Department of the Middle East Technical University. He worked at Pamukbank from 1988 to 1993. He joined QNB Finansbank A.Ş. as the Regulations Manager in 1993. In 1996, he was appointed, Head of Operations Group in charge of branch and HQ operations. He served as the Head of Operations until the end of 2005. In early 2006, he supervised the establishment of the Compliance Division and he served as the Head of Compliance until September 2012. By that date Erzengin also took the responsibility of Internal Control Department and has been working as the Head of Internal Control and Compliance Division since 2012.

Av. Ali Yılmaz(*)
Executive Vice President

Yılmaz graduated from İstanbul University Law School. Active in business since 1996, Yılmaz received his finance education at University of Toronto between 2000-2002. With an MBA from Koç University, he started his banking career at Dışbank in 2003. He served as Director of Legal Affairs at Fortisbank A.Ş. and as a member of the Board and Legal Counsel at Societe Generale Turkey. Yılmaz joined QNB Finansbank A.Ş. in 2016. Appointed as Chief Legal Counsel in May 2018, Yilmaz serves as Executive Vice President since January 2020.

Burçin Dündar Tüzün
Executive Vice President

Tüzün completed her undergraduate study in Civil Engineering at the Engineering Faculty, Middle East Technical University in 1997 and her Master's in business administration at Bilkent University Business Administration Faculty in 1999. She started her banking career as assistant auditor at Finansbank A.Ş. Internal Audit Department in 1999, joined the Corporate Credits Allocation Department in 2005 and served as corporate credits manager, division manager and department manager. She was appointed Corporate and Commercial Credits Director responsible for Corporate, Commercial and Structured Finance Credits Allocation in 2016. Tüzün additionally took Credits Monitoring and Financial Institutions Credits Management responsibility in 2018. Since December 2019, Tüzün serves as Executive Vice President.

Cenk Akıncılar
Executive Vice President

Born in 1973, Akıncılar graduated from the Mathematics Department of the Faculty of Science and Literature at Eskişehir Anadolu/Osmangazi University in 1996. He worked as the Senior Officer responsible for Salary and Industrial Relations at Human Resources Department of Pamukbank from 1998 to May 2003. He joined QNB Finansbank in May 2003. He worked as Human Resources Assistant Manager responsible for Recruitment, System Development and Projects; manager of the Organizational Development, Performance, Strategic Reporting and Revenue Management, Employee Rights and Systemic Authorization Management, then became division manager of Human Resources Management Systems and Revenue Management, Employee Rights and Systemic Authorization Management Department. Akıncılar was assigned as the Director of Human Resources in July 2018, and has been appointed Human Resources Executive Vice President in January 2019.

Cumhur Türkmen
Executive Vice President

Türkmen graduated from the Yıldız Technical University with a BSc degree in Mathematics Engineering in 1997. Starting his career as a Software Engineer with I-BİMSA in 1997 until joining QNB Finansbank in 2000. He served as Senior Software Engineer until 2005 and served as Project/Program Manager until 2010 in QNB Finansbank IT department. He started working for QNB Finansbank Business Development and Strategy Office in January 2010 as a Vice President. In August 2011, he joined Enpara.com project team in CEO Office. He became the Director in charge of Enpara.com in July 2015. As of June 2015, he has become the Executive Vice President responsible of Enpara.com at QNB Finansbank.

Derya Düner(*)
Executive Vice President

Born in 1980, Düner graduated from the School of Engineering at Bogazici University with a Bachelor of Science degree in Industrial Engineering. Between 2003-2006 at Mercedes Benz and between 2006-2007 at Pfizer, Düner undertook several positions in the fields of marketing, project management and strategy. In 2007, she joined QNB Finansbank as Retail Banking. Manager. Following various responsibilities, she acted as one of the founding executives of Enpara.com throughout its set-up. After Enpara.com's launch in 2012, she worked as the Director of Customer Management. In 2015, in addition to her existing responsibilities, she launched and ran the Customer Experience Management Office of QNB Finansbank. In January 2018, Düner founded QNBEYOND, the innovation department, and ran the department as the Director Responsible for Innovation. Düner continues her role as the Executive Vice President at QNBEYOND since January 2020.

Engin Turhan
Executive Vice President

Born in 1980, Turhan received his bachelor's degree in Economics at School of Economics and Administrative Sciences in Marmara University. Turhan obtained his master's degree in International Political Economy and Management. He began his banking career in the MT (Management Trainee) program at Finans Bank A.Ş. in 2003. After he worked in various sections in Loans Department, he went onto Project Finance and worked in specialist and managerial positions in Project Monitoring, Project Appraisal, Corporate Finance and Syndicated Loans Departments until 2005. After being appointed as Corporate Banking Structured Finance and Syndicated Loans Group Manager in 2012, he took over Derivative Products Sales and was appointed Director in 2014. Commercial Banking was added to his current duties in 2015 and he has been working as Executive Vice President in Commercial Banking and Project Finance since June 2016.

(*) Ali Yılmaz ve Derya Düner were appointed Executive Vice President in January 2020.

Enis Kurtoğlu
Executive Vice President

Mr. Kurtoğlu graduated from Electrical and Electronics Engineering Department of Bogazici University in 1999, and completed his MBA in London Business School in 2006. He served in several managerial positions in marketing and sales at Citibank Europe Turkey between 1999 and 2002 and in Citibank's Europe, Middle East and Africa Regions London Central Office between 2002 and 2006. He worked as Marketing Director in Citibank Turkey between 2006 and 2010; he joined Finansbank A.Ş. as Group Manager in charge of Retail Products in 2010. He served as Mass Banking Director between 2012 and 2014 and as Director of Mass Banking and Direct Sales from 2014 to May 2015. Between May 2015 and June 2016, he was the Executive Vice President in Consumer Banking. He has been working as Executive Vice President in Consumer and Private Banking since June 2016.

Erkin Aydın
Executive Vice President

Aydın graduated from Bogazici University with a BS degree in Civil Engineering and received his MBA degree from the University of Michigan Business School. Starting his career in the US, he undertook Business Development Associate, Project Engineer and Project Manager roles in various projects. In 2002, he joined McKinsey & Company in Istanbul where he provided consultancy to various Turkish and global financial institutions in the fields of strategy, marketing and mergers and acquisitions. He joined QNB Finans Bank A.Ş. in 2008, and was appointed Executive Vice President of Consumer Banking in May 2011. In September 2017, Aydın was named Executive Vice President of Retail and SME Banking.

Ersin Emir
Chief Audit Executive

Mr. Emir graduated from Department of Business Administration, Middle East Technical University in 1994. He received his Master of Science degree in Organizational Psychology at the University of London in 2011. He started his banking career as Assistant Internal Auditor at İş Bankası in 1995. Joining Finans Bank in 1998, he took over the duties of investigations, branch and head office audits as well as various administrative responsibilities in Internal Audit Department between 1998 and 2004. Mr. Emir was promoted to Deputy Chief Audit Executive position in 2004, and continues his assignment as Chief Audit Executive since 2011. At the same time, he continues his Board Membership position in QNB Finans Asset Management.

Halim Ersun Bilgici
Executive Vice President

Bilgici graduated from the Faculty of Law, Ankara University in 1991, and completed his MBA at Yeditepe University in 2010. Bilgici embarked upon his career in 1992 at İktisat Bank, and served in Internal Audit, Retail Banking Marketing and Retail Loans. Then, Bilgici held the title of Consumer Marketing Coordinator at Şekerbank. Having started working in Loans Department at Finans Bank A.Ş. in 2003, he was appointed Executive Vice President in Retail Loans in October 2013. Since July 2016 he has been working as the Executive Vice President in Retail and Medium Sized Enterprises Loans.

Köksal Çoban
Executive Vice President

Çoban received his bachelor's degree from the Business Administration Department of Middle East Technical University, Ankara in 1990. He completed his MBA at Cass Business School in London. He worked at Türk Eximbank and Demirbank between 1990 and 1997. He joined Finansbank in 1997 and served as the International Markets Group Manager from 1998 to 2000. Assuming a number of managerial posts in the Treasury Department thereafter, he was appointed the Executive Vice President of Treasury in August 2008. He was given the responsibility of International Banking Division in April 2018 and has been the Executive Vice President of Treasury and International Banking Divisions since then. He also serves as a Board Director of QNB Finansinvest and QNB Finans Asset Leasing companies.

Mehmet Kürşad Demirkol
Executive Vice President

Graduated in 1995 from the Department of Electrical and Electronics Engineering in Bilkent University as valedictorian, Demirkol received his M.Sc. and Ph. D. degrees at Stanford University. He worked as Associate Application Engineer at Oracle - Redwood from 1996 to 1997 and Research Assistant at the Stanford University from 1997 to 1999. He served as Senior Associate at the Atlanta and Istanbul offices of McKinsey&Company between 1999 and 2003. He worked as the Group Head of Business Development and Strategy Department at Finans Bank A.Ş. between 2004 and 2005, and worked as Executive Vice President of IT and Card Operations at Finans Bank A.Ş. Russia in 2005. He served as Business Development and Marketing Director at Memorial Healthcare Group from 2005 to 2007 and as the Head of Information Technologies at Vakıfbank in 2007; he then was appointed Chief Information Officer and became the Chief Operation Officer in 2008 at Vakıfbank. In the same year, Operations and ADC responsibilities were also assigned to his position. He started working as Executive Vice President at Finans Bank A.Ş. in August 2010, and since November 2011 Mr. Demirkol has been working as Executive Vice President in charge of Information Technologies, Operation and Channels & Business Development.

Murat Koraş
Executive Vice President

Koraş graduated from the Industrial Engineering Department, Bogazici University in 1999 and completed his MBA in Ozyegin University. He was assigned as a specialist at Finans Bank A.Ş. between 1999 and 2001. In 2004, he was assigned as Assistant Manager in Aviva. He took the tasks of Strategy Office Assistant Manager, Data Mining Assistant Manager, Analytic Marketing Unit Manager and Portfolio Management and Analytics Group Manager at Finans Bank A.Ş. from September 2004 to 2012. Koraş took the Consumer Payment Systems Director position between 2012 and 2015. He has been working as Payment Systems Executive Vice President since May 2015.

Osman Ömür Tan
Executive Vice President

Tan is a graduate of the Statistics Department of Hacettepe University and received his MBA Degree at Bilgi University. Tan began work at Yapı Kredi Bankası as a Management Trainee in 1995 and joined Finans Bank A.Ş. in 1998. He served as Corporate Branch Customer Representative, Corporate Branch Manager, Head Office Key Account Management Group Manager and Corporate Banking Group Manager. As of October 2011, he has acted as the Executive Vice President for Corporate Banking. Since 2013 he has been working as Executive Vice President for Corporate and Commercial Banking. He also serves as a Board Member at QNB Finansinvest, QNB Finansfactoring, QNB Finansleasing and QNB eFinans.

Zeynep Aydın Demirkıran
Head of Risk Management

Demirkıran completed her undergraduate study at the Economics Department, Bilkent University and earned a master's degree in Economics at Georgetown University, Washington D.C. After having lectured at Georgetown University until December 1998, she worked as a specialist at the Risk Management Department İşbank between 1999 and 2002 before joining Finansbank A.Ş. in 2002. After working in various roles within Risk Management Department, Demirkıran has been working as Head of Risk Management since September 2011. Demirkıran also serves as a Board Member in QNB Asset Management.

Zeynep Kulalar
Executive Vice President

Born in 1971, Kulalar received her bachelor's degree from the Faculty of Economics and Administrative Sciences Department of Business Administration of the Middle East Technical University in 1994. She served as Portfolio Assistant Manager at Yapı Kredi Bank between September 1994-December 2002 and as Corporate Portfolio Assistant Manager at MNG Bank between January 2003-July 2005. Joined QNB Finansbank as Corporate Marketing Team Assistant Manager in July 2005, Kulalar acted as Key Customer Vice President, Corporate Banking Sales and Marketing Vice President, Performance & Foreign Trade and Portfolio Management Senior Vice President, Foreign Trade and Portfolio Management Division Manager and Corporate Banking Portfolio Management Division Manager at the bank, respectively. She was appointed as Corporate Banking Director in June 2016, and has been performing her duty as Executive Vice President since December 2019.

About QNB Finansbank

Vision, Mission and Values

VISION

Being the architect of every individual and commercial financial plan that will catalyze Turkey’s success

MISSION

Forging lifelong partnerships with all stakeholders by understanding their needs, finding right solutions and aiming for maximum customer satisfaction

VALUES

RESPECT AND COMMITMENT

BEING "US"

LEADERSHIP

INNOVATION

QNB Finansbank in Brief and Milestones

Date	Event
1987	• Finansbank A.Ş. was established.
1988	• Finansbank A.Ş. became founding partner of Commercial Union's insurance company in Turkey.
1989	• Finansbank A.Ş. bought 90% shares of PBG Privatbank Geneve S.A., a subsidiary of UBS in Switzerland, and renamed it as Finansbank (Suisse) S.A.
1990	• Bank's shares quoted on İstanbul Stock Exchange (İMKB). • Stepped into the leasing sector by founding Finans Leasing A.Ş. • Finans Foundation, giving scholarships to successful university students with limited financial means, was established.
1991	• Participated as 20% shareholder to Banque du Bosphore, established in France.
1992	• Stepped into factoring sector by founding Fiba Faktoring A.Ş.
1994	• Established Finansbank (Holland) N.V., in Amsterdam.
1995	• Approximately 150 branches were opened between 1995-2003 pursuant to resolution to conduct retail banking. • Being among the 5 pilot banks selected, Finansbank became the first bank globally to put into force Reuters Mail System.
1997	• Its investment banking activities were transferred to a newly established brokerage company Finans Yatırım A.Ş. • Finans (Moscow) Ltd its subsidiary bank in Moscow, started its operations.
1998	• Secondary Public Offering of the Bank took place through the issuance of Global Depositary Receipts (GDRs) which were listed in London Stock Exchange. • Established Finans Leasing S.A. in Romania. • Moved its HQ to Esentepe, Istanbul. • Received ISO 9001 Quality Certificate.
1999	• Launched its mobile banking application. • Issued Galaxy Card, the first credit card with installments that combined the features of credit cards and shopping cards.
2000	• Bank purchased Banca de Credit Industrial si Commercial S.A. based in Bucharest and changed its name to Finansbank (Romania) S.A. • Completed the establishment of a significant investment i.e. the Operations Center in Umraniye, Istanbul.
2001	• Sold its shares in Commercial Union Insurance and Commercial Union Life Insurance to CGU International Insurance Plc. • Established Finans Insurance.
2002	• Completed and activated Core Banking Project that enables renewal of all IT systems of the Bank. • Renamed GalaxyCard as CardFinans.
2003	• The Bank's number of branches reached 150 and number of employees reached 3,928.
2004	• Finansbank became the fifth largest bank in Turkey in terms of consolidated assets. • Finansbank became the first bank to obtain a first subordinated loan from the international markets.
2005	• Bank's number of branches reached 208. • Obtained the highest amount of uninsured securitization loan by a Turkish bank.
2006	• NBG became a 46% shareholder of Finansbank. • At the year end, the number of branches reached 309.
2007	• Finans Emeklilik was founded. • Bank's number of branches increased to 411.
2008	• Opened Erzurum Operation Center. • Established Finans Tüketici Finansmanı A.Ş. for consumer finance activities. • Bank took its place among the 3 "Most Favorite Firms in Turkey", a research conducted by the Capital Journal for the 8th time. • NBG Group became a 94.8% shareholder of Finansbank following their purchase of shares from Fiba Holding.

Date	Event
2009	• Offered clients installments on their purchases with CardFinans Cash (debit card) as a first-time practice worldwide.
2010	• Issued Fix Card, a credit card without a membership fee and reached 300,000 sales in the first 6 months. • ClubFinans Doctors, a credit card targeting doctors in particular, reached approximately 1/3 of all doctors in Turkey with 47,000 customers in the first 8 months. • As a first-time facility from European Investment Fund (EIF) SMEs received significant support in overcoming their collateralization problem. • As a first-time practice in the sector, CardFinans Vadekart offered owners of enterprises opportunities which decreased the use of checks and bills.
2011	• Initiated "Bizce Mümkün" growth program in June.
2012	• Opened a Call Center in Erzurum. • Fully renovated www.finansbank.com.tr internet banking site in line with changing needs of clients with a TL 12.5 million investment in technology. • Cigna, one of the biggest health and life insurance firms in the US, purchased 51% of shares of Finans Emeklilik. • Signed a 15-year agency contract with Sompo Japan Insurance, one of the biggest insurance companies worldwide. • As a first-time practice in Turkey, features of a debit card and a credit card were combined in Fix Card. • Established Enpara.com, the first digital banking platform in Turkey.
2013	• Established eFinans.
2014	• A syndicated loan with the highest amount in the history of the Bank was obtained from international markets. • "Basemap" project, geared towards increasing service quality, ranked second in sales efficiency innovation category in EFMA one of the most prestigious innovation competitions in the finance sector.
2015	• Established a social responsibility platform focused on children namely Tiny Hands Big Dreams (MEBH). • Finansbank won a total of 9 awards in 4 categories, 3 of which being first places, in Bonds and Loans Turkey which is considered to be the Oscars of the finance sector. • An agreement was signed for the sale of Finansbank by NBG to Qatar National Bank.
2016	• Purchase of Finansbank by Qatar National Bank was completed and the trade name of the Bank was changed to QNB Finansbank. • Following transfer of all shares of the consumer finance company to QNB Finansbank, the name of the firm was changed to Hemenal Finansman and the company started its operations.
2017	• QNB Finansbank celebrated its 30th anniversary. • As a first in the Turkish finance sector, 4 case studies (in 1994, 2006, 2015 and 2017) were made by Harvard Business School on QNB Finansbank's successes.
2018	• QNB Finansbank and Turkish Airlines signed a cooperation agreement for a five-year period in order to issue Miles&Smiles Credit Cards to Turkish Airlines (THY) members as a part of the Turkish Airlines' frequent flyer program. • Fincube Incubation Center and Acceleration Program has been initiated in order to develop future banking Technologies and Support innovative initiatives.
2019	• Through the syndication agreement signed in December 2019, we became the first and only Turkish bank granted a three-year syndication facility since 2016. • QNB Finansbank Call Center, Telesales Unit and SME Cloud Branch were awarded in four categories at Stevie International Business Awards. • To prepare SMEs for digital transformation, QNB Finansbank launched the Digital Bridge Project with the SME e-Transformation Package. • Fincube, launched as an innovation lab by QNB Finansbank to reinforce entrepreneurs and creative projects, while creating the future-ready fintech applications, transformed into a global brand with a new title, QNBEYOND.

QNB Group at a Glance

We are proud to be a part of the QNB Group, a strong and highly-rated bank, with a growing international footprint. Established in 1964 as the first Qatari-owned bank, QNB is the leading financial institution in the Middle East and Africa (MEA). QNB Group today is present in more than 31 countries spanning across three continents, with more than 29 thousand employees serving 25 million customers. Proud of its Qatari heritage, QNB Group contributes substantially to the region and beyond.

Businesses of QNB Group

1. Wholesale and Commercial Banking

Offers a comprehensive suite of wholesale and commercial banking products and services, including structured finance, project finance, transaction banking, financial institutions, treasury, investment banking and advisory services.

2. Asset and Wealth Management

Provides a powerful collection of onshore and offshore private banking and asset management products, with a bespoke relationship-driven approach for its institutional, high and ultra high-net worth clients. These offerings are complemented by brokerage and custody services in its major presence markets.

3. Retail Banking

Offers a broad array of retail banking products and services across a multichannel network, with more than 1,113 branches and an ATM network of more than 4.3 thousand machines (including those of its subsidiaries and associates), and also premium banking services, designed for affluent clients, through QNB First and QNB First Plus.

4. International Banking

Focuses on connecting the network to the Head Office, expanding QNB's global presence and enabling international cooperation, consistency and unrivalled customer experience by providing oversight of and sharing best practice among its international operations.

Key Financial Indicators 31.12.2019

Assets	USD 259.5 bn
Net Profit	USD 3.9 bn
Net Profit Growth	4%
Earnings per Share	USD 0.4 (QR 1.45)
Capital Adequacy Ratio	18.9%

Credit Ratings

Standard&Poor's	A (Outlook: Stable)
Moody's	Aa3 (Outlook: Stable)
Fitch	A+ (Outlook: Stable)

Subsidiaries and Associates

Name	Stake (%)
QNB Finansbank (Turkey)	99.88%
QNB ALAHLI (Egypt)	95%
QNB Indonesia	92%
QNB Tunisia	99.99%
QNB Syria	51%
QNB Suisse (Switzerland)	100%
QNB Capital LLC (Qatar)	100%
QNB Financial Services (Qatar)	100%
Mansour Bank (Iraq)	54%
Commercial Bank International (CBI) (UAE)	40%
Housing Bank for Trade and Finance (HBTF) (Jordan)	35%
Ecobank Transnational Incorporated (Ecobank) (Togo)	20%
Al Jazeera Finance Company (Qatar)	20%

Shareholder Structure

Shareholder Structure

	Capital (TL thousand)	Share (%)
Qatar National Bank (Q.P.S.C.)	3,345,892	99.88%
Others	4,108	0.12%
Total	**3,350,000**	**100.00%**

Key Financial Performance Indicators

(mn TL, unconsolidated)	2015	2016	2017	2018	2019
Net Loans	57,273	62,923	82,683	94,018	110,683
Deposits	48,566	53,939	67,641	87,090	105,626
Shareholders' Equity	9,024	10,126	12,155	14,572	16,685
Total Assets	85,727	101,503	125,857	157,416	181,681
Net Interest Income (*)	3,145	3,786	4,276	5,666	5,863
Net Fees and Commission Income	1,314	1,363	1,686	2,140	2,691
Net Profit	706	1,203	1,603	2,410	2,622
Return on equity (%)	8.0%	12.7%	14.3%	18.1%	17.1%
Capital Adequacy Ratio (%)	15.4%	14.5%	15.0%	15.4%	15.7%

(mn TL, consolidated)	2015	2016	2017	2018	2019
Net Loans	59,618	66,074	88,286	100,377	116,749
Deposits	48,311	53,865	67,543	86,826	105,500
Shareholders' Equity	9,405	10,304	12,428	14,603	16,765
Total Assets	88,049	104,326	131,195	163,500	187,526
Net Interest Income(*)	3,269	3,964	4,521	6,022	6,280
Net Fees and Commission Income	1,387	1,445	1,783	2,252	2,824
Net Profit	680	1,238	1,772	2,573	2,865
Return on Equity (%)	7.6%	10.1%	10.1%	18.4%	18.4%
Capital Adequacy Ratio (%)	15.5%	14.3%	14.5%	14.8%	15.2%

(*) After swap expenses.
(**) Includes leasing and factoring receivables.

International Credit Ratings

Fitch Ratings

Long Term FC Issuer Default Rating	B+
Long Term LC Issuer Default Rating	BB-
Short Term FC Issuer Default Rating	B
Short Term LC Issuer Default Rating	B
Long Term National Rating	AA (tur)
Viability Rating	b+
Support Rating	4
Long Term Senior Unsecured Debt Rating	B+
Short Term Senior Unsecured Debt Rating	B

Moody's

Long Term FC Deposit Rating	B3
Long Term LC Deposit Rating	B1
Short Term FC Deposit Rating	NP
Short Term LC Deposit Rating	NP
Baseline Credit Assessment	b3
Adjusted Baseline Credit Assessment	b1
Long Term Counterparty Risk Assessment	Ba3 (cr)
Short Term Counterparty Risk Assessment	NP (cr)
Long Term FC Senior Unsecured Debt/Issuer Rating	(P) B1
Long Term LC Senior Unsecured Debt/Issuer Rating	**(P) B1**

Capital Intelligence

Long Term Foreign Currency Rating	BB-
Short Term Foreign Currency Rating	B
Financial Strength Rating	BB+
Support Rating	2

Assessment of the Bank's Financial Position, Profitability and Solvency

QNB Finansbank's above-market growth in recent years continued in 2019.

In line with the Bank's plans regarding increasing the client base by focusing on banking activities, net loans increased to TL 110 billion 683 million. The total number of branches was 525 by December 31, 2019, with 523 domestic, one off-shore (one on December 31, 2018) and one airport branch (one on December 31, 2018) located at the Atatürk Airport Free Zone.

Assets

The Bank maintained its customer-oriented activities during year 2019 and continued to grow both in retail and non-retail loans. While total net loans realized at TL 110 billion 683 million with a rise of 18%, total assets increased by 15% and reached TL 181 billion 681 million. In 2019, the Bank also increased the securities portfolio by 34% benefiting from favorable investment yields and supported balance sheet growth.

Liabilities

In line with this growth in assets, QNB Finansbank continued to increase its deposits in a balanced manner. Total customer deposits of the Bank increased by 20% and reached TL 100 billion 219 million and shareholders' equity increased by 15% and reached TL 16 billion 685 million.

Profitability

Net interest income including swap cost reached TL 5 billion 863 million with a limited increase as NIM slightly retreated from a high base in 2018 due to higher TL funding costs in 2019 and lower contribution from CPI linkers following decreasing inflation. Net fees and commission income increased by 26% and reached TL 2 billion 691 million. Profit before tax of the Bank amounted to TL 3 billion 180 million and the net profit was TL 2 billion 622 million.

Solvency

Due to its strong capital structure and high shareholders' equity profitability, QNB Finansbank has a sound financial structure.

Bank has utilized its capital efficiently for its banking activities and has maintained its profitability of shareholders' equity. When taking into consideration of its funding structure; beside large deposit base that QNB Finansbank has also funded its loans by using long-term external sources. The Bank utilized cost advantage due to benefiting from such various funding resources and at the same time minimized risks due to maturity mismatch of assets and liabilities. Being a major player in the Turkish financial markets, QNB Finansbank with its strong financial structure also proves its credibility through its high ratings that it received from the independent credit rating agencies.

Operations in Year 2019

Corporate and Commercial Banking

QNB Finansbank Corporate and Commercial Banking provides value added services to its customers with its customer centric approach and unique service model that aims to offer more productive and effective solutions by developing long lasting and strategic relationships with them.

In this respect, Corporate and Commercial Banking's highly qualified sales team provides services to leading corporate conglomerates, commercial companies and multinationals with the sole purpose of value creation for its clients and supporting their sustainable business growth.

Corporate and Commercial Banking continued to strengthen its market position, growing more than twice compared to the sector in cash loans as at December 2019. Besides maintaining its sustainable loan growth, Corporate and Commercial Banking continued to increase its client base. Meanwhile, the business line continued to preserve its asset quality with its prudent risk management practices and timely risk monitoring initiatives, thanks to its risk adjusted return-oriented credit policies and revised credit decision framework.

As a member of QNB Group, the leading bank in MENA Region, Corporate and Commercial Banking also provides services and solutions to the companies that trade in the geographies where QNB Group operates thanks to its widespread correspondent banking network, strong international relationships and financial standing. For many years, Corporate and Commercial Banking has been working closely with leading multinational companies, operating in Turkey. It's the main focus and specialty of Corporate and Commercial Banking to provide the best and fastest service quality with applicable solutions to its clients for their local and international financial banking needs.

QNB Finansbank Corporate and Commercial Banking focused on exporters in 2019 and continued to support them in their foreign trade transactions. In this aspect, QNB Finansbank formed new strategic partnerships with Turk Eximbank via "Women Entrepreneurship Loans" and "Eximbank Buyer's Credits" programs. Thereby, QNB Finansbank has effectively increased its exports market share to 7.1% and its cumulative foreign trade market share to 6.7% as of November 2019.

QNB Finansbank has also increased its market share in collection and payment cheques to 5.8% and 5.9%, respectively as in December 2019. Through Direct Debit System, QNB Finansbank realized 15% increase in transaction volumes and 38% rise in dealers' total allocated limits as in December 2019.

In addition to traditional cash management and foreign trade products, QNB Finansbank also provides alternative financial solutions to its clients. Besides, meeting financial needs of its clients via CBRT Pre Shipment and Post Shipment Rediscount Credits, Eximbank Credits and ECA Credits, QNB Finansbank also eases its clients' trade operations via its digital platform Foreign Trade Commercial Internet Banking Menu. By using this menu, 16% of foreign trade customers have realized their foreign trade banking transactions fast and practical without visiting a branch.

In 2019, QNB Finansbank continued to introduce new products. In this regard, The Bank joined SWIFT GPI, the global payment mechanism, which delivers speed and transparency to cross-border payments, enabling clients to monitor the status of their transactions from beginning to end.

QNB Finansbank Corporate and Commercial Banking continued to participate in the financing of projects that supported Turkish economic growth and development in 2019. As in June 2019, QNB Finansbank Corporate and Commercial Banking share in the Turkish project finance market has increased by 32% on an annual basis in local currency, which was significally higher than the overall market growth. In this respects, according to The Bank Association of Turkey statistics, QNB Finansbank project finance market share has increased from 4.8% in 2018 to 5.7% as in June 2019. Throughout 2019, Corporate and Commercial Banking has allocated USD 676 million credit limits to 32 projects that had significant importance for Turkey's growth. These financed transactions nominated for awards in 13 categories by international finance institutions such as EMEA Project Finance EMEA region, IFN (Islamic Finance News, PFI, IJ Global and Bonds & Loans Turkey in 2019.

While Corporate and Commercial Banking continues its steady and consistent loan growth, it manages its cost structure, effectively. Corporate and Commercial Banking aims to preserve a high operating efficiency through developing new digital solutions and investing in innovative products and service models. In 2019, QNB Finansbank Corporate and Commercial Banking dedicated its efforts to maximize online customer experience via digitizing operational processes and opened its mobile banking application to the use of commercial customers.

In 2019, QNB Finansbank has developed an unrivalled e-transformation package to prepare SME and Commercial clients for their digital transformation process and launched its new digitalization initiative called "Digital Bridge". QNB Finansbank has offered e-Transformation package for free to its commercial companies with annual turnover up to TL 300 million until 2022. Through the newly established digital transformation department, QNB Finansbank makes alliances with fintechs and other third party solution providers to help our clients reach the digital age via our "Digital Bridge" and assist them by providing a centralized portal to meet and manage daily needs of its clients.

Corporate and Commercial Banking has dedicated its focus on developing value added solutions to its clients by working in synergy with all related subdivisions and bank affliates. In this respect, the main goal of is to become the most preferred main bank of all serviced clients in the financial sector, based on its intimate, long-term business partnership strategy.

SME and Agricultural Banking

QNB Finansbank SME and Agricultural Banking is composed of three main service channels, namely, Medium-sized Enterprises, Business Banking and Sectoral Banking. Enterprises with an annual turnover of TL 6 million are served through the Business Banking channel, and enterprises with an annual turnover of TL 6-60 million are served through the Medium-sized Enterprises Banking channel. All firms operating in tourism and agriculture, independent of their turnover levels, are served through Sectoral Banking.

QNB Finansbank SME and Agricultural Banking continued to support SMEs, seen as the lifeline of the economy, with approximately 1,500 employees at more than 500 branches, thanks to projects it has brought to life and a high level of focus. SME loans comprise approximately 30% of performing loans, and QNB Finansbank increased its share in the SME loans market by outgrowing the market.

QNB Finansbank has grown four times in SME loans since 2012, and continued its growth in 2019, while successfully managing its risk by close monitoring.

2019 has been a year when deposits were more in focus for QNB Finansbank SME and Agricultural Banking, which resulted in a 35% increase in total SME deposits compared to 2018.

Investment in out-of-branch channels was a priority for QNB Finansbank in 2019 for clients to complete all banking transactions in a swift and efficient manner, without paying a visit to physical branches. SMEs were offered such ease and comfort through "SME Easy Line", serving SMEs only and offering instantaneous and professional support, allowing SMEs to carry on transactions on the phone. QNB Finansbank internet and mobile branches, specifically designed with SMEs in mind, continued to offer services with newly added functions. In addition, in "Financier 360" Project, initiated in 2018 and planned to be carried out in regular intervals, QNB Finansbank SME and Agricultural Banking portfolio managers have been extensively trained in providing 360-degree services and financial consultation. Also, "Business in the Field" Project, initiated in 2017 and further carried on in 2019, allows Business Banking portfolio managers to carry out all banking transactions on their tablets, including account opening, loan application, loan extension and POS demands, during their visits to client workplaces. In addition, QNB Finansbank is offering SMEs privileged total solutions with its Digital Transformation Project. QNB Finansbank has launched its Digital Transformation Project in September 2019 to aid its clients in both banking and non-banking needs. This project provides free products such as E-Invoice, E-Ledger, E-Archive, E-Waybill for clients. Client visits increased by 50% compared to 2018. Client visits are aimed at becoming a more responsive bank giving the timely and proper support to clients when need arises.

Aiming to bolster SME power by siding with clients in global competition, QNB Finansbank provides training and consultancy in foreign trade issues. By placing itself close to clients organizationally, QNB Finansbank provides its expertise in foreign trade. Allowing clients to carry out foreign trade transactions via the internet branch leads QNB Finansbank clients swift and easy access through all channels. 2019 has been a year when focus on foreign trade was more on export clients, resulting in a 22% rise in export volumes compared to 2018.

With client comfort a priority, QNB Finansbank offers "Comfortable Deal" varieties, allowing clients to carry on all banking transactions by paying a single annual fee. Increasing types of Comfortable Deals in 2019 has allowed QNB Finansbank to reach approximately 100 thousand such clients. The increase in the number of such clients is a sure sign of the focus of being next to clients as "Financier" and increasing number of clients.

Real Estate Financing

QNB Finansbank realizes real estate financing with an expert team, with the aim of supporting the construction sector, a key sector in the economy. Project-based and customized financing models are provided to firms active in build-and-sell as well as urban transformation, additionally offering solution partnerships by closely monitoring market developments.

In addition to finance solutions for firms, individual clients interested in purchasing housing in these projects are also supported through campaigns and opportunities in customized payment plans.

QNB Finansbank has offered special terms and project-based finance models to more than 200 real estate firms in 2019.

In 2020, QNB Finansbank shall continue to closely monitor sectoral developments, follow up its innovative efforts and provide customized finance solutions, focused only on the build-and-sell sector.

Tourism Banking

Regarding the strategically important tourism sector, QNB Finansbank determines sectoral needs thanks to its customized organizational construct and provides services and products by sector-specific finance models.

Within the activities of the Ministry of Tourism, QNB Finansbank provided in 2019 an approximate amount of TL 1.7 billion in loans through the firm- and project-specific finance models, with special terms and securities.

QNB Finansbank, keen on providing the expert touch necessary in different sectors, brings customized solutions to the tourism sector.

Agricultural Banking

Firmly believing in the strategically significant agriculture and husbandry sector, QNB Finansbank serves the sector with 180 employees, most of whom are agriculture engineers, in 120 branches. With variable services depending on activity and location, and efficient service with wide range of products befitting sectoral dynamics, QNB Finansbank's number of clients reached 185,000 and agriculture loans realized more than TL 2.4 billion.

In order to promote modernization and nosiness models befitting economies of scale, QNB Finansbank offers terms up to 10 years and payment conditions in line with project finance, in investment loans. At the same time, it mediates in European Union Instrument For Pre-Accession-Rural Development (IPARD) Projects. QNB Finansbank promotes certification-grade agricultural production for ensuring the producer as well as the consumer to access quality goods. It offers encouraging funding opportunities with favorable interest rates and payment schemes, directed toward organic agriculture and agriculture practices.

TarımKart, a loan product with a once or twice a year repayment period in line with harvest periods of farmers, was renewed in September 2018. The renewed product offers farmers a non-interest period of up to 6 months at TarımKart-certified POS machines on purchases of agricultural inputs, installment loans available at ATMs with terms up to 2 years, and automatic payment of Social Security (SGK & Bağkur) premiums. At the same time, QNB Finansbank TarımKart, a payment product using the infrastructure of Direct Debiting System (DDS), offers a safe purchasing environment with no billing issues, securing debts of suppliers of goods such as seed, food, gas and agricultural pesticides.

In addition, QNB Finansbank shall continue to bring services and products to clients in order to contribute to developments in agriculture and husbandry.

Consumer, Affluent and Private Banking

In the year 2019, QNB Finansbank Consumer Banking focused on product and infrastructure developments in all channels in order to serve its clients through the fastest and easiest way and to keep its customer satisfaction at the highest level. In the Consumer Banking world, QNB Finansbank continued to make outstanding improvements to offer its clients the right products and services at the right time in line with the motto “QNB Finansbank is always there for you”. In this direction, QNB Finansbank provided appropriate credit and cash flow products to its clients in need of cash and continued to offer a wide range of deposit & investment products to its clients, who want to invest their savings.

In 2019, QNB Finansbank continued to provide services with a total of 525 branches. In addition to the substantial investments made in human resources in order to provide the services provided in the branches in the best way, it has also completed the digital transformation and “paperless banking” improvements in all branches. As a result of the digital transformation in the branches, customer satisfaction has been increased and branch efficiency is aimed to be enhanced. In 2019, the digital approval flow, which enables Retail Banking clients to save time in their transactions carried out in branches and to protect nature, continued to be offered in all QNB Finansbank branches. In 2019, 94% of the transactions carried out by the clients at the branch were carried out without paper with the digital approval flow. In 2019, due to the increase in smartphone ownership ratio and change in branch usage preferences of the Retail Banking clients, QNB Finansbank mobile branch continued to make significant infrastructural improvements. Thanks to the customer and experience-oriented product and service improvements, the Consumer Banking digital active client ratio increased to 58.5%. In addition, the financial intelligence Q, which was launched in 2019 and added to the Mobile Banking, aimed to meet the banking needs of Bank clients with a new digital tailor-made financial assistant and to enrich personal banking experiences of the clients

In 2019, infrastructural improvements had been made for consumer loans and overdrafts so that Bank clients’ needs can be met in an easy and efficient way. Moreover, the focus was on acquiring new clients, improving non-branch channels and increasing product penetration. By designing a new product for “New to Credit” clients and integrating this new product to digital channels, the acquisition rate has improved and the drop rate has decreased, thus having a positive effect on the total loan volume.

For QNB Finansbank’s salary clients and civil servants, a new product was designed. And through marketing activities on the target group, client penetration has increased. Throughout 2019, the integration of the new products to digital channels increased the range of products, thus providing a better experience and suiting the needs. In addition, thanks to the portfolio activities that aimed to increase the Call Center loan volume and improve the success rate of the promotions, Call Center channel has provided more loans than ever. Furthermore, the “Alo Kredi” Call Center line was created to improve the loan application journey and experience, where clients can apply or get information easily without waiting.

In 2019, in order to continue offering the current deposit products conveniently and rapidly, products and services were enhanced and developed on all channels, in accordance with clients’ needs. As of 2019, “Savings Account” product, which offers the features of both demand account and time account together to enable clients to evaluate their savings, has been launched on the mobile branch channel. By this enhancement, clients were offered the opportunity to start saving instantly from the mobile channel.

In addition to the saving accounts, clients continued to have the opportunity to invest their savings with various products such as; “Flexible Time Deposit” which allows clients to withdraw a portion of their deposits without breaking maturity term and still earn interest on the amount withdrawn and “Payroll Account” that gives interest income every month as a second salary and offers the advantage of long-term investment, while providing the opportunity to account holders to use their interest income monthly.

The investment products that QNB Finansbank serves are compatible with market conditions, client return and risk preferences. Thanks to the expertise of QNB Finans Asset Management and QNB FinansInvest, QNB Finansbank continues to serve its products; investment funds, private sector bond, commodity, domestic and foreign common stock and futures market products. Like 2018, QNB Finansbank diversifies its product range also in 2019. Variable Interest Rate TL Deposit Account and Inflation-Indexed TL Deposit Account have been developed to incentivize TL savings for the clients, who want to invest their savings. In 2019, a large number of bonds are issued by QNB Finansbank. In addition to these bonds, the Turkish Lira Overnight Reference Rate indexed bond has been issued. In order to allow investments held outside the banking system to contribute value-added to the Turkish economy, QNB Finansbank participated in the gold collection processes. Within this scope, the physical gold delivery system has been started to encourage clients. Thanks to the expertise of QNB FinansInvest and QNB Finans Asset Management, client assets are managed in line with their respective investment profiles. In the QNB Finansbank’s asset management approach, the target of first priority has always been to add value through a professional portfolio management perspective.

2019’s agenda in individual insurance was the acceleration of segment targeted strategies and new product development in line with client needs. Intending to increase the client base and meet the demands to offer top-end client experience for higher customer satisfaction, QNB Finansbank started to offer new tailored products that designed in active collaboration with Cigna Finans.

QNB Finansbank offered Cigna Finans’ personal accident insurance packages which offer a wide-ranged check-up service and additional selectional healthcare services, meeting the demands of different client segments. To widen QNB Finansbank’s product range in 2019, FX Return of Premium Life Insurance designed and launched for the clients who want to invest in foreign exchange. Personalized policy tracking system designed, which gives QNB Finansbank the ability to predict client needs and generate customized offers. QNB Finansbank went one step closer to be a one-stop-shop for a client with this designed tracking system.

In a world that becomes more and more digitalized every day, cyber risks are more common than ever before. To address this, a digital security insurance product of Sompo Insurance, was added to the Bank's product range, allowing QNB Finansbank clients to guarantee against potential risks.

In 2019, all the QNB Finansbank branches offered clients the ability to send and receive money in more than 200 countries with Western Union quickly, easily and securely. While Western Union transactions continued to support QNB Finansbank branches in terms of gaining new clients and cross-selling, the Bank offers clients the opportunity to carry out their transactions 24/7 with the opening of the transactions to the individual mobile banking channel as a sector pioneer. With the digitalization of Western Union transactions in QNB Finansbank branches and individual mobile branches, customer satisfaction was increased and the Bank commission income was positively affected.

In 2019, within the scope of the support of Turkish sports, QNB Finansbank's sponsorship agreements with Trabzonspor Soccer team and Fenerbahçe Men's Basketball team have been extended for three more seasons. QNB Finansbank's sponsorship will continue as arm sponsorship with Trabzonspor and back sponsorship with Fenerbahçe Men's Basketball Team. In these terms, promotions for existing clients and brand communication activities have been continued for both major communities. Especially, CardFinans Trabzonspor and CardFinans Fenerbahçe credit card products were highlighted to conduct product promotions and portfolio activities through Bank's and Clubs' channels.

In salary payments and retiree pension payments, QNB Finansbank continued to focus on client acquisition in targeted segments. QNB Finansbank has taken an active role in mediating the payment of staff salaries of leading international companies in Turkey.

In 2019, Consumer Banking launched a new program called "Select" for upper mass client acquisition. This program aimed to increase the number of clients in the targeted segment with many banking and non-banking privileges. Select aimed to increase the experience and loyalty of clients who have TL 20,000 – 125,000 in their bank accounts and have also at least 2 automatic bill payment order from their accounts.

Within the scope of Consumer Banking, 2019 was a year in which actions were taken and implemented within the scope of the changing needs of QNB Finansbank clients and the full integration of QNB Finansbank into the digitalizing world. Consumer Banking aimed to continue systematic and structural improvements for the products and services which will enable it to increase client acquisition, satisfaction and retention.

Affluent Banking

In 2019, QNB Finansbank rebranded its affluent segment brand "Xclusive Banking" with "QNB First". QNB Finansbank's primary focus in marketing & sales activities and projects was to strengthen relationships with Affluent Segment clients and to increase their loyalty and satisfaction. Thanks to the client acquisition activities geared towards special client groups, with assets between TL 125,000 and TL 1.5 million, the number of affluent clients increased considerably. With the QNB First rebranding, Affluent Segment continues to offer its clients more global privileges. In 2019, as a part of the cooperation between QNB Finansbank and Turkish Airlines, with the "Miles&Smiles" Miles program, QNB Finansbank's QNB First clients were provided with the opportunity to earn miles at exclusive rates in their credit card spendings.

QNB Finansbank Affluent Segment clients can easily access all banking services and benefits from other special services offered by QNB First, with dedicated client relations managers and QNB First call center assistants. Through QNB First Loyalty Program, QNB Finansbank increased the retention of affluent segment clients by offering Miles/QNB First Points in addition to financial services. Affluent Segment clients with QNB First /M&S QNB First credit cards are entitled to benefits such as "Private Personal Driver", "Free Dry Cleaning", and special discount on books from the "QNB First Library". The QNB First Travel and Concierge Team started to arrange special travel packages and make front seat reservations in special events for QNB Finansbank's segment clients, in addition to its concierge services.

In 2019, QNB First Digital, which is first in its segment, began to offer a brand new mobile banking experience to Affluent and Private Banking clients. With the launch of QNB First Digital, QNB Finansbank mobile branch started to serve segment clients with a different interface and achieved to increase customer satisfaction from the very first days. QNB First Digital offers the privileges of QNB First to Affluent and Private Banking clients through a digital environment. Also, in order to enable Bank clients to track their earnings that they have gained from QNB Finansbank, "My Earnings with QNB Finansbank" screens have been developed in QNB First Digital. With QNB First Digital, a new fully digital QNB First Loyalty Program was introduced to the clients, where they could earn QNB First points or miles from banking transactions.

As a result of client acquisition actions for target groups taken in 2019, the number of Affluent Segment clients who bond the segment saving criteria which is between TL 125,000 and TL 1.5 million has increased by 23.8% on an annual basis.

Private Banking

In 2019, QNB Finansbank continued to invest in activities and projects that increase the satisfaction and loyalty of its Private Banking clients with assets under management above TL 1.5 million. In addition, QNB Finansbank took action to increase the number of Private Banking clients through the acquisition efforts aimed at target client groups in the field of Private Banking.

The savings of QNB Finansbank Private Banking clients are managed through Private Banking Client Relations Managers, who provide special services at the branch. According to the clients' risk awareness and return expectations, QNB Finansbank aimed to provide client-specific solutions. There are many different investment instruments from mutual funds to deposit products, derivative products to stocks; are offered according to clients' preferences and expectations. In the Call Center, the banking and non-banking needs of Bank clients can be met 24/7 with the services provided by separated Call Center agents for Private Banking clients.

QNB Finansbank Private Banking clients have all banking & non-banking privileges offered to QNB First clients, and more. Private Banking clients at QNB Finansbank, which set out with the motto "Banking has never been more personal..." can make free EFT transactions via internet banking and mobile branch, use the safe deposit box service with a 50% discount, have Miles&Smiles QNB Private and Private credit cards without any fee, withdraw cash of TL 10,000 from ATMs and experience other privileged banking services.

In addition to banking services, Private Banking clients can benefit from many non-banking privileges that touch their lives. As a part of the cooperation between QNB Finansbank and Turkish Airlines in 2019, with the "Miles&Smiles" Miles program, QNB Finansbank Private Banking clients were provided with the opportunity to earn miles at exclusive rates at their purchases. Additionally, QNB Finansbank Private Banking clients can experience the privileges offered to them more conveniently with the "QNB First Digital" mobile application which was launched in October 2019 and designed specifically for the bank's Affluent and Private Banking clients. Private credit cards and Miles & Smiles QNB Private cards, which are offered to Private Banking clients enable them to benefit from many privileges and prioritize them in every area of their lives. Chauffeured car service, free dry-cleaning service, free book gift, car rental service, assistance service are among those privileges.

Throughout the year, QNB Finansbank Private Banking increased its customer acquisition significantly and improved the client retention to higher levels with the projects it has developed and the value propositions it offers. As a result, the number of Private Banking segment clients increased by 36% compared to the previous year.

Quartz Wealth Management

Quartz Wealth Management provides private banking services to QNB Finansbank Quartz clients by Quartz Wealth Managers, who have long-term experience in the banking sector and are well equipped in terms of financial markets and product knowledge. Quartz clients can perform all banking and investment product transactions with wealth managers assigned to them.

In 2019, Quartz Wealth Management tried to get to know the clients closely by establishing a strong relationship based on mutual trust. In line with QNB Finansbank clients' financial expectations and targets, Quartz Wealth Management provided tailor-made financial solutions based on risk groups with wide investment options. Wealth Managers' main focus was to deliver the information and explanations to the clients on time. In 2019, Wealth Managers continued to assist the clients about reaching information about risks & opportunities, evaluating market data from all over the world, and continuously optimizing their assets in the light of all data from a global perspective.

In 2019, Quartz Wealth Management managed more than 2,500 Quartz clients and approximately TL 14.6 billion portfolio size with an 80% customer satisfaction score and 70% client retention ratio.

Enpara.com

Launched by QNB Finansbank in October 2012 as the first direct banking model in Turkey, Enpara.com offers retail and SME banking services through digital channels only (Internet, mobile, call center and ATMs), without utilizing physical bank branches as a service channel.

By attracting 555 thousand new retail customers, Enpara.com has reached a total of 1 million 815 thousand customers, achieving a 44% growth. Serving SME customers under the Enpara.com Şirketim brand,
Enpara.com reached 36,600 customers with a 92% increase.

Its deposits reached TL 14.2 billion, and on the loan side, balance reached TL 3.7 billion.

The “no annual fee” Enpara.com Credit Card, launched in December 2017, reached 455 thousand customers in two years.

With its field team visiting customers all around Turkey, its contact center team answering calls in 30 seconds, and its focus on flawless user experience and customer friendly practices, Enpara.com received numerous notes of gratitude from its customers and net promoter score was 75%.

Payment Systems

Miles&Smiles QNB Finansbank Credit Cards

As a part of the deal signed between QNB Finansbank and Turkey's flag carrier airline company Turkish Airlines, QNB Finansbank launched three new credit cards, namely "Miles&Smiles QNB Finansbank", "Miles & Smiles QNB First" and "Miles & Smiles QNB Private" in collaboration with Turkish Airline's frequent flyer programme, Miles&Smiles. Within the scope of this cooperation, Miles&Smiles QNB Finansbank credit card holders earn miles with privileged rates from their flights with Turkish Airlines and program partner airlines, their purchases from Miles&Smiles programme partners, and on Miles&Smiles QNB Finansbank credit card purchases and the campaigns these cards offer. Card holders can buy reward tickets from Turkish Airlines both for themselves and for their loved ones with their accumulated miles, shop on programme partners or shopandmiles.com, and upgrade their flight classes free of charge. In addition, Miles&Smiles QNB Finansbank credit card holders can use advance miles from QNB Finansbank mobile application and call center without waiting for earning enough miles for their flights, and they can purchase airline tickets from Turkish Airlines immediately with their advance miles, which are paid off with the miles to be earned on credit card spending's in the future.

CardFinans

CardFinans ranked among the top five brands in the Turkish credit cards market in 2019, with approximately 5,8 million cards issued and TL 7,5 billion cards turnover. In 2019, CardFinans ranked fourth in the market, with a market share of 10.76% CardFinans aims to infuse meaning into the lives of its clients with its motto being "Life is more than what you buy". Customers were presented with ParaPuan campaigns up to TL 100 on Mother's Day, Valentine's Day, Eid Ramadan, Back to School and New Year's periods.

Gift Money

This program enables CardFinans credit cardholders to make free purchases in member stores from TL 150 up to TL 1,500. With spending commitments made by cardholders in exchange for the amount of Gift Money used, clients' usage of CardFinans in their purchases within 12 to 18-month timeframe is secured. The Program includes leading brands in various sectors in addition to making unprecedented offers and has been appreciated by CardFinans users in a short period of time.

CardFinans Fix

CardFinans Fix, one of the firsts in the Turkish market of credit cards without annual card fee, has become a preferred brand.

CardFinans Retiree

Since 2014, retirement payroll account holders at QNB Finansbank are offered a credit card product, which provides discounts and advantages in pharmacies and food stores. This product has become highly favored and the portfolio continued its rapid growth in 2019, too.

New Customer Acquisition

Credit card portfolio was expanded with the use of targeted campaign offers to new customers. Digital channels increased their market shares in customer acquisition, as spot delivery card practice, which has increased its market share, enhanced customer satisfaction and productivity.

QNB First

In 2019, Xclusive credit card was rebranded as QNB First and all the services and privileges were presented under QNB First brand. Designed exclusively for QNB First banking customers, QNB First introduced special accommodation deals in global hotel chains in addition to its privileges such as QNB First Library, discounted car rental, dry cleaning and installments for Duty Free purchases.

QNB First BÜMED

QNB First BÜMED continued to offer exclusive services and privileges in 2019. Some of these privileges are free BÜMED tuition payment using Gift Money, QNB First Library, dry cleaning with discount, installments for Duty Free purchases. During summer months, cardholders also enjoy free entrance to BUMED's Burç Beach.

QNB First Doctors

Designed exclusively to serve the needs of doctors, QNB First Doctors continued to provide privileged services to cardholders. In addition to privileged services of QNB First, Doctors card offers initiatives embracing the healthcare sector, such as access to "Medical Library".

CardFinans Nurse

QNB Finansbank launched CardFinans Nurse card, a first in Turkey, in March 2013, which is offered to nurses, midwives and medical assistants. CardFinans Nurse card is a credit card, which offers ease of payment with Paypass features in addition to wide scope CardFinans features and benefits.

CardFinans Debit

CardFinans Debit continued to be the customers' card of choice, thanks to its wide range of campaigns, and ranked 7th in the Turkish debit cards market, capturing a 5.63% market share in terms of POS sales.

CardFinans Commercial Cards

CardFinans Commercial Credit Cards, designed to support cash management of business owners, represent 12.21% of the total Turkish commercial credit cards market with 565,703 cards issued. CardFinans KOBİ offers many possibilities such as payment deferrals, after-sales installments, statement deferrals and instant loans, making it possible for the users to earn while spending.

POS

In line with the growth strategy, the number of POS machines used in our merchant network reached 245.328 at the end of 2019. POS volume market share realized at 5.29% with 161.734 member merchants.

Credits

Credits Department aims to manage the quality of the loan portfolio by expert teams in compliance with credit policies set by the Bank, while increasing credit assessment quality in every stage of the loan process via developed models, systems and designed workflows.

Experienced teams are responsible for carrying out lending work cycle operations in all stages from loan application and underwriting to close monitoring and legal proceedings. This structure is also supported by the Bank's strong analytical and portfolio management organization.

In line with the Bank's principle of decentralization in management, loan underwriting and monitoring activities are carried out by the Head Office and 12 credit regions in close cooperation with the field staff. Written credit policies, credit directives and procedures enable the Bank to perform effective risk management and preserve all loan records in the Bank's corporate organizational memory.

Retail Loans (Consumer and Small Business Segments)

Loan policies and strategies are determined according to analytically driven and rational methods. Loan evaluation and intelligence processes are designed using high technology in a highly automated manner to ensure efficiency and customer satisfaction. To reach targeted quality in the portfolio, efficient portfolio management is performed using application and behavioral scorecards with high filtering capability.

The Bank aims to provide appropriate limits to right customers as quickly as possible using data obtained from the Credit Bureau, the Risk Center and other public authorities, integrated in the Bank's Retail Credit Assessment System.

Collection processes are managed quickly and efficiently with different strategies and sources (internal external agent calls, sending letters, IVN, SMS, etc.) used for different customer segments. Experienced law firms located countrywide follow collection of loans transferred to prosecution. On the other hand, central collection teams are involved in the collection process. Collection performance is monitored by using analytical methods.

Corporate Credit

Corporate Credit Management is carried out in line with the segment division (Corporate, Commercial, Small and Medium-Sized Enterprises, Project/Syndication, Agriculture, Real Estate Project Financing) by underwriting, monitoring, and legal prosecution teams who are experts in their respective fields.

The corporate credit assessment processes and credit analyses are carried out using credit rating models having high discriminatory power that are developed with analytical perspective, taking into account of size and sector of the debtor.

All customers in corporate segments are monitored closely through central information sources such as the Risk Center and the Credit Bureau, early warning systems, and behavioral scoring models. All early warning signals are evaluated on time and necessary actions are taken accordingly. The credit decision framework containing up-to-date customer financials as well as rules set supports underwriting and monitoring functions in a proper manner.

Project financing and syndication loan proposals are evaluated by specialized staff specific to the sectors, by examining the unique needs of each project and with the most appropriate financing model for each project, and the Bank has been involved in many project finance deals.

Financial Institutions Credit Management

In 2019, Financial Institutions Credit Management Division has continued to assess the risks of all domestic and international banks and to allocate limits within the framework of the Bank's credit and risk policies and by expert teams.

Treasury

Liquidity Management

The Liquidity Management Desk is responsible for managing the liquidity of the Bank while carrying out the responsibilities of the Bank vis-a-vis its customers, the CBRT and the BRSA. It aims to maintain the optimal liquidity composition in line with balance sheet evolution, growth expectations, business strategies and internal and regulatory requirements. The Desk fulfills the Bank's reserve requirement obligation and monitors the liquidity ratios enforced by the BRSA. It performs transactions in Money, Swap and Repo markets and is actively involved in deposit pricing processes.

Balance Sheet Management

Balance Sheet Analysis and Asset Liability Desks manage the risks of the Bank's balance sheet, executes funds transfer pricing, and evaluates the cost of funding. Balance Sheet Management monitors balance sheet items that have risk exposure potential, evaluates various developments in terms of risks, and executes the Bank's risk management strategies determined by the Asset and Liability Committee. The Desk uses hedging derivatives instruments for the purpose of risk aversion. In order to better implement the Bank's balance sheet strategies with respect to risk appetite and market developments, desks carry out simulations regarding various ratios, net interest income and evaluates future risks' and expectations' impact on the balance sheet.

FX and Fixed-income

The FX and Fixed Income Markets Division carries out fixed-income securities, foreign exchange and derivatives transactions. Trading limits, limit utilization and profitability are closely monitored. The Division scrupulously analyzed and successfully managed market volatility and accordingly incurred risks in 2019, contributing positively to the profitability of the Bank.

Treasury Sales

The Treasury Sales Desk, with its customized approach to customers' diverse requirements, targets continuous increase in the customer base and deal volume, while contributing to QNB Finansbank's leading position in capital markets.

The Treasury Sales Desk provides its customers with innovative derivative products as opposed to conventional products, ranging from risk management ideas to investment products including capital protected investment alternatives.

Structured Funding

The Structured Funding Division was active in tapping the international markets within 2019 outperforming its peers in terms of pricing and product diversification. The main focus in 2019 was managing costs while extending the overall maturity profile of the wholesale borrowing.

QNB Finansbank became the 1st Turkish Private Bank issuing a eurobond after the volatility of 2018's summer. The USD 500 million- 5.5 years issuance in March enjoyed the tightest coupon among the private commercial banks' senior unsecured issuances out of Turkey in 2019. QNB Finansbank became the only bank that was able to tap its Eurobond issuance in 2019 as well. The re-tap of USD 150 million, for a tenor of 5 years in July, was priced even within the Republic of Turkey's senior unsecured issuance that month for the same maturity. QNB Finansbank's debt capital markets issuances within the year attracted strong appetite from the Asian and Middle Eastern investors, thanks to main shareholder QNB's strengths in these markets.

In December, QNB Finansbank obtained a secured loan for an amount of USD 100 million and a tenor of 3 years from an international investment bank. The Bank showed its project finance loans, mainly the motorway projects, as collateral for this borrowing.

The Division succesfully managed the Bank's fiduciary deposit base by expanding it, from its USD 550 million total in the beginning of the year, to USD 823 million at the end of 2019.

Correspondent Banking

The Correspondent Banking Division, despite challenging environment, continued to strengthen its wide correspondent network by establishing new banking relations and improved the QNB Finansbank's position regarding the foreign trade transactions, procurement of short term funding, account management, international payments and treasury operations in 2019.

QNB Finansbank signed two syndicated loan agreements in 2019 for an amount of USD 200 million on May 2019 with the participation of 6 international banks and for an amount of USD 457 million inn December 2019 with the participation of 34 international banks from 19 countries. The Bank became the first and only Turkish bank to receive a 3-year syndicated loan financing since 2016. The total syndicated loan financing obtained by QNB Finansbank in 2019 amounted to USD 78.5 million and EUR 343.7 million for the 367-daytenor and USD 150 million and EUR 40 million for the 3 year tenor. Additionally, the Bank continued to support foreign trade by raising a total volume of USD 1.5 billion funding under the post financing and other trade loan structures.

Information Technologies, Operations, Channels and Business Development

Information Technologies

In line with QNB Finansbank 2019 strategies, the core banking system, Core Finans, alternative distribution channels and card payment systems have been enriched in terms of products and functions, thus rendering operational procedures more efficient.

New products and services have been offered for Enpara.com and QNB Finansbank affiliates. 140 projects by QNB Finansbank Information Technologies (IT), requested by QNB Finansbank and its affiliates, were completed, with 63,647 man-days in total, averaging 455 man-days per project. 9,145 projects requiring less than 40 man-days, requested regarding Core Finans, alternative distribution channels and card payment systems, were realized.

Since 2005, IBTech has been providing services at TÜBİTAK Marmara Research Center Technology Free Zone, with more than 700 employees. From 2018 on, it has been actively providing products and services to QNB Finansbank and its affiliates at DEPARK, the techno-park of Dokuz Eylül University, Tınaztepe Campus, İzmir and at IBTech Kristal Tower R&D Center. R&D Certificate for the IBTech R&D Center at Kristal Tower was received on November 18, 2019. R & D Center Certificate has been received in a ceremony by Republic of Turkey Ministry of Industry and Technology.

Presentations on IBTech technologies were given at conferences, congresses and seminars in activities carried out at universities, resulting in pooling of students to be assessed within the firm. A presentation titled “Innovative Process Improvement in R&D Management” was given in Irditech International R&D Innovation and Technology Management Conference organized by Okan University. Moreover, at the International Engineering and Technology Management Summit, co-organized by Istanbul Technical University and Bahçeşehir University, IBTech was the moderator at the panel titled “Project Management in the Entrepreneurship Ecosystem”

Funding support for the ITEA-3 project, within EU-supported Eureka, was received from TÜBİTAK.

2019 was a year when more resources and time was spent on innovative work, such as AI, machine learning and big data analysis, that will serve the financial sector. In addition, through improving cooperation between universities and the industry, an increase in the number of projects was realized and work directly addressing needs and geared towards development of products and services that give value added to customers and the economy, was carried out.

Significant projects have been realized in all channels in 2019.

Through R&D projects regarding software infrastructure of Core Finans, we have ensured the inclusion of our Bank in the Fintech ecosystem and increase of potential for cooperation with other institutions.

Work was started toward formation of an API passage for provision of banking services. This will allow entrepreneurial firms to produce services with high value-added to customers. Meanwhile certain applications by business units shall make use of API services to allow creation of MVP level products, thus leading to a better projection before IT development. Work towards development shall continue in 2020.

New Generation Channel Framework Development Project allowed swift reception of business unit requirements and going live easier. Through Framework virtualization at operational level will be realized, allowing commissioning of AutoScale, which leads to automatic turning on and off of adequate number of virtual providers on (dockerize) cloud. Thus, a structure shall be achieved that can function on cloud with open systems.

New Generation Channel Framework Development Project resulted in the formation of an independent vehicle for development of the branch application in a WEB based manner. Through this project framework structure gained qualities required by branches.

DevOps is a series of applications that unite software development and IT processes aimed at shortening life cycle of system development and continuous delivery through high quality software. Current global Devops practices were assessed in order to realize necessary improvements for CoreFinans software. 2020 targets include encompassing of all software.

Reorganization of user and authority management processes were provided and managed end-to-end with central identity application.

Work regarding transfer from product and channel-based to customer-based fraud control has continued. This will allow opportunities such as writing of improved rules, following customers’ past behavior, score- and risk-based follow-up.

New projects were put into practice on CoreFinans hardware infrastructure, as well. Liberty on Linux has led to increased performance as well as cost advantages.

Branch Operations Management

Cheque Acceptance Devices, whereby customers can directly deliver their cheques for inter-bank clearing, are being installed at branches. Customers can deliver their cheques with no additional assistance, using their ID or tax numbers, or their customer numbers, and receive from the device the delivery documents containing images of cheques delivered, at the end of the transaction.

Branches were relieved of documents through total centralization of customer transaction documents, agreements and collateral documents, and Branch archives were completely emptied. Documents can be tracked instantaneously via document tracking system integrated with courier firms, and be handled by Headquarters Operations unit, to be later archived

Erzurum Core Banking Operations

Regardless of the channels through which documents from official institutions requesting information and vesting orders have been received, replies thereto are being delivered digitally in line with relevant infrastructure. As of year-end 2019, 80% of monthly average of 60,000 documents are delivered automatically via Registered E-mail (KEP) to institutions. This has resulted in reduction of errors and damages as well as savings on mailing and stationery costs.

Tests regarding development of optical character reader (OCR) on Statutory

Reporting Platform, are going on, with the target being realization of process of automatic data processing regarding incoming documents via OCR or AI structures, and automation of processes.

E-foreclosure integration efforts between our Bank and the Ministry of Justice are on-going. As a result, by the first quarter of 2020, we shall be among 4 banks ready for integration with the e-foreclosure structure of the Ministry of Justice

FOMER Core Banking Operations

R&D project regarding input of cheques and notes with Handwriting Recognition Systems (ICR), has been initialized.

FX and Loans Operations

FX projects begun in 2019 will be continued in 2020. Focus on improvement of E2ESLA periods in order to increase customer satisfaction with faster service, shall be a priority. Transfer of transactions not requiring expertise, to OSDEM shall continue in 2020.

Direct Banking

In line with the strategic targets of QNB Finansbank regarding digitalization, effort for widened use of Direct Banking channels (Mobile Banking, Internet Banking, and ATMs) has been successfully continued in 2019. Product and service diversity was maintained with relevant business units, and various PR and marketing campaigns were held in order to introduce new products and to increase use thereof, all for increasing the customer base of channels, increase of customer satisfaction and to reduce workload and service costs of branches.

As a result of marketing activities carried out by the Direct Banking Marketing team geared toward gaining new customers and retention thereof, as of year-end 2019 number of active digital customers increased 14% compared to previous year and reached 3 million, and the rate of digital activity realized at 59%. 89% of the total number of digital customers prefer to use services offered only by mobile banking and do not use the internet branch.

As a result of marketing activities and ATM installations in order to direct branch customers to Direct Banking channels, share of cash transactions performed at branches has been recorded at below 10%. Only one in ten transactions, carried out in high numbers such as cash withdrawal/deposit and loan/credit card payback, is carried out at branches.

Thanks to efforts of Direct Banking Channels Service Quality Management team, the number of ATMs reached 2,947 in total, with 1,814 at out-of-branch locations and 1,133 at branches. In addition, as a result of the joint ATM use agreement with DenizBank and TEB, QNB Finansbank customers are able to use approximately 7,600 ATMs free of charge. The project, resulting from expectations of customers regarding ease of access, geographical extent and continual service, allows QNB Finansbank customers to use DenizBank and TEB ATMs free of charge 3 times a month for cash withdrawal, cash deposit and credit card payments. They are allowed free limitless query regarding account balance and credit card limit or debt.

In 2019 ATM park renewal efforts continued, with rate of recyclable ATM device at 76%, marking a 4% increase compared to last year, allowing uninterrupted service to QNB Finansbank customers, increased diversity of transactions with new functions, and saving on operational costs.

The Bank also continued to add coin-over feature to the ATMs located at the branches and made sure that each branch now has an ATM with coin-over feature.

As a result of all efforts toward development, a total of 200 million successful transactions were performed at ATM channels.

Call Center and Telephone Sales

2019 has been a year when, as always, QNB Finansbank Mobile Banking Division continued to provide swift, easily accessible and solution-oriented services. With a human resource of more than 1,000 qualified persons at Erzurum, Istanbul Umraniye and Kristal Kule, it has met 32 million voice and 1.6 million chat requests, with 59% of voice calls directed to Interactive Voice Response (IVR).

In 2019, QNB Finansbank Mobile Banking and Mobile Sales Division has continued to ensure that products are presented in line with customer needs and expectations. Outbound calls, dedicated to promotion and sales of products and services, reached 11.3 million calls.

Thanks to call analysis carried out via Call Steering technologies, transaction range offered on the Interactive Voice Response was increased, ensuring continued offering of swift and comfortable services.

QNB Finansbank Mobile Banking Division, thriving with new technologies and with processes designed in line with customer satisfaction and bank's strategies, aims to better serve customers with Speech Analytics technology.

QNB Finansbank Mobile Banking Division aims to provide faster services to its customers by improving the chat service began in 2018. Accordingly, in 2019 it has offered the Chatbot channel in order to develop the Chatbot product. This service, very much like Interactive Voice Response, allows customers to access requested services faster and easier.

In 2019, QNB Finansbank Mobile Banking Division continued to provide qualified human resources to the Bank, with 102 consultants being assigned to positions within and outside the Division.

SME Cloud team, serving Enterprise Banking customers, has made a total of 1.6 million calls, including calls of customers to branches.

Customer Solutions Center

Customer Solutions Center is in charge of recording unmet customer requests, complaints and pleas as well as ensuring that phases from solution to informing customers are realized within the determined quality standards.

In the resolution phase, possibility of other customers suffering from the same incident is accounted for, root causes are determined, corrective actions are determined and follow-up and coordination until the relevant solutions are realized, is ensured. In 2019, approximately 100 rehabilitative actions were taken.

At the Customer Solutions Center priority lies with increased customer satisfaction and service quality. Records that may be come across at point of first contact are determined, and necessary feedback is provided to channels and training is given for support. Analysis is done to determine flow changes and improvements that may make better reception rates at first contact, and such actions are taken. Improvement activities will go on in the coming period.

Business Development and Strategy

QNB Finansbank Office of Business Development and Strategy (FİGS) follows up on business processes and workloads for increase of efficiency of sales and operation processes, and of channel use; offer peer-to-peer or local solutions depending on strategies, changing needs and technological innovations; and carries out projects to realize such solutions for unique customer experience.

In 2019 regarding digital approval, begun in previous years with integration of customer product sales, new products and orders were added to the range, resulting in digital approval for 95% of all retail banking products offered at branches and 75% of banking services having become applicable. In retail customers the rate of digital approval at applicable documents is close to 92%. In the corporate section, 73% of all products and services have become subject to digital approval with the addition of Cozy Package, Insurance, Cheque Book, and Demand Account, and rate of digital approval at these products and services has reached 70%.

Easing and expediting the financial data entry processes of corporate customers was enhanced to a usage rate of around 90% as a result of uploading of financial data as provided on files by customers and improvements on automatic transfer-cleaning. In addition, automatic transfer of financial data of customers who have allowed visualization of e-books on eFinans was realized. Further improvements shall be done in 2020.

90% of business flows of work between the centralized Branch Operations unit and other central operation units have been simplified and approval steps reorganized along expertise levels. These developments reflected as 50-75% improvement in service times. Such work, to be continued in 2020, is aimed at reduction of workload of central operation teams to a great extent and more efficient use of workload by field operation teams.

As a part of the digital transformation projects, e-letter of guarantee project allowed letters of guarantee addressed to private sector parties as well as Customs Offices to be digitally prepared. In addition, undocumented export credits were automated, which allowed digitalization of closing commitment documents. Automation of undocumented export credits and E-mortgage efforts are ongoing.

Infrastructure for central e-signature for e-signing of documents requested by customers and/or legal authorities, has been formed. Pilot studies shall be carried out in the first quarter of 2020.

Work has started on use of machine-learning algorithms for faster handling of customer orders set by fax or email, which will be put in practice in 2020.

Automation of new processes were achieved in RPA studies geared toward zero-mistake, faster and higher-quality service to customers. The determined new processes shall be further developed in 2020.

Work has begun on mobile application for branch employees to more efficiently see and manage their performance. It is aimed to be completed in 2020.

Furthermore, work has been carried out and finalized during the year on processes at support units and affiliates, aimed at increased efficiency and service quality.

In 2019, a design team titled Design Studio was formed within the department, with the aim of quickening digital transformation and innovation via various design capabilities including service design, user experience design, and visual design in all sales and service channels of the Bank, with digital channels at the top of the list. The team focuses not only on web and application interface design but also on human-interaction products and areas, such as Express ATMs, which are mobile cabin-like platforms. It is a body that cooperates with all organizational units in the Bank in order to put design thinking into practice. In its first year, the team designed from scratch or redesigned numerous interactive applications, including QNB First App for private customers; Digital Treasury Platform for FX transactions; Executive Dashboard for the upper management; Mobile Target-Performance System to be used by branches; Digital Approval Platform, to be used by customers before Portfolio Managers; and mobile platforms at Express ATMs for customers to feel safe and perform transactions comfortably. Some of these have been put into practice, whereas others will be realized in 2020.

Improvements that bring forth customer experience, increase variety of transactions and render better the security infrastructure in channels such as QNB Finansbank Internet, Mobile Banking, ATM and Call Center, have been implemented.

During the first months of 2019 all customers on QNB Finansbank Internet and Mobile Banking channels were enabled to correspond with Call Center Customer Consultants via the Live Support service. Making service available on the opening page of the mobile banking application enabled customers to have ease of access to Live Support service. User numbers have steadily increased throughout the year thanks to high levels of customer experience. Due to increased number of users work was done toward automation of the system, and the structure that will automatically understand and respond to more than 200 banking transactions was realized in the final months of 2019 and was put to practice with a certain section of customers. The aim for 2020 is to widen coverage to all users.

A new application for high-income customers was prepared in the Mobile Branch and, in the second half of 2019, expanded to cover all customers. This application allows customers faster access to gains and opportunities.

In the first months of 2019 retail customers were allowed, for loan finances, to choose on the mobile branch, according to their needs, among Standard Consumer Loan, Consumer Loan with 3-month Delay, Public and FinanSalary Loan, and Loan with Increasing Installments. At the same time many studies were carried out in order to enrich various functions as a result of many different account types offered on the mobile branch.

Credit card menus were actualized on the Mobile Branch in English to support foreign customers to carry out banking transactions with ease. Work for further enriching the content of Mobile Branch in English will continue in 2020, allowing better service to foreign customers.

In the Call Center channel reasons for customer calls were assessed and many actions were taken in order to resolve issues without the need to call the Call Center or talk to a representative. Within the voice directing system of IVR, new menus reflecting customer needs were designed, resulting in increase in IVR rates and customer satisfaction.

2019 has been the scene for many activities toward increasing customer satisfaction and number of ATM functions. A significant development for increased customer was addition of cash deposit transactions to the New Generation ATM project begun in 2018. Work will further continue in 2019 in this project.

Human Resources

Human Resources Policies

Accepting the importance of human capital as the most valuable asset, QNB Finansbank has shaped its human resources policy to ensure sustainable development and increase performance by acquiring, developing and retaining new talents. Within this scope, Human Resources policy is composed of four main areas:

• **Human Resources Planning and Recruitment** manages the employer brand and work force in parallel with the needs of the Bank in order to become an employer of choice and attract the talent to the Bank, and supports the recruitment process through analysis and business development projects;

• **Performance Management** enables that success is assessed through solid and measurable criteria and creates engagement climate with a fair and transparent system by serving for performance increase of the Bank in line with individual performances of the employees;

• **Talent Management and Organizational Development** improves technical and managerial knowledge and skills of employees, retains the ones with high performance and potential; and contributes to the development of all Financiers; and

• **Engagement and Rewarding** develops policies for enhancing employee engagement and thus increases their share in success of the Bank in achieving its targets.

In the light of the foregoing, Human Resource practices in QNB Finansbank focus on the below-mentioned subjects.

Employer Brand Management and Recruitment

With workforce composed of 83% Generation Y, QNB Finansbank conducts analyses on career choices of university students; and it carries out activities in universities and social media according to the results of such analysis.

Young people are supported to step in their dreams with the help of Finans Up Career Club, Finans Career, Finans Pro, Audit Pro and Finans 101 brands. Selected as The Most Popular Career Club by university students in Most Popular Companies Survey of 2019 and becoming the first practice that brings Global Business Excellence Award to Turkey in 2013, Finans Up Career Club has a distinctive feature: The opportunity of asking for consultancy provided for students and professionals from Finans Up Society in both their professional and social lives by means of Up Society Process for Alumni. In addition to Finans Up Career Club, projects are carried out for raising awareness of university students in their career path with Finans Career, opportunities of internship are offered with Finans 101 and in Head Office with Finans Pro for the students who want to gain experience in branch management; and opportunities of employment are also provided through Audit Pro for the students who want to set off in audit field. The contribution to brand image by activities held for talent acquisition is measured through the Most Favorite Companies research conducted by Realta Company. In 2009, QNB Finansbank was the 8th favorite bank with a rate of 4.8%, and it took the first place among banks with 19.35% and became 27th favorite company among all others in 2019.

Performance Management

Performance management process in QNB Finansbank is a managerial means to encourage development with an everlasting feedback culture and to guide Financiers so as to increase their performance and make it sustainable, and to develop themselves personally in addition to increasing corporate performance through individual performance development. With the help of semi-annual performance reviews:

• The employees with potential for achieving targets of the Bank, creating difference with their performance and affecting the performance of the Bank are determined.

• Technical performance results per employee are generated by means of targets of business lines and departments set in line with the Bank's targets, and the development performance results are generated by evaluation to determine areas of development for each employee.

• Strengths and areas of development are assessed per employee with customized performance model applied for all the Financiers. Individual development needs are identified with consideration of such areas.

• A road map is created to identify and follow the actions for areas of development. Results are transparently shared with the Financiers. Individual performance is evaluated with concrete and measurable criteria in order to increase employee engagement through a fair and transparent system.

Talent Management and Organizational Development

QNB Finansbank aims at encouraging the high-performing employees to show their best with the help of talent management and organizational development processes as well as determining areas of development for all Financiers.

To empower leadership talents and managerial skills of Financiers who are already managers or have potential for managerial roles in future, QNB Finansbank offers personalized development plans generated by evaluation results on employee potentials, and various means of development such as manager/MT training programs under "Finans Master", training programs supporting "Coaching" approach in management, executive development program under "Leaders Club", coaching and mentorship processes, MBA programs and international/domestic conferences.

With the help of practices such as executive development program and head office assessment center, it becomes easier to find more suitable candidates for managerial roles both on-site and in head office positions. Within this scope, candidates included in related pools participate at these development programs.

Employee Engagement

Exclusive for QNB Finansbank, the employee engagement survey has been conducted every year since 2007 with the purpose of evaluating effects of the satisfaction factors shaping employee engagement. Survey results are examined on the basis of divisions; relevant analyses are made, and actions are exclusively identified for each division with the participation of top management.

Career and Talent Management

Aiming at training the managers internally and enabling each Financier to lead his/her own career path, QNB Finansbank provides its employees this chance through "Career Architecture" and "Career Bulletin" and performs one-to-one interviews concerning career objectives of the employees through "Career Consulting". Within the scope of "Development Architecture" which aims at internal appointment for Branch Manager roles, the assessment center and personalized development programs are applied, respectively.

Training and Development Management

QNB Finansbank embraces Financiers by means of a development structure to accompany them from the moment of first step into banking sector throughout their career journey. Employees who are recently employed or reassigned attend to certificate programs which are integrated with the career management and performance management systems. In line with the Bank's strategies, project-training programs are designed per segment for current employees. The objective here is to contribute in performance increase of our employees. Customized for branch employees, "Finansçı 360" training program was designed in order to ensure that on-site teams carry out operations according to the manner determined by customer relations, sales, credit and risk management policies. In addition to employees from all branches, Region Managers, Region Sales Managers, Branch Managers and Head Office Sales Teams, OSDEM and Credit Allocation Teams attended to training programs. The program is revised with different study cases in line with the Bank's strategies. "Finansçı 360" and "Branch Manager Development Programs", one of our training and development management practices, received Stevies for Great Employers and Brandon Hall Group Excellence Awards in 11 different categories; which are both employer awards considered to be among the most prestigious ones.

Financiers are supported through many new programs in order to contribute in performance increase, proactively define development needs and create a training design to address such needs. With the support from international and domestic training companies, universities, internal and external trainers who are experts in their fields; we provide all Financiers with programs that are compatible to our age and lead the way to leadership in the sector.

Financiers can also use Development Catalog which is integrated with performance system, project training programs exclusive for business lines, training programs domestically/internationally held outside of the Bank and various development tools such as e-training, article, video, book summary through Finarmoni Portal. Financiers determine development tools suitable for their needs and can reach the tools whenever and wherever they want, through any device. Adoptable in private live along with developments in technical skills and competencies, the training programs are provided in a personalized and simple structure by means of such tools.

Average period of training provided during the year of 2019 per employee was 7.6 days; and the rate of participation was 97%.

Remuneration Management

Objective of remuneration management in QNB Finansbank is to acquire new talents and enhance employee engagement, satisfaction, motivation and synergy. To this end, the Bank applies a fair and transparent remuneration methodology which is compliant to ethical values and internal balances, and which preserves the level of competition. Preventing excessive risk-taking with an emphasis on individual and holistic performance, remuneration models are adopted in parallel with the value added. Thus, the strategic targets of the Bank are supported, and productivity is enhanced. Within scope of the Bank's premium and bonus models, each employee received a bonus in 2019, amounting to approximately two salaries according to their performance. In addition to remuneration and recognition management, employees are provided with many benefits in various fields such as health, leave of absence, transportation, meal, communication and technological opportunities, allowance packages and employee support services.

Engagement

In 2019, 7,035 employees of QNB Finansbank met up in 501 activities organized in different provinces by HR Engagement Unit, which helps the Financiers keep the balance between their professional and private lives, and aims at increase in motivation by contributing to employee engagement and satisfaction as well as the privileged feeling of becoming a Financier. In addition to the activities, discount agreements were settled with 262 companies during the year and Financiers were provided with advantages in shopping.

Created to appreciate the employees with perfect behaviors complying with the values of the Bank and to encourage such actions, "+1" appreciation and recognition program continued its activities.

Legal Counseling

Legal Counseling is represented by a structure consisting of Advisory, Litigation and Secretary to the Board of Directors departments.

In 2019, as in previous years, cautionary legal support to headquarter units and branches has been provided with regard to emerging projects and daily tasks and all types of cases and inquiries, along with those under legal proceeding and legal assistance has been provided to the Board of Directors and General Assembly and in corporate governance processes, additionally, substantial work has been carried out on the following subjects.

Primarily, some of the fundamental matters in our 2019 agenda have been digital banking services, open banking practices, legislative changes and adaptation of the Bank to this digitalization process that has become a current issue, in the changing global order, by means of the new dynamics brought on by digitalization to the banking sector. In connection with these practices, the projects carried out within the framework of QNBEYOND established in order to develop fintech applications of the future and support the Bank's innovative projects, have become another field of work.

The complete legal process concerning the digital financial solutions offered to SMEs, to enable them to adapt to digitalization, that are regarded as the dynamo of Turkey's economy and supported by the Bank's "Digital Bridge" Project in order to implement "Corporate Digital Transformation" aimed at the 11th Development Plan, has been designed.

Additionally, legal support has been provided to the long-termed efforts carried out in banking sector regarding the legal regulation on "the Restructuring of Debts Owed to the Financial Sector", which was set forth in order to create an opportunity for the debtors to fulfil their payment obligations to the finance parties within reasonable time and conditions.

Furthermore, as well as the loans arrangements where the Bank acted as debtor, legal counseling has been performed in many corporate and commercial loan demand considered profitable for our country where the Bank acted as a lender.

In 2019, more than 45,000 requests made through the Legal Request System (HTS) were responded to, cases within the remit of the Department were litigated, and the Bank has been represented before judicial bodies and rulings leading the banking sector have been made.

The "Regional Representation Project", which constitutes an important leg of our works with the branches and qualified for "Artı 1" award for the added value it provided, has been actively conducted in 2019 and many visits have been made to regional offices and branches. Moreover, "Expense Control System for Lawyers Working on a Contract Basis" Project aiming to prevent financial loss of the Bank, and "Performance Monitoring System for Lawyer Working on a Contract Basis" Project aiming to monitor contract lawyers' performance in an efficient and beneficial way, have been granted with "Artı 1" award and have become some of the industry-leading projects of the Department.

The year of 2019 has been marked with many works conducted in terms of training. In this context, numerous trainings have been given to relevant units of the Bank on Banking Law, Commercial Law, Obligations Law as well as other trainings including law on securities, implementations of distrain, concordatum, tribunal awards and negotiations with public institutions. Moreover, within the scope of DavAkademi Project and with participation of many respectable trainers and academicians, seminars have been organized for the employees of the Bank on current legal matters. In addition to these, aiming to introduce legal students to the banking sector, a 6 (six) week training programme has been organized in which experiences on litigation were presented.

As well as the internal trainings given, to catch up with current trends in banking sectors, booklets on "Case summaries of the Personal Data Protection Board", "Consumer Handbook for Finansçı", "Decisions of the General Assembly of Civil/Criminal Chambers of the Supreme Court" and "Series of Court Decisions in the Bank's Favor for Legal Department" have been published and distributed to those concerned.

Subsidiaries and Affiliates

Cigna Finans Pension and Life (Cigna Finans Emeklilik ve Hayat A.Ş.)

Cigna Finans Pension and Life, a private pension and life insurance company, was established in 2007 as a 99.9% subsidiary of QNB Finansbank with the title Finans Emeklilik ve Hayat A.Ş.

In 2012, Cigna, one of the world's leading health and life insurance companies, entered into a partnership agreement with Finansbank A.Ş. to expand its operations in Turkey and the merger of Cigna and Finans Emeklilik became official.

Cigna Finans growing stronger through the merger, and with its global experience, wide service network and innovative products and solutions that go beyond insurance, has taken the offering of a better quality of life to its customers as a mission. Cigna Finans achieved 5.9% market share in life insurance through a premium production of TL 667 million, and achieved 10.5% market share among life and pension companies with TL 80 million premium production in personal accident insurance, according to data announced by the Insurance Association of Turkey (TSB) in December 2019. As a result, Cigna Finans grew by 51.1% in life and personal accident insurance combined.

According to official data announced by the Pension Monitoring Center published on 31.12.2019, funds of pension participants grew by 22% compared to 2018 year-end, reaching 840 million TL in total net asset value.

QNB Finansleasing (QNB Finans Finansal Kiralama A.Ş.)

QNB Finansleasing is one of the first established companies in the leasing sector. Since its establishment in 1990, QNB Finansleasing has been playing an active role in financing investments. As one of the leading companies in the sector it has always followed a customer-oriented strategy, and developed tailor-made financing models. Having a widespread branch network in Anatolia, enabling it to analyse the needs of its clients on-site, QNB Finansleasing today operates through a network of 14 branches, 1 being in the Free Trade Zone.

In 2019, leasing sector generated USD 2,558 million new business volume and QNB Finansleasing's share reached 11.8% with USD 303 mn. As leasing receivables amounted to TL 5,412 million as of December 31, 2019, QNB Finansleasing's market share in terms of leasing receivables realized at 10.8%. QNB Finansleasing ranked second in the sector both in terms of leasing receivables and total assets.

In 2019, QNB Finansleasing continued to finance business in energy sector, as well as to undertake sale and leaseback transactions. Other major sectors financed included textile, metal and manufacturing industries.

QNB Finansfactoring (QNB Finans Faktoring A.Ş.)

QNB Finansfactoring has been operating since October 2009 through its head office in Istanbul and 22 branches across Turkey.

QNB Finansfactoring, where QNB Finansbank is the 100% shareholder, aims to grow together with its customers as their most preferred solution provider in every financial plan and to be among the top five private companies in the sector.

At the end of 2019, the Company's turnover reached TL 5.3 billion and factoring receivables amounted to TL 1.6 billion.

In 2019, the foundations of digital transformation were laid by investing in technology to ensure that the future is faced with confidence. QNB Finansfactoring aims to reach more customers in 2020 through its new web and mobile channels.

QNB Finansinvest (QNB Finans Yatırım Menkul Değerler A.Ş.)

QNB Finansinvest operates 14 branches in 12 cities with its specialized and experienced staff, in addition to QNB Finansbank branches across Turkey. QNB Finansinvest Retail and Asset Management offers a vast range of products such as fixed income instruments, mutual funds, stock certificates, derivative transactions and options markets, international markets, and leveraged purchase & sales transactions, while also providing individualized portfolio products and financial solutions and investment consultancy services complying with the risk understanding of our individual investors.

QNB Finansinvest also offers intermediary and research services for customers who perform transactions involving corporate sales, international intermediary institutions, domestic and foreign funds as well as algorithmic/high frequency transactions. It serves in the fields of Investment Banking, acquisition and merger consultancy, primary and secondary public offering intermediation and issue of borrowing tools. QNB Finansinvest, as a broadly authorized intermediary, performs common and portfolio custody services for collective investment institutions. Since 2014, it renders fund operation services to portfolio management companies in accordance with CMB legislation and other legal regulations. QNB Finansinvest owns 100% of QNB Finans Varlık Kiralama A.Ş., founded with a capital of TL 200,000 in October 2018.

As at 2019 year-end, QNB Finansinvest has paid in capital of TL 50 million, consolidated assets' of TL 872 million, consolidated shareholders equity of TL 255 million. In 2019, it recorded a 79% rise in its net profit on a year-on-year basis.

It ranked 7th in BIST Istanbul A.Ş.'s trading volume with a market share of 4.3%, and 4th in VIOP transaction volume with a market share of 6.1%.

QNB Finans Asset Management (QNB Finans Portföy Yönetimi A.Ş.)

QNB Finans Asset Management was founded in September 2000 with QNB Finansinvest being its main shareholder with 99.96% stake. Under the new legislation and compliant to the authorization dated April 17, 2015 of the Capital Markets Board, QNB Finans Asset Management was re-established as an asset management company.

In 2019, QNB Finans Asset Management played a leading role in the sector by managing 4 exchange traded funds (ETF), 7 mutual funds, 5 hedge funds, 22 pension funds and private portfolios of high- income individuals and companies.

QNB Finans Asset Management, which has been sector leader in the ETF market for many years, became the only leader with its 100% market share of the ETF market in 2019. QNB Finans Asset Management is the second with its Eurobond Fund in terms of return among its peer funds of Turkey's leading asset management companies, and established its private hedge funds in order to meet the needs of high-income investors in 2019. QNB Finans Asset Management ranked 1st in the assets under management growth among the asset management company in the sector, with its 424% increase in AUM.

QNB Finans Asset Management has a paid-in capital of TL 5 million. As at the year-end 2019, the Company held a mutual fund market share of 3.4% with its assets under management of TL 4.9 billion.

QNB eFinans (QNB eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.)

QNB eFinans, established in 2013 to integrate e-Invoice into the financial sector, became a wholly-owned subsidiary of QNB Finansbank in 2018.

Since its establishment 6 years ago, QNB eFinans has been providing services with seven e-Transformation products, e-Invoice, e-Ledger, e-Archive Invoice, Registered Electronic Mail (REM), e-Waybill, e-Producer Receipt and e-Self Employment Invoice. QNB eFinans has shown a profound growth with its expanding operations and provided services to over 28,000 customers with more than 85,000 products by the year-end of 2019. With the integration of renewed and expanding e-Transformation applications into the financial sector, QNB eFinans has evolved into a FinTech company.

In addition to being the first Turkish member of the European e-Invoicing Service Providers Association (EESPA), QNB eFinans is the first service provider in Turkey to integrate e-Invoice with foreign trade operations by building strategic business partnerships with the leading global companies like Global Blue, Basware, Pagero, Tesisquare. QNB eFinans was recognized as one of the top 10 e-Invoice solution providers of 2019 by CIO Applications Magazine, which is released in Silicon Valley.

With its ERP independent structure, QNB eFinans is compatible with over 200 different types of ERP/Accounting software. QNB eFinans has been the first service provider to make out export and tax-free e-Invoice in real environment.

QNB eFinans broke new ground in Turkey as it put "e-Ledger Financial Analysis" into service in cooperation with QNB Finansbank in the year 2018. "e-Ledger Financial Analysis" is a service which digitalizes the documentation and sending process of financial data of the companies to the bank. In addition, QNB Finansbank continued to provide its customers with eCredit, an alternative finance tool based on e-Invoice collateral thanks to its integration with QNB eFinans.

With Finans Yıldızı, cloud-based application of QNB Finansbank, Direct Debiting System (DDS) and Supplier Financing (SF) transactions as well as all payment transactions of taxpayers can be integrated with QNB eFinans infrastructure, and the Bank provides unlimited cash management options to its customers.

On the back of Digital Bridge Project, QNB eFinans' customer base reached to 28,000 by the end of 2019, and continues to grow further.

Hemenal Finansman A.Ş.

Hemenal Finansman A.Ş. was established in 2008 for consumer finance transactions as a 100% Finansbank subsidiary under the business name of Finans Tüketici Finansmanı A.Ş. In 2012 the company shares were transferred to Banque PSA Finance, the bank of French automotive group PSA, and upon becoming a financing company in the auto sector its title was changed to PSA Finansman A.Ş. On December 14, 2015, 99.99% of the company with a paid-up capital of TL 20 million, was transferred to QNB Finansbank. Title of the company was changed to Hemenal Finansman A.Ş. in April 2016, its IT infrastructure was completed in June 2016 with pilot sales, and the company became fully operational in October 2016.

Having experienced and specialized team members, a competitive and flexible IT structure, and QNB Finansbank's know-how, Hemenal has developed cooperation with reputable partners to build a retailer network especially in education, white and brown goods, furniture and electronics sectors. As at the year-end of 2019, Hemenal's total assets reached TL 39,9 million.

IBTech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.

IBTech was established in 2005 and is located in İstanbul. IBTech's focus is to provide software design and enhancement, such as Core Banking (Core Finans), credit cards and internet banking, and to develop applications for the use of the Group. As of December 31, 2019, the total assets of IBTech reached TL 56.1 million.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.

Established in 2009, Bantaş is owned by QNB Finansbank A.Ş., Denizbank A.Ş. and Türk Ekonomi Bankası A.Ş., each shareholder owning a 33.33% stake. Bantaş securely carries assets between branches and cash centers and gives ATM cash support. As of December 31, 2019, the Company's total assets were TL 132.0 million and net profit was TL 33.4 million.

Corporate Governance

Executive Committees Under the Board of Directors

Audit Committee

On behalf of the Board of Directors, the Audit Committee is responsible for monitoring the effectiveness, efficiency and adequacy of the internal systems of the Bank, functioning of these systems together with accounting and reporting systems in accordance with Law and applicable regulations and the integrity and reliability of information generated by these systems. The Committee is also responsible for making necessary preliminary evaluations required for the selection of the independent auditors and rating, valuation and support service institutions by the Board of Directors; regularly monitoring the activities of the institutions selected and contracted; ensuring that the internal audit activities of subsidiaries subject to consolidation are carried out on a consolidated basis and in coordination with internal audit activities of the Bank.

Members of the Audit Committee are:

• Ali Teoman Kerman: Member of the Board of Directors (Chairman of the Committee)

• Ramzi T. A. Mari: Member of the Board of Directors

• Durmuş Ali Kuzu: Member of the Board of Directors

• Noor Mohd Al-Naimi: Member of the Board of Directors

Risk Committee

The Risk Committee is responsible for defining the Bank's risk management policies and strategies, reviewing all types of risks that the Bank is exposed to, monitoring the implementation of risk management strategies and bringing important risk related issues to the attention of the Board.

Members of the Risk Committee are:

• Mehmet Ömer A. Aras: Chairman of the Board of Directors

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Fatma Abdulla S.S. Al-Suwaidi: Member of the Board of Directors

• Adel Ali M A Al-Malki: Member of the Board of Directors

• Ali Teoman Kerman: Member of the Board of Directors and Chairman of the Audit Committee

Credit Committee

The Credit Committee, within the scope of authorization granted by the Board of Directors as per the Banking Law numbered 5411, is responsible for evaluating and approving the loans and ensuring efficient credit risk management in accordance with the prevailing legislations.

Members of the Credit Committee are:

• Ömer A. Aras: Chairman of the Board of Directors

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Fatma Abdulla S.S. Al-Suwaidi: Member of the Board of Directors

• Yousef Mahmoud H. N. Al-Neama: Member of the Board of Directors

• Temel Güzeloğlu: General Manager & Member of the Board of Directors

• Alternate Members: Osman Reha Yolalan & Noor Mohd Al-Naimi

Corporate Governance Committee

Corporate Governance Committee has been established for the purpose of the bank's achievement to best practice standards of corporate governance, monitoring the bank's compliance with corporate governance principles set by Banking Law and capital markets legislation, ensuring that the Board of Directors composition, structure, working principles and procedures meet all relevant and regulatory requirements. The Bank has not established a separate Nomination Committee, and Corporate Governance Committee fulfills the duties of the Nomination Committee as per Article 4.5.1. of the CMB Communique on Corporate Governance (II.17.1).

Members of the Corporate Governance Committee are:

• Ramzi T.A. Mari: Member of the Board of Directors (Chairman of the Committee)

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Ali Teoman Kerman: Member of the Board of Directors and Chairman of the Audit Committee

• Osman Reha Yolalan: Member of the Board of Directors

• Burcu Günhar: Investor Relations Manager

Remuneration Committee

The Remuneration Committee has been established in order to define remuneration and incentive policies of all employees including Board members and senior management and to advise the Board of Directors on such matters in order to comply with the Bank's ethical values, implementations and targets.

Members of the Remuneration Committee are:

• Sinan Şahinbaş: Vice Chairman of the Board of Directors

• Yousef Mahmoud H N Al-Neama: Member of the Board of Directors

Other Committees in the Bank

Asset and Liability Committee

The primary purpose of Asset and Liability Committee is to monitor and manage the balance sheet structure and structural asset liability mismatch of the Bank, as well as to monitor, control and manage the liquidity risk within the limits set by the Board of Directors. The Committee evaluates monthly reports submitted by Risk Management and determines critical issues regarding risk.

Members of the Asset and Liability Committee are as follows:

- Chairman of the Board of Directors
- Vice Chairman of the Board of Directors
- CEO and Member of the Board of Directors
- Executive Vice President, Financial Control and Planning
- Executive Vice President, Treasury
- Division Manager of Asset Liability Management

Business Loans Management Risk Committee

The primary purposes of the Business Loans Management Risk Committee of QNB Finansbank are effective management, risk monitoring and steering of activities of the Bank, as well as reviewing strategy and activity proposals for all business loans, i.e. micro, SME, agriculture, commercial and corporate portfolios.

Members of the Corporate Credit Policies Committee are as follows:

- CEO and Member of the Board of Directors
- Executive Vice President, Retail and SME Credits
- Executive Vice President, Retail and SME Banking
- Executive Vice President, Corporate and Commercial Credits
- Executive Vice President, Corporate and Commercial Banking
- Executive Vice President, Commercial Banking and Project Finance

Retail Loans Management Risk Committee

The primary purposes of the Retail Loans Management Risk Committee of QNB Finansbank are effective management, risk monitoring and steering of activities of the Bank, as well as reviewing strategy and activity proposals for all retail loans, i.e. credit cards, personal need loans, mortgage and overdraft portfolios.

Members of the Retail Credit Management and Policies Committee are as follows:

- CEO and Member of the Board of Directors
- Executive Vice President, Retail and SME Credits
- Executive Vice President, Retail and SME Banking
- Executive Vice President, Payment Systems
- Executive Vice President, Retail Banking
- Executive Vice President, Enpara.com

Operational Risk Management Committee

The Operational Risk Management Committee is responsible for determining operational risk policies, reviewing and discussing operational risk issues of the Bank and ensuring to minimize them by action planning.

Members of the Operational Risk Management Committee are as follows:

- Head of Risk Management
- Head of Internal Control and Compliance
- Executive Vice President, IT, Operations, Channels and Business Development
- Executive Vice President, Payment Systems
- IBTech Board Member/ CISO
- Corporate Banking Penetration & Portfolio Management Division Manager
- Risk Department Manager
- Chief Legal Officer

Reputational Risk Management Committee

Reputational Risk Committee was established in order to manage reputational risk of the Bank; adopt and implement related policies on reputational risk within the scope of the BRSA regulations.

Members of the Reputational Risk Management Committee are as follows:

- Chief Legal Officer
- HR Management Systems Income Management, Compensation and System Authorization Division Manager
- Communications and Customer Experience Director
- Customer Experience Management Division Manager
- Compliance Division Manager
- Operational Risk and Business Continuity Division Manager

Sustainability Committee

The Sustainability Committee, in broad terms, was established to provide adequate, effective and strategic oversight for the Bank's overall sustainability initiatives, to monitor sustainability performance of the Bank and to provide support and guidance to ensure sustainability projects are on track.

Members of the Sustainability Committee are as follows:

- CEO and the Member of Board of Directors
- Executive Vice President, Information Technologies, Operations, Channels and Business Development
- Executive Vice President, Retail and SME Banking
- Executive Vice President, Enpara.com
- Executive Vice President, Treasury/ International Banking
- Communications and Customer Experience Office Director
- Executive Vice President, Human Resources
- Executive Vice President, Corporate and Commercial Banking
- Executive Vice President, Corporate and Commercial Credits Allocation
- Executive Vice President, Financial Control and Planning/Procurement
- Executive Vice President, Retail and SME Credits
- Strategy Office

Participation in Board of Directors and Executive Committee Meetings

In 2019, the Board of Directors held 7 meetings and all members were present at these meetings except when their attendance was prevented due to reasonable circumstances. Within the scope of Article 390 of the Turkish Commercial Code the Board of Directors adopted several Board resolutions without having meetings.

The Audit Committee held 12 meetings and all members were present at these meetings except when their attendance was prevented due to reasonable circumstances.

The Risk Committee held 12 meetings and other than in exceptional circumstances all members were present at all meetings.

The Corporate Governance committee held 4 meetings and all members were present at these meetings except when their attendance was prevented due to reasonable circumstances.

The Credit Committee held meetings as necessary.

The Remuneration Committee held 5 meetings.

Agenda of the Ordinary General Assembly

1- Opening & Constitution of the Presidential Board; authorization of the Presidential Board to sign the meeting minutes of the General Assembly of Shareholders,

2- Presentation of 2019 Annual Report of the Board of Directors to approval of the General Assembly upon reading and deliberations,

3- Presentation of 2019 Annual Report of the Auditor to approval of the General Assembly upon reading and deliberations,

4- Presentation of 2019 financials (balance sheet-profit & loss accounts) to approval of the General Assembly upon reading and deliberations,

5- Presentation of transactions regarding sale of some part of NPL portfolios executed in 2019 to approval the General Assembly,

6- Approval of the appointment of the Board Members elected temporarily as per Article 363 of the Turkish Commercial Code numbered 6102; Resolution regarding release of the members of the Board of Directors for their activities in 2019,

7- Resolution concerning the accrued profit of 2019 in accordance with the balance sheet and the contingency reserves of the past year,

8- Appointment of Board of Directors members; determination of number of the Board members and their term of offices,

9- Determination of the remuneration of the members of the Board of Directors,

10- Determination of the Auditor as per the Banking Law and Turkish Commercial Code,

11- Information regarding donations made in 2019 and resolution on determination of upper limit of donations to be made in 2020 as the Capital Markets Law and related legislation,

12- Information regarding disclosure policy of the Bank,

13- Information of profit share distribution policies,

14- Resolution on granting permissions to the Board members within the scope of Articles 395. and 396. of the Turkish Commercial Code,

15- Information on transactions performed in 2019 within the scope of Article 1.3.6 of the Communiqué on Corporate Governance Principles of the Capital Markets Board numbered II-17.1,

16- Information regarding remuneration policies of the Board members and senior management,

17- Wishes and hopes.

Dividend Distribution Proposal

Board of Directors' Proposal to General Assembly with regard to dividend distribution

The Board of Directors resolved to allocate the profit after tax amounting to TL 2,622,156,605.87 wholly to the general reserves, as statutory reserves reached 20% of paid in capital in the frame of Article 591/1 of the Turkish Commercial Code, and to submit this dividend distribution proposal to the approval of the Ordinary General Assembly Meeting to be held on March 26, 2020.

Summary of Board Report Submitted to the General Assembly Meeting

We left behind a challenging yet highly strategic year both for Turkey and the world. 2019 marked a significant year where recovery, growth, political and economic re-balancing followed a critical fluctuation triggered by the world trade wars, from the previous year, geopolitical developments in our region, local elections and currency movements in the economy.

While the trade wars continued in 2019 throughout the world, the change in the European Union was one of the focal points of the entire globe. The UK will formally leave the EU on January 31, 2020.

We witnessed a set of important developments in 2019 in our country as well. We left behind the local elections. We have entered a long period of no elections. Important military operations took place at the Syrian border. New political parties continue to be formed.

We observed an important economic recovery. The interest rates and inflation were lowered significantly. The economic growth is expected to be around 1% this year; however, we welcome 2020 with hope. We believe that we will reach the 5% growth target announced by the government, and the positive outcome of this achievement will be reflected to the unemployment rates as well.

Amongst such volatility, our Bank ended the year successfully. Our bank and its affiliates performed very successfully despite the challenging circumstances in 2019.

As of December 31, 2019, the total assets of our Bank reached TL 181 billion 681 million, while net loans reached TL 110 billion 683 million and customer deposits reached TL 100 billion 219 million. Total equity of our bank increased by 15%, compared to the 2018 year-end, reaching TL 16 billion 685 million, as the capital adequacy ratio realized at 15.73% as of December 31, 2019.

In 2019, profit before taxes of the Bank amounted to TL 3 billion 180 million, while net profit reached TL 2 billion 622 million.

We, once again, would like to thank all our colleagues, clients and stakeholders that further grow QNB Finansbank.

QNB Finansbank Board of Directors

Independent Auditor's Report on the Annual Report

Building a better working world

Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27
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(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of QNB Finansbank A.Ş.

1) Opinion

We have audited the annual report of QNB Finansbank A.Ş.('the Bank') and its subsidiaries ('the Group') for the period of January 1, 2019 – December 31, 2019.

In our opinion, the consolidated and unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated and unconsolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 published by Banking Regulation and Supervision Agency (BRSA Independent Audit Regulation) and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Consolidated and Unconsolidated Financial Statements

We have expressed unqualified opinions in our auditor's reports dated January 30, 2020 on the full set consolidated and unconsolidated financial statements of the Group for the period of 1/1/2019-31/12/2019.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks', the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated and unconsolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits,
- Other matters prescribed in the communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no 26333 dated November 1, 2006.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

Independent Auditor's Report on the Annual Report

Building a better working world

5) **Auditor's Responsibilities for the Audit of the Annual Report**

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated November 1, 2006 , "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no 26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated and unconsolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and BRSA Independent Audit Regulation. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated and unconsolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated and unconsolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Hatice Dilek Çilingir Köstem.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Hatice Dilek Çilingir Köstem, SMMM
Partner

March 3, 2020
İstanbul, Türkiye

Statement of Responsibility on the Annual Report

2019 Annual Report Statement of Responsibility

QNB Finansbank's annual report is prepared and presented in accordance with the principles and regulations stated in the "Regulation on the Preparation and Publication of Annual Report for Banks" as appeared in the Official Gazette on November 1, 2006, with number 226333.

Mehmet Ömer Arif Aras
Chairman

Ali Teoman Kerman
Board Member and Chairman of the Audit Committee

Ramzi T.A. Mari
Yönetim Kurulu Üyesi ve
Denetim Komitesi Üyesi

Durmuş Ali Kuzu
Board Member and Audit Committee Member

Noor Mohd J. A. Al-Naimi
Board Member and
Audit Committee Member

Temel Güzeloğlu
CEO and Board Member

Adnan Menderes Yayla
Executive Vice President responsible for Financial Control (CFO)

Corporate Governance Compliance Report

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
Corporate Governance Compliance Report						
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	There is no such transaction.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X				Within the scope of the Internal Directive on Working Principles and Procedures of the General Assembly approved at the General Assembly meeting of our Bank on 28.03.2013, the Bank's employees, guests, audio and video technicians can participate at the General Assembly unless otherwise decided by the chairmanship and except for those who are required to attend the meeting in accordance with the legislation
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					Minority rights are not specified as less than one twentieth of the Bank's capital in the Articles of Association of the Bank. However, utmost attention is paid to using minority rights in conformity with the Turkish Commercial Code (TTK) and Capital Markets Board (SPK) regulations.

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			Minority rights are not specified as less than one twentieth of the Bank's capital in the Articles of Association of the Bank. However, utmost attention is paid to using minority rights in conformity with the Turkish Commercial Code (TTK) and Capital Markets Board (SPK) regulations.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1. - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.			X			A model has not been established for the participation of stakeholders in management. However, there are independent members in the Board of Directors in order to provide assurance that the rights of minority shareholders and other stakeholders are protected equally within the scope of taken decisions. Suggestions for improvement of work and working conditions are evaluated by taking Employee Satisfaction Surveys and employees' expectations about the Bank and Management. The Bank regularly monitors the level of customer satisfaction through periodical researches and social channels and plans the necessary actions meticulously in areas that are open for improvement and quickly put them into practice in accordance with opinions and suggestions of the customers.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					Surveys are conducted to ensure that employees and customers receive opinions and suggestions from stakeholders.
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					
3.3.4 - Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.		X				Decisions that may affect employees are reported to them.
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7-The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				As any damages that may be caused during the duties of the members of the Board of Directors has been insured by professional liability insurance, the coverage is below 25% of the capital.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			No target ratio has been set for the number of female members in the Board of Directors. There are two female members in the Board.

	Company Compliance Status					
	Yes	Partial	No	Exempted	Not Applicable	Explanation
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person.		X				In order to facilitate the participation of all members to the Board of Directors' meetings, our Bank also offers remote access and participation to meetings electronically by video-conference.
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Members of the Board of Directors can take duties outside the Bank under the conditions permitted by the legislation; these duties are included in the Annual Report.
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			The members of the Board of Directors, depending on the number of members on the Board of Directors and in accordance with their experience, may take part in different committees.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.		X				Loans to be extended by the Bank to the Members of the Board of Directors and Managers are restricted by a certain limits in Article 50 of the Banking Law. No loans are granted to the Members of the Board of Directors and Managers outside this limits.
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.	X					

Corporate Governance Information Form

Summary Information

QNB Finansbank A.Ş. Corporate Governance Information Form

Related Companies

Related Funds

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	In addition to one-on-one investor meetings regularly held at Bank headquarters, the Bank participated at two international investor conferences with the attendance of Senior Management in 2019. At these organizations, 94 analyst and investor meetings are held in total. As regular meetings were carried out with three credit rating agencies, inquiries submitted by analysts and investors via telephone or e-mails were responded.
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	None.
The number of special audit requests that were accepted at the General Shareholders' Meeting	None.
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/tr/Bildirim/823341
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Provided both in Turkish and English at the same time Turkish: https://www.qnbfinansbank.com/yatirimci-iliskileri/kurumsal-yonetim/genel-kurul English: https://www.qnbfinansbank.com/en/investor-relations/corporate-governance/general-assembly
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	None.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	None.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	None.
The name of the section on the corporate website that demonstrates the donation policy of the company	None.
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	None.
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	Participation of Stakeholders to the General Assembly is not regulated in the Articles of Association.
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	As there are no provisions in the Articles of Association regarding the participation of the stakeholders, General Assembly Meetings are open to stakeholders and public (without right to speak). Shareholders and Bank employees attended the Ordinary General Assembly held in 2019.
1.4. Voting Rights	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	No voting privileges
The percentage of ownership of the largest shareholder	99.88%
1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association.	-
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	Disclosed on Investor Relations Section of the Bank's Corporate Website under the title "Corporate Governance Policies and Rules": https://www.qnbfinansbank.com/en/investor-relations/corporate-governance/corporate-governance-policies-and-rules
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	It was decided to allocate the net profit of TL 2,409,826,453.75, which was calculated on the basis of the Bank's 2018 financial statements by deducting the taxes payable, as follows: TL 85,129,535.37 to General Statutory Reserves and TL 2,324,696,918.38 to General Reserves.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/tr/Bildirim/750800

General Assembly Meetings

General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
28.03.2019	0	99.88%	0%	99.88%	Disclosed at QNB Finansbank Corporate Website's Investor Relations Section under the Corporate Governance Subsection under the title "General Assembly" for each year specified (https://www.qnbfinansbank.com/en/investor-relations/corporate-governance/general-assembly)	Disclosed at QNB Finansbank Corporate Website's Investor Relations Section under the Corporate Governance Subsection under the title "General Assembly" for each year specified (https://www.qnbfinansbank.com/en/investor-relations/corporate-governance/general-assembly)	Article 14	686	https://www.kap.org.tr/tr/Bildirim/750574

2. DISCLOSURE AND TRANSPARENCY

2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Listed at Bank's Corporate Website's Investor Relations Section: (https://www.qnbfinansbank.com/en/investor-relations)
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Listed at Bank's Corporate Website's Investor Relations Section under the Corporate Governance Subsection under the title 'Shareholder Structure' (https://www.qnbfinansbank.com/en/investor-relations/shareholder-structure)
List of languages for which the website is available	Turkish and English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Information on duties of the Board members and Senior Management conducted outside of the Bank was given in Annual Report 2019 under sections "Board of Directors" and "Senior Management"
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Annual Report 2019 - Executive Committees under the Board of Directors
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Annual Report 2019 - Participation in Board of Directors and Executive Committee Meetings
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Annual Report 2019 - Additional Information on the Activities of the Bank
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Annual Report 2019 - Additional Information on the Activities of the Bank
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	None
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	No cross ownership
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Annual Report 2019 – Human Resources

3. STAKEHOLDERS

3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	-
The number of definitive convictions the company was subject to in relation to breach of employee rights	201
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Ombudsman and Internal Audit
The contact detail of the company alert mechanism	Notifications can be submitted to Internal Audit via mail: ihbarhatti@ qnbfinansbank.com; Bank employees may also report their complaints and/or notices by contacting the ombudsman.
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	As there are no written internal regulations, participation of employees is ensured in all projects and studies conducted in line with the strategic priorities of the Bank.
Corporate bodies where employees are actually represented	Employees are encouraged to take part in decision making through committee memberships of middle-and upper- level management and also intranet portals, which serve a means for employees to submit their opinions and suggestions.
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	As there are succesion plans for the key management positions, these are regularly reviewed by the General Manager, who is at the same time a Executive Board Member and re-evaluated by the Board of Directors if needed.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	Although human resources policies are not available on the Bank's corporate website, the relevant regulations are summarized in the Human Resources Section of the Annual Report 2019.
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Although the human resources policy is not available on the corporate website, the relevant regulations are summarized in the Human Resources Section of the Annual Report 2019.
The number of definitive convictions the company is subject to in relation to health and safety measures	None
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Although there is no Ethical Rules Policy approved by the Board of Directors, there is an "Anti-Bribery and Anti-Corruption Policy" available on the Bank's corporate website. In addition, there are "QNB Finansbank Finance Professionals Code of Conduct Procedure" and "QNB Finansbank Employees Code of Conduct Procedure" published by the Board of Directors decision.
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	Although there is no corporate social responsibility report published on the corporate website,, Studies in this area can be accessed from the Corporate Social Responsibility and Sponsorships Section of the Bank's corporate website. The Social and Environmental Policy of the Bank is also available on the Bank's corporate website.
Any measures combating any kind of corruption including embezzlement and bribery	QNB Finansbank Anti-Bribery and Corruption Policy is published at the QNB Finansbank's corporate website (About QNB Finansbank- Policies - https://www.qnbfinansbank.com/en/about-qnb-finansbank/policies)

4. BOARD OF DIRECTORS-I

4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	The self-evaluation process of the Board of Directors for 2019 was made in December 2019.
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
ame(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	No delegated duties and/or authorities
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	The Internal Control Unit submitted 4 reports to the Audit Committee in 2019 (an activity report for each quarter)
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Annual Report 2019 -Evaluations of the Audit Committee on the activities of Internal Control, Internal Audit and Risk Management Systems and Information about their activities in the accounting period
Name of the Chairman	Dr. Ömer Arif Aras
Name of the CEO	Temel Güzeloğlu
If the CEO and Chair functions are combined: provide the link to the relevant PDP annoucement providing the rationale for such combined roles	The roles of the Chairman and CEO are undertaken by different individuals.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	As any damage that may be caused by the members of the board of directors during the discharge of their duties has been indured by professional liability insurance, the coverage amount is below 25% of the capital.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	-
The number and ratio of female directors within the Board of Directors	The Board of Directors consists of 11 members, of which 2 are female.

Board Members

Name-Surname	Real Person Acting on Behalf of Legal Person Member	Independent Board Member or not	The First Election Date To Board	Link To PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He lost the Independence or Not	Whether the Director has at Least 5 Years' Experience on Audit, Accounting and/or Finance or not
Dr. Ömer Arif Aras	İcrada Görevli Değil (Non-executive)	Bağımsız üye değil (Not independent director)	16.04.2010	-	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Sinan Şahinbaş	İcrada Görevli Değil (Non-executive)	Bağımsız üye değil (Not independent director)	16.04.2010	-	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Yousef Mahmoud H N Al-Neama	İcrada Görevli Değil (Non-executive)	Bağımsız üye değil (Not independent director)	28.05.2019	-	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Adel Ali M A Al-Malki	İcrada Görevli Değil (Non-executive)	Bağımsız üye değil (Not independent director)	28.05.2019	-	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Ali Teoman Kerman	İcrada Görevli Değil (Non-executive)	Bağımsız üye (Independent director)	16.04.2013	Members of the Audit Committee are considered as independent members within the scope of Article 6 of the Corporate Governance Communiqué	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Durmuş Ali Kuzu	İcrada Görevli Değil (Non-executive)	Bağımsız üye (Independent director)	25.08.2016	Members of the Audit Committee are considered as independent members within the scope of Article 6 of the Corporate Governance Communiqué	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Fatma Abdulla S S Al Suwaidi	İcrada Görevli Değil (Non-executive)	Bağımsız üye değil (Not independent director)	16.06.2016	-	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Noor Mohd J A Al-Naimi	İcrada Görevli Değil (Non-executive)	Bağımsız üye (Independent director)	22.06.2017	Members of the Audit Committee are considered as independent members within the scope of Article 6 of the Corporate Governance Communiqué	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Osman Reha Yolalan	İcrada Görevli Değil (Non-executive)	Bağımsız üye (Independent director)	16.06.2016	-	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Ramzi T. A. Mari	İcrada Görevli Değil (Non-executive)	Bağımsız üye (Independent director)	16.06.2016	Members of the Audit Committee are considered as independent members within the scope of Article 6 of the Corporate Governance Communiqué	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)
Temel Güzeloğlu	İcrada görevli (Executive)	Bağımsız üye değil (Not independent director)	16.04.2010	-	Değerlendirilmedi (Not considered)	Hayır (No)	Evet (Yes)

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	The Board of Directors held 7 meetings physically in 2019. In addition, the Board of Directors took various resolutions within the scope of Article 390 of the Turkish Commercial Code in 2019 without having a meeting.
Director average attendance rate at board meetings	87%
Whether the board uses an electronic portal to support its work or not	Evet (Yes)
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	Information and documents are submitted to the Board of Directors at least 5 days prior to the board meeting.
The name of the section on the corporate website that demonstrates information about the board charter	QNB Finansbank Corporate Website – Investor Relations – Corporate Governance (https://www.qnbfinansbank.com/en/investor-relations/corporate-governance)
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	Limits specified in the banking legislation are applied.
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	Annual Report 2019 - Executive Committees under the Board of Directors
Link(s) to the PDP announcement(s) with the board committee charters	As there is no PDP notification link, the working principles are summarized in the annual report. Annual Report 2019 - Executive Committees under the Board of Directors

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Composition of Board Committees-I

Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Kurumsal Yönetim Komitesi (Corporate Governance Committee)	-	Ramzi T. A. Mari	Evet (Yes)	Yönetim kurulu üyesi (Board member)
Kurumsal Yönetim Komitesi (Corporate Governance Committee)	-	Sinan Şahinbaş	Hayır (No)	Yönetim kurulu üyesi (Board member)
Kurumsal Yönetim Komitesi (Corporate Governance Committee)	-	Ali Teoman Kerman	Hayır (No)	Yönetim kurulu üyesi (Board member)
Kurumsal Yönetim Komitesi (Corporate Governance Committee)	-	Osman Reha Yolalan	Hayır (No)	Yönetim kurulu üyesi (Board member)
Kurumsal Yönetim Komitesi (Corporate Governance Committee)	-	Burcu Günhar	Hayır (No)	Yönetim kurulu üyesi değil (Not board member)
Denetim Komitesi (Audit Committee)	-	Ali Teoman Kerman	Evet (Yes)	Yönetim kurulu üyesi (Board member)
Denetim Komitesi (Audit Committee)	-	Ramzi T. A. Mari	Hayır (No)	Yönetim kurulu üyesi (Board member)
Denetim Komitesi (Audit Committee)	-	Durmuş Ali Kuzu	Hayır (No)	Yönetim kurulu üyesi (Board member)
Denetim Komitesi (Audit Committee)	-	Noor Mohd J A Al-Naimi	Hayır (No)	Yönetim kurulu üyesi (Board member)
Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk)	-	Ömer Arif Aras	Hayır (No)	Yönetim kurulu üyesi (Board member)
Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk)	-	Sinan Şahinbaş	Hayır (No)	Yönetim kurulu üyesi (Board member)
Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk)	-	Fatma Abdulla S S Al-Suwaidi	Hayır (No)	Yönetim kurulu üyesi (Board member)
Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk)	-	Adel Ali M A Al-Malki	Hayır (No)	Yönetim kurulu üyesi (Board member)
Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk)	-	Ali Teoman Kerman	Hayır (No)	Yönetim kurulu üyesi (Board member)
Diğer (Other)	Credit Committee	Ömer Arif Aras	Hayır (No)	Yönetim kurulu üyesi (Board member)
Diğer (Other)	Credit Committee	Sinan Şahinbaş	Hayır (No)	Yönetim kurulu üyesi (Board member)
Diğer (Other)	Credit Committee	Fatma Abdulla S S Al-Suwaidi	Hayır (No)	Yönetim kurulu üyesi (Board member)
Diğer (Other)	Credit Committee	Yousef Mahmoud H N Al-Neama	Hayır (No)	Yönetim kurulu üyesi (Board member)
Diğer (Other)	Credit Committee	Temel Güzeloğlu	Hayır (No)	Yönetim kurulu üyesi (Board member)
Diğer (Other)	Credit Committee	Noor Mohd J A Al-Naimi	Hayır (No)	Yönetim kurulu üyesi (Board member)
Diğer (Other)	Credit Committee	Osman Reha Yolalan	Hayır (No)	Yönetim kurulu üyesi (Board member)
Ücret Komitesi (Remuneration Committee)	-	Sinan Şahinbaş	Hayır (No)	Yönetim kurulu üyesi (Board member)
Ücret Komitesi (Remuneration Committee)	-	Yousef Mahmoud H N Al-Neama	Hayır (No)	Yönetim kurulu üyesi (Board member)

4. BOARD OF DIRECTORS-III

4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report 2019 - Executive Committees under the Board of Directors
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website	Annual Report 2019 - Executive Committees under the Board of Directors
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report 2019 - Executive Committees under the Board of Directors
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report 2019 - Executive Committees under the Board of Directors
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report 2019 - Executive Committees under the Board of Directors
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Annual Report 2019 - Assessment of the Bank's Financial Position, Profitability and Solvency
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	None
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Disclosed in the Annual Report 2019 under Financial Reports Section - Section Five Footnote VII.1.4.

Composition of Board Committees-II

Names Of The Board Committees	Name of committees defined as "Other" in the first column	The Percentage Of Non-executive Directors	The Percentage Of Independent Directors In The Committee	The Number Of Meetings Held In Person	The Number Of Reports On Its Activities Submitted To The Board
Denetim Komitesi (Audit Committee)	-	100%	100%	12	4
Kurumsal Yönetim Komitesi (Corporate Governance Committee)	-	80%	60%	4	1
Riskin Erken Saptanması Komitesi (Committee of Early Detection of Risk)	-	100%	20%	12	1
Diğer (Other)	Kredi Komitesi (Credit Committee)	83%	17%	as needed	-
Ücret Komitesi (Remuneration Committee)	-	100%	0%	5	1

Additional Information on the Activities of the Bank

The Bank does not have a share repurchase program and has not bought back its own shares from the marketplace. The Bank's quarterly financial statements are subject to a limited review, whereas the annual financial statements are audited by an independent auditor. Moreover, the Bank is subject to constant surveillance under the scope of banking regulation and is subject to supervision of the Banking Regulation and Supervision Agency.

With regards to transactions carried out with the Bank's controlling main shareholder, namely Qatar National Bank Q.P.S.C. ("QNB"), and its related subsidiaries and affiliates, there exist no measures either taken in favour of the Bank or refrained from taken. Transactions and/or relevant legal deals among the group companies and related parties have been conducted on an arms-length principle and go through the regular procedures and principles as if they are conducted with an independent third party. There have been no actions taken to the detriment of the Bank either by the controlling main shareholder or its affiliates.

With regards to the Competition Board investigation, which had been initiated on 02.11.2011 and completed on 11.03.2013, against several banks including QNB Finansbank A.Ş., the Bank had paid an administrative fine in the amount of TL 40.516 million. The annual action correspondingly filed by the Bank against the Competition Board resolution has still to be tried at the Council of State.

As per the inspection report by the Ministry of Customs and Commerce, the Bank had been imposed to an administrative fine in the amount of TL 43.569 million. The Bank had paid the fine as TL 32.676 million on August 28, 2015, pursuant to the early payment discount under Article 17 of Law of Misdemeanors Nr. 5326, reserving its legal right to appeal the decision and request the annulment. As the annulment action filed by the Bank against the Ministry resolution at the Administrative Court was concluded in favour of the Bank, prosecution process regarding the counter-appeal of the Ministry has not been resolved yet.

As a result of the Ministry of Labor and Social Security Labor investigation, the Bank had taken the advantage of the early payment discount and paid a bill of TL 1.853 million versus the actual administrative fine of TL 2.470 million fine imposed pursuant to the report prepared by the General Directorate of Turkey Business Association Istanbul Working and Business Institution Provincial Directorate. The Bank correspondingly resorted to the jurisdiction for the annulment of the mentioned fine and the investigation report resolution. Regarding the action filed for the annulment of the administrative fine, fine amounting to TL 1.612 million was annulled, as the fine of TL 0.9 million was ratified. The action for the annulment of the investigation report resolved by the Appeal Court against the Bank and the legal process is finalized accordingly.

All legal transactions realized with the controlling company and other affiliated companies thereof, details of which are provided in the Affiliation Reports, have, to the best of the Bank's knowledge of circumstances and market conditions, been done so against compatible counter actions. No measures have been taken or avoided to be taken, and the Bank has suffered no damages. As a result of an inspection of financial transactions the Bank had realized with the controlling company and other affiliated companies thereof, as per Art. 199 of the Turkish Commercial Code, all transactions conducted by the Bank were compatible with ensuing market conditions and precedents, performed on an arms-length basis.

Risk Management

Evaluations of the Audit Committee on the Activities of Internal Control, Internal Audit and Risk Management Systems and Information About Their Activities in the Accounting Period

The Audit Committee is established pursuant to the provisions of Banking Law No. 5411 and regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process (Regulation). Internal Audit, Risk Management and Internal Control and Compliance Departments of the internal functions report to the Audit Committee. The Audit Committee Office assists the Committee in fulfilling its duties and responsibilities.

On behalf of the Board of Directors, the Audit Committee has the authority and responsibility for:

• Supervising the effectiveness, efficiency and adequacy of the Bank's internal systems and their compliance to the Law, applicable Regulation and the Bank's internal policies;

• Determining if the methods, instruments and procedures required for identifying, measuring, monitoring and controlling the risks of the Bank are adequate and operative;

• Supervising the operation of accounting and reporting systems and the integrity of the information generated by these systems;

• Carrying out the necessary preliminary assessment for the selection of independent audit institutions and rating, valuation and support service institutions by the Board of Directors;

• Monitoring regularly the activities of the institutions selected and contracted; and

• Ensuring that the internal audit activities of subsidiaries subject to consolidation in accordance with regulations introduced under the Law are carried out on a consolidated basis and in coordination with the internal audit activities of the Bank.

The Audit Committee convened thirteen times in 2019. Based on its observations and evaluations, the Audit Committee identified that the internal systems of the Bank were efficient and functioning as planned and the internal controls systems were effective.

Moreover, the Audit Committee reviewed all support services procured by the Bank, ensured that necessary actions were taken to effectively manage the risks exposed by these services and the Bank complied with the Regulation on Banks' Procurement of Support Services.

A summary of the activities performed by departments reporting to the Audit Committee is stated below.

Internal Audit Department

The Internal Audit Department has accomplished its mission to support the Board to protect the Bank's assets, reputation and the sustainability of its activities in 2019. In order to ensure the objectivity and independence required when undertaking this mission, audit engagements were carried out and reported functionally and administratively through Audit Committee to the Banks' Board of Directors.

The Department maintains its activities with 95 personnel and its competent sources in terms of quality and quantity. 1 Chief Audit Executive and 3 Deputy Chief Audit Executive assigned as the Department's management staff. Six specialized units in the Department are; Credit Processes and Businessline Audits, Operational and Subsidiary Audits, Treasury, Financial, Risk Management and Model Audits, Branch Audits, Fraud and Special Investigations and IT Audits. 25% of the personnel have a postgraduate degree.

Internal auditors are encouraged to acquire professional certifications available in their field, which is a prerequisite for promotion. After the results of the 2019 certification exams, the total number of certified employees in CIA (Certified Internal Auditor) is 14, CISA (Certified Information Systems Auditor) is 6, CRMA (Certification in Risk Management Assurance) is 2, CFE (Certified Fraud Examiner) is 9 and SMMM (Certified Public Accountant) is 4. Total number of certifications held by the employees of the Internal Audit Department is 67 and total number of employees obtaining certification is 24.

According to the International Internal Audit Standards of the Institute of Internal Auditors (IIA), Internal Audit Department Activities should be subject to External Quality Assessment Reviews (QAR) once in every 5 years via an eligible and independent external organization. As it is required by the mentioned 5 year cycle, following the QAR received in 2013 another QAR has been received in 2018 and Internal Audit Department compliance with Standards has been certified by the independent audit company. The assurance provided by this certificate is continuously monitored.

QNB Finansbank Board of Directors are periodically informed about the activities of the Department on a continuous basis over the quarterly activity reports submitted through the Audit Committee. In the engagements carried out by the department in 2019, internal control system of the audited areas are assessed under the framework of the annual audit plan which was prepared considering all risk exposures of the Bank.

The internal audit reports prepared as a result of the audit engagements carried out by the Department are submitted to the Senior Management, Audit Committee and Board of Directors. The actions taken to remediate the identified findings are followed up and regularly reported by the Department throughout the year.

Audit activities consists of Head Office units, branches, subsidiaries and information technologies processes audits. In addition to the planned and unplanned audit engagements, 2019 activities also covered incident-based investigations and inspections as well as participation in various projects and consultancy services.

In 2019, risk assessments of group affiliates and subsidiaries were considered and audits which should be carried out by the Internal Audit Department were determined and performed accordingly. In addition to the studies performed in coordination with the internal audit units of related companies, internal audit departments of group affiliates and subsidiaries conducted audits as well and the results are monitored by QNB Finansbank Internal Audit Department via quarterly activity reports, monthly monitoring forms and Governance, Risk and Control software system named RSA Archer. In addition, attention is paid in order to maintain that the audit methodology of these units is in line with the audit methodology of the QNB Finansbank Internal Audit Department.

In the Information Technologies area, threats, risks and the control environment over criteria such as confidentiality, integrity and accessibility of information are examined and evaluated and assurance has been given regarding adequacy of the control environment. In addition to the information technologies audit engagements at QNB Finansbank group affiliates and subsidiaries, the Department also monitors closely the effectiveness, adequacy and independence of the internal audit control activities regarding information technologies and if required, provides necessary support to the units. The outsource companies which provide services to information technologies are also audited. Internal Audit Department utilizes computer assisted audit technologies, with the use of these techniques various analytical queries can be run within the context of audit activities and if needed specific data or samples can be prepared for special use.

The Governance, Risk and Control software system RSA Archer, which was initiated to be live by the beginning of 2018 was used effectively for audit/investigations entries, follow-up activities and report preparation throughout the year. Similarly system use was implemented by Internal Audit Departments of the subsidiaries and methodological integration is strengthened as a consequence. In branch audits, a web-based audit application named FAST which was developed by our Bank continues to be used. Through the application, branch audit team members can create audit records, upload work papers, enter finding and track their current statuses via online and secure web connection and they can extract audit reports automatically from the system.

Following the activities completed in 2019, the Internal Audit Department accomplished its goals by providing independent and objective assurance and consultancy services as in the previous years and contributed to the regular, systematic and disciplined evaluation and improvement of the effectiveness of corporate governance, risk management and internal control environment in order to improve and add value to the Bank's activities.

Internal Control and Compliance Department

Reporting to the Audit Committee, the Internal Control and Compliance Department performed control activities for minimizing the Bank's exposure to operational, regulatory and financial risks. The total number of personnel is 99.

A- Internal Control Division

The internal control system of the bank is designed and constructed in a way that assets of the bank are safeguarded, daily transactions are handled in compliance with the rules, laws and regulations and the financial reporting systems are reliable, accurate and timely achievable.

As an important part of the internal control system, the Internal Control Division is responsible for undertaking control activities among the branches, subsidiaries and head-office units of the Bank. Remote and on-site control methods are used while undertaking the second level controls.

Controllers are encouraged to acquire professional certifications from local and international institutions available in their field, which is a prerequisite for promotion. As of year-end 2019, the total number of certifications in CIA (Certified Internal Auditor) is 1, CISA (Certified Information Systems Auditor) is 1, CRMA (Certification in Risk Management Assurance) is 7, CFE (Certified Fraud Examiner) is 2, CFSA (Certified Financial Services Auditor) is 1, SMMM (Certified Public Accountant) is 2, CMB - Level 3 (Capital Markets Board – Level 3) is 15, CMB – Derivatives (Capital Markets Board – Derivatives) is 6. With the others, total number of certifications held by the employees of the Internal Control Division is 53 and total number of employees obtaining certification is 31.

Periodic activity reports prepared as a result of the control engagements carried out by the Division are submitted to the Audit Committee quarterly. Besides, findings and related actions are followed continuously throughout the year and the results are reported to the Senior Management and the Audit Committee of the bank quarterly.

As of year-end 2019, the total staff number of Internal Control Division is 55. There are two sub-divisions within ICD and the responsibilities of these sub-units are explained as follows:

• Branch & Subsidiary Controls Sub-Division:

All branches are visited at least once a year and on-site controls are made by reviewing the control points listed in a pre-defined checklist. The most recent samples are drawn to see and evaluate the latest reflections of the changes and the operating scheme of the branch. Findings are communicated to relevant units monthly and quarterly. Moreover, findings are uploaded monthly on the Branch Finding Follow-Up application in order to be completed by the relevant branches.

The branches having relatively higher finding rates among others are re-visited for a second time in the last quarter of the year.

In addition to branch controls, specifically defined controls are performed at OSDEMs (Operation Field Support Centers) which fulfill the significant part of operational processes in branches. Moreover, the unit conducts remote controls regarding some specific products and services among other branch activities.

Similar to branch controls, all financial subsidiaries of the bank are visited and controlled throughout the year according to the checklist prepared in collaboration with subsidiary management.

Moreover, every quarter, the action plans listed in the "periodic evaluation reports" of the outsource companies are followed-up and the results are reported to the Audit Committee Office.

• Head Office, Information Technologies and Management Statement Controls Sub-Division:

Teams of controllers who are specialized in different areas of banking undertake the Head Office control points prepared with Business units considering the compliance, operational and financial risks. Within this context, functions like accounting, financial control, loans and deposits, banking operations, treasury, cash management and credit card businesses are mainly controlled as a second level defense mechanism.

Within the context of remote controls, some specific cases are being monitored daily, weekly or monthly via data derived from the system.

In addition to these, in order to achieve full compliance to the changing rules and regulations, the announcements made by the Compliance Division are followed-up through business units to identify whether necessary actions are taken or not.

With respect to Information Technologies (IT); logical access rights to systems and physical access rights to Head Office and data center locations are reviewed, effectiveness of software development process is evaluated, and controls on data and system security are tested. Moreover, many periodic reviews are made related to IT general controls.

Apart from these, the division prepares the Management Statement report pursuant to the relevant regulations. The methodology of this work is similar with the external auditors' methodology and the scope includes both Business and IT processes. The results are submitted to the External Auditor after the report is approved and signed by the Board of Directors.

For report entries and follow-up activities regarding the Head Office, Information Technologies and Management Statement controls, RSA Archer software, which is a joint platform for departments under Internal Systems is used.

B- Compliance Division

The Compliance Division determines and manages the risks related to financial losses as a result of the Bank's loss of reputation caused by noncompliance with the laws, regulations, Bank's processes and instructions. As of the year-end 2019, 11 personnel are employed in the Compliance Division.

The Compliance Division closely follows regulatory changes and ensures that the Bank's practices are updated accordingly by providing guidance and making announcements with regard to such regulatory changes. Compliance responds to the questions posed by the branches and Head Office units related to regulatory issues, and plays an active role by providing opinions and recommendations in the process of developing banking products to be offered to the customers. The Compliance Division also provides guidance to the financial subsidiaries of the Bank regarding their own regulatory compliance engagements. Furthermore, the Compliance Division consults with regulatory and supervisory bodies, and works to establish social and environmental standards in the loan granting processes.

Within the resolution process of the Board of Directors to launch new products and services, the opinions and evaluations of compliance are required in terms of Compliance with applicable regulations. The activities of Compliance in 2019 were performed within this broad area of responsibility.

Two units perform Compliance activities as stated below:

• Banking Regulations Unit:

The Unit issues circulars and announcements on new regulations and laws concerning the banking sector. The Unit approves non-standard text of letters of guarantees, counter guarantees, standby letters of commitment and reference letters. The Unit provides written and verbal consultancy to branches and head office departments. The Manager of the Unit represents the bank as a member in the Foreign Exchange Regulations Working Group, established by the Banks Association of Turkey in order to analyze and provide solutions to any kind of sectorial problems related to foreign trade regulations. In addition; the Manager of the Unit is a member of the ICC Guarantees Task Force which works on international guarantees.

• Regulatory Compliance Unit:

The Unit reviews and approves new products and campaigns, adverts and advertising materials launched by related departments in accordance with related regulations in effect. Customer complaints received through regulatory authorities are reviewed and response letters are approved, and if necessary related departments are advised to take appropriate actions. This Unit also makes announcements to bank's relevant units about regulatory issues, including capital markets legislation, as well as to financial subsidiaries. Furthermore, regular monitoring activities are performed by the said unit within the scope of Capital Markets regulations with regard to insider trading and market manipulation. The Unit also states opinion on the outsource services that the Bank acquires if these services are "support services" or not.

C- Financial Crime Compliance Department (FCC)

The main responsibilities of the FCC department is to comply with the national and international laws, regulations and international standards and to prevent the Bank from being an intermediary in the laundering of criminal proceeds and financing of terrorism and to carry out control activities within this scope in order to mitigate the risk of the bank being used to facilitate financial crimes, and is to conduct fraud-based scenario analysis to prevent/detect fraud and to assess fraud risks through newly established Fraud Control Unit. As of the end of 2019, 28 people are employed in the department.

Department activities are implemented by four units as stated below:

• Anti-Money Laundering & Combating Financing of Terrorism (AML/CFT) Unit:

AML/CFT Unit is responsible for following up amendments of local and international regulations within framework and informs employees regarding amendments on the AML/CFT and sanctions issues. In addition, this unit conducts face-to-face trainings and e-learning activities and reports suspicious transactions to Financial Crimes Investigation Board (MASAK).

• Suspicious Transactions Monitoring & Analytics Unit:

The unit is responsible for monitoring activities, making assessments and implementing the systems, and conducting analytical studies in order to detect suspicious transactions as required by the local and international regulations.

• Sanctions & KYC Unit:

This unit is responsible for performing the blacklist and sanctions controls in financial activities as well as evaluating and managing customer due diligence operations.

- **Fraud Control Unit:**

Fraud Control Unit, which was established in 2019 under the Financial Crime Compliance Division, maintains its activities with 5 personnel appointed from the Internal Audit Department.

The main objectives of the Unit are; establishing a fraud control framework within the Bank and conducting efforts to manage and reduce fraud risk. To this end, process evaluation studies related to the activities of the Bank's units are also carried out within the framework of fraud risk. In addition, conducting scenario analysis for the detection of internal fraud, adapting the policies of QNB within the framework of fraud risk to the Bank, making regular reporting to Senior Management and QNB, providing training to Bank personnel and raising fraud awareness are also among the responsibilities of the Unit.

On the other hand, investigations regarding fraud incidents of certain criteria reported by the business units of the Bank can be conducted within the Unit. Following the necessary investigations and analysis conducted by the Unit, required actions and improvements that will prevent the repetition of similar fraud cases are followed up in coordination with the Internal Audit Department.

D- Data Protection Unit

The unit is responsible for ensuring that all activities and processes are in compliance with the Law on Protection of Personal Data No. 6698 and secondary regulations. Data Protection Unit have 3 personnel as at the end of 2019.

Risk Management

Risk Management is responsible for monitoring and managing all potential risks for the Bank in a centralized and efficiently coordinated manner. The primary goal of Risk Management is to provide business lines appropriate capital allocation (economic capital) for risks they are exposed to and increase value-added by maximizing risk adjusted return on capital.

Organizational Structure

Risk management governance at the Bank starts with the Board of Directors. The Board's Risk Committeee, Asset/Liability Committee (ALCO), Corporate and Retail Credit Policy Committees (CPC), Operational Risk Management Committee (ORMC), Reputational Risk Management Committee (RRMC), Data Security Committee and the Risk Management Department are important bodies of the risk management structure at QNB Finansbank.

The Board of Directors is responsible for determining the general risk policy and the risk appetite of the Bank. The Risk Committee defines risk policies and strategies, reviews all types of risks the Bank is exposed to in its monthly meetings, monitors the implementation of risk management strategies, and brings important risk issues to the attention of the Board. The ALCO, meeting monthly, monitors and manages the structural asset liability mismatch of the Bank. It also monitors and controls liquidity risk and foreign currency exchange risk.

The CPC meets monthly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies related to credit risk management processes, such as loan approval, limit setting, rating, monitoring and problem management. The ORMC, also meeting quarterly, reviews the operational risk issues of the Bank and defines the necessary actions to be taken to minimize these risks. Reputational Risk Management Committee (RRMC), is established in order to define, evaluate and monitor the reputational risk subjected by QNB Finansbank and to ensure that required actions are taken for prevention of such risks.

QNB Finansbank Risk Management Department works independently from executive management and reports to the Board of Directors through Audit Committee. Market Risk, Credit Risk Management, and Operational Risk Management Units are responsible for identification, monitoring and managing of all related risks. The Model Validation Unit is responsible for validation of risk measurement and credit rating/scoring models as well as assessment of performances.

Market Risk Management

Market Risk arises due to the positions n the trading book, including trading securities, open currency position and all derivatives excluding transactions done for hedging purposes, taken by the Bank with the intention of benefiting in the short term from actual and/or expected differences between their buying and selling prices or interest rate variations.

Market risk stems from the uncertainty concerning changes in market prices and rates (including interest rates, equity and bond prices and foreign exchange rates), and their levels of volatility. QNB Finansbank seeks to identify, estimate, monitor and manage these risks effectively through a framework of principles, measurement processes and a valid set of limits that apply to all of QNB Finansbank's transactions.

A set of market risk limits are defined, based on Value at Risk (VaR), nominal position, present value basis point and option greeks, in order to manage market risk efficiently and to keep market risk within desired limits. In addition to these limits, the Bank defines warning levels for certain limit types, to allow a process of review, analysis, and consultation in order to take preventive actions, prevent limit breaches, and limit possible losses. The limits are monitored on a daily basis by the Risk Management Department. VaR results are supported by regular stress testing and scenario analyses.

QNB Finansbank calculates the regulatory capital requirement for market risk using the standardized method within the framework of BRSA guidelines on a monthly basis. The methodology used for the calculation of capital requirements for general market risk and specific risk is determined by the BRSA. In addition, parallel to best global practices, VaR is measured daily. VaR, which is a measure of the maximum potential loss on the trading portfolio, is calculated using the historical simulation method with a 99%-confidence level and one-day holding period.

While the VaR approach provides a forecast for possible losses in the last one-year market conditions, it cannot predict contingent losses under extreme conditions. Hence, the VaR approach is complemented by stress testing in order to incorporate possible extreme market movements. Stress tests simulate the impacts of crises, extreme market conditions and major changes in correlations and volatilities.

The Bank uses back testing to verify the predictive power of the value-at risk calculations. In back testing, theoretical gains/losses calculated by VAR on positions at the close of each business day is compared with the actual gains/losses arising on these positions on the next business day. The assumption of the VaR model is reviewed and revised if such a need occurs as a result of the back testing procedure.

Interest Rate Risk

The Bank is exposed to structural interest rate risk resulting from differences in the timing of rate changes and the timing of cash flows that occur in the pricing and maturity of a bank's assets and liabilities. The Bank defines Policy for the Management of Interest Rate Risk of Banking Book (IRRBB). According to the policy, interest rate risk is calculated for the banking book, which includes all portfolios excluding the trading book.

Even though the Bank is exposed to structural interest rate risk on its balance sheet due to the nature of its existing activities, the policy ensures that all positions are monitored effectively and the risk stays within the pre-defined limits.

The Asset Liability Committee (ALCO) aims to protect the economic value of equity while sustaining a stable earnings profile. Duration/GAP analyses, which rely on calculations of net discounted future cash flows of interest rate sensitive balance sheet items, are conducted to manage this risk. Moreover, the Bank runs net economic value sensitivity scenarios with changes in interest rates and interest rate margins, to calculate their impact on net economic value.

The Bank utilized scenario analysis in order to evaluate the impact of interest rate change on net economic value. In addition to the Basel standard interest rate shock scenario, the 2001 crisis, May 2004 and June 2006, 2008 scenarios and June-December 2013 volatility are also simulated.

Liquidity Risk

Liquidity risk is defined as the current or prospective risk to earnings and capital arising from the Bank's inability to meet its liabilities –because of its balance sheet structure or market movements- when they are due. QNB Finansbank aims to control its 'cash and available funding sources/ deposits' ratio within limits. In addition to early warning indicators, survival horizon under different stress levels and actions planned under liquidity crises are defined in the Bank's "Liquidity Contingency Plan".

Within the scope of the Basel III accord, the "short-term liquidity coverage ratio" and the "net stable funding ratio," to measure long-term liquidity, are calculated. Liquidity coverage ratio and net stable funding ratio are monitored on a daily and monthly basis, respectively.

Credit Risk Analytics, Strategy and Capital Management

Credit risk is defined as the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the institution or otherwise fail to perform as agreed. The aim of credit risk management is to maximize the Bank's risk adjusted rate of return by maintaining the credit risk exposure within acceptable limits defined by the risk strategy document.

Credit Risk Management is embedded into the end-to-end credit processes of the Bank. While the underwriting units are responsible for day-to-day management of the credit risk, The Board of Directors controls the complete lending process by approving the lending criteria, credit risk policies and delegating authorities depending on the type of the product through Credit Policy Committees. The responsibility of the Credit Risk Management Unit is the establishment of effective and efficient internal policy, procedure and methodologies for definition, quantification, measurement, control and reporting of the credit risks.

The Credit Risk Management Unit performs the internal and external reporting of credit risk in an appropriate way for different audiences. The Bank's Board Risk Committee monitors a comprehensive list of credit risk metrics and the risk-based performance measures of the credit portfolios on a monthly basis. In case of any mismatch between the risk profile and the risk appetite of the Bank, the necessary measures are taken immediately to make sure that the portfolio credit quality of the Bank complies with the defined risk appetite.

The Credit Risk Management Unit is also responsible for the capital management process, which includes compliance with the regulatory capital requirements and the establishment of the Bank's policies, processes, methods and systems relating to the Internal Capital Adequacy Assessment Process (ICAAP). This process involves calculation, projection and analysis of legal and economic capital requirements necessitated by yearly and long-term business plans of the Bank.

The Bank has traditionally put great emphasis on the strength of its capital base to maintain investor, creditor and market confidence and to sustain future business development. In line with this point of view, the ICAAP framework is designed to ensure that the Bank has sufficient capital resources to meet the regulatory capital requirements, and that it has available capital in line with its own risk appetite and internal guidelines.

In addition, the Unit develops credit risk parameter estimation models to be used for Expected Credit Loss calculations within the scope of IFRS 9, calculates and reports the provisions to be allocated for Expected Credit Loss.

Operational Risk and Business Continuity Management

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The Operational Risk and Business Continuity Management Unit is responsible for identifying, measuring, monitoring and managing all risks under the scope of operational risk as well as Business Continuity Management. Activity-process based operational risks are identified through Risk Control Self-Assessment and classified by cause, event and effect categories as proposed by Basel II and actions are taken for severe risks. The

Operational loss data collection process, which began in January 2005, continues. While loss data is accumulated to provide meaningful statistical data, business processes, where improvements are required, are defined based on the results and all necessary actions for improvement are taken. Key Risk Indicators are defined and monitored regularly for severe risks. A robust operational risk management process and methodology is implemented.

The Bank has also prepared and implemented a Business Continuity Management Plan, in order to minimize losses due to business disruption. In addition, the Bank performs the comprehensive annual test of the Disaster Recovery Center with the participation of business units and the IT Department.

Model Validation

QNB Finansbank's Model Validation Unit is responsible for the validation of the risk models before they are implemented on the Bank's scale. The validity of the models regarding credit risk, market risk, IFRS 9 and ICAAP are assessed by the Model Validation Unit through qualitative and quantitative tests in terms of data quality, methodology, performance, and the compatibility with legal requirements and best practices.

Once the above-mentioned models are implemented, their performances under changing macroeconomic conditions, Bank's portfolio and risk appetite are monitored and reported on an ongoing basis via performance and stability tests.

Audit Committee Office

Established in 2011, the Audit Committee Office provides the services required for the effective working of the Committee. The Office is responsible for reviewing and presenting to the Committee members reports concerning the Committee, monitoring Committee meetings, archiving all documents regarding work carried out, coordination and follow-up of the support service activities, obtaining resource adequacy and independence statements from Independent Audit and Valuation companies and independence statements from the Bank senior management regarding these companies, following up the implementation of the Committee decisions, reporting the Committee activities to the Board of Directors, and performing other duties assigned by the Committee.

Related Party Risks

Regardless of the nature of transactions, relations with companies in the risk group of and controlled by the Bank, are conducted in the scope of a bank-client relationship and in compliance with the Banking Law and prevailing market conditions.

Type, amount and rate of transactions to total transactions as well as the structure, amount and rate of main items, pricing policy and other terms in the transactions with the risk group companies are set on an arms-length basis and based on prevailing market conditions. As of December 31, 2019, cash loans granted to risk group composed 0.9% of the Bank's total loans, deposits obtained from risk group composed 0.3% of the Bank's total deposits.

Transactions involving the purchase and sale of real- estate and other assets and services, agency contracts, leasing contracts, transfer of data obtained from research and development activities, license contracts, financing (including loans and cash or in-kind capital contributions), guarantees and collaterals, management contracts, and the like) are underwritten between the Bank and Finans Leasing (Finans Finansal Kiralama A.Ş.). Net leasing payables incurred from these contracts amounted to TL 16.0 million as of December 31, 2019.

The Bank entered into a contract with IBTech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. for research, development, and consultancy services.

The Bank receives cash transfer services from its 33.3% subsidiary Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.

The Bank provides agency services to Cigna Finans Pension (Cigna Finans Emeklilik ve Hayat A.Ş.), which is a joint venture of the Bank with a 49% stake.

Information on Outsourced Service Groups and the Institutions Supplying Outsourced Services

Support services were procured within the scope of Regulation on Banks' Procurement of Support Services in 2019 under the following service groups.

Service Groups	Supplier
Archive Service	Hobim Digital Elektronik Hizmetler A.Ş. Iron Mountain Arşivleme Hizmetleri A.Ş.
IT Services	Acerpro Bilişim Teknolojileri A.Ş. Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti. BGA Bilgi Güvenliği A.Ş. eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. (Subcontractor of Webhelp Çağrı Merkezi ve Müşteri Hizmetleri A.Ş.) eFinans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. (e-defter) Etcbase Yazılım ve Bil. Teknolojileri A.Ş. IBTech Uluslararası Bilişim ve İletişim Tekn. Ar-Ge Danışmanlık Destek San. ve Tic. A. Ş. Matriks Bilgi Dağıtım Hizmetleri A.Ş. Netaş Bilişim Teknolojileri A.Ş. Uzman Bilişim Danışmanlık A.Ş. Vega Bilgisayar Hizmetleri Ltd. Şti.
Cheque Printing Service	MTM Holografi Güvenlikli Basım ve Bilişim Teknolojileri San. ve Tic. A.Ş.
Security Service	MGS Merkezi Güvenlik Sistemleri San. Tic. A.Ş. Tepe Savunma ve Güvenlik Sistemleri Sanayi A.Ş.
Mortgage Service	Fu Gayrimenkul Yatırım Danışmanlık A.Ş.
Card Printing	Austria Card Turkey Kart Operasyonları A.Ş.
Courier	AGT Hızlı Kurye Hizmetleri A.Ş. Kurye Net Motorlu Kuryecilik ve Dağıtım Hiz. A.Ş. Posta ve Telgraf Teşkilatı A.Ş. (PTT)
Cash and Valuables Transfer	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. Brink's Güvenlik Hizmetleri A.Ş.
Marketing, Sales, Operational Support	Atos Müşteri Hizmetleri A.Ş. (Subcontractor of Atos Bilişim Danışmanlık A.Ş.) Bilge Adam Bilgisayar ve Eğitim Hizmetleri San. A.Ş. Cigna Finans Emeklilik ve Hayat A.Ş.
Marketing, Sales, Operational Support / Collection Service	CMC İletişim ve Çağrı Merkezi Hizmetleri A.Ş. Webhelp Çağrı Merkezi ve Müşteri Hizmetleri A.Ş.
Personnel Selection and Temporary Personnel Employment	Adecco Hizmet ve Danışmanlık A.Ş.
POS Service	Payten Teknoloji A.Ş. Verifone Elektronik ve Danışmanlık Ltd. Şti.
Collection Service	Global Bilgi Pazarlama Danışma ve Çağrı Servisi Hizmetleri A.Ş. RGN İletişim Hizmetleri A.Ş.

Financial Reports

To the General Assembly of QNB Finansbank Anonim Şirketi

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of QNB Finansbank A.Ş. (the Bank), which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the unconsolidated financial position of QNB Finansbank A.Ş. as at December 31, 2019 and unconsolidated financial performance and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no. 26333 dated November 1, 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations.

Basis for Opinion

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no. 29314 dated April 2, 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. Key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter is addressed in our audit
Recognition of impairment on financial assets within the scope of TFRS 9 "Financial Instruments" Standard and related significant disclosures	
As presented in Section 3 disclosure VIII and Section 5 disclosure I.6, the Bank recognizes expected credit losses of financial assets in accordance with TFRS 9. We considered the impairment of financial assets as a key audit matter since: • Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements; • There are complex and comprehensive requirements of TFRS 9; • The classification of the financial assets is based on the Bank's business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Bank uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments; • Policies implemented by the Bank management include compliance risk to the regulations and other practices; • Complex and intensive control environment in processes with TFRS 9; • Judgements and estimates used in expected credit loss calculation are complex and comprehensive; and • Disclosure requirements of TFRS 9 are comprehensive and complex.	Our audit procedures included among others include: • Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Bank's past experience, local and global practices; • Reviewing and testing of processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists; • Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices; • Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Bank's Business model; • Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and bank's past performance. Evaluating the alignment of those forward looking parameters to Bank's internal processes where applicable; • Assessing the completeness and the accuracy of the data used for expected credit loss calculation; and • Testing the mathematical accuracy of expected credit loss calculation on sample basis: • Evaluating the judgments and estimates used for the individually assessed financial assets; • Evaluating the accuracy and the necessity of post-model adjustments; and • Auditing of TFRS 9 disclosures.

Hedge Accounting

As explained in Section 5 Note I.12 and II.8, the Bank enters into hedging transactions and applies hedge accounting in order to manage the interest rate and foreign currency rate risks. The Bank uses derivative financial instruments and other hedging relationships to hedge its financial risks such as loans and receivables, financial assets at fair value through other comprehensive income, deposits, securities issued and borrowings. Hedge accounting is considered to be 'key audit matter' due to the potential risks on eligibility of hedge relationship in accordance with TAS 39 'Financial Instruments: Recognition and Measurement', effectiveness of the tests, fair value calculation of financial instruments, documentation and termination of hedge relationship including the effect of termination on the carrying amount of assets.	In addition to general audit procedures our audit procedures include the re-calculation of fair values of derivative financial instruments, assessment of the financial risk components, documentation of all hedging relationships, examination of the effectiveness tests, the review of hedge accounting records, evaluating the appropriateness of the carrying amount of the asset in accordance with the relevant standards in case of a termination.

Valuation of Derivative Financial Instruments

Foreign currency forward transactions, currency and interest rate swap transactions, money options, money futures transactions and all other derivative financial instruments are recorded at fair value on the balance sheet and their fair values are subject to continuous revaluation. Details of the related amounts are explained in Section 5 Note I.2.c and Note II.2. The fair value of derivative financial instruments is determined by selecting the most appropriate market data and applying valuation techniques for certain products. Due to the assumptions, estimates and subjectivity used in these applications, derivative financial instruments are considered as a key audit matter by us.	In addition to our auditing procedures, include reviewing the fair valuation policies as determined by the Bank Management, checking the fair value calculations of the derivative financial instruments chosen by the sample as valuation experts, evaluating the assumptions and estimates used, operational evaluation and testing.

Responsibilities of Management and Directors for the Financial Statements

Bank management is responsible for the preparation and fair presentation of the financial statements in accordance with the BRSA Accounting and Reporting Legislation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.);

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 - December 31, 2019 are not in compliance with the laws and provisions of the Bank's articles of association in relation to financial reporting; and

2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Hatice Dilek Çilingir Köstem.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited

Hatice Dilek Çilingir Köstem, SMMM

Partner

January 30, 2020

İstanbul, Türkiye

QNB FİNANSBANK ANONİM ŞİRKETİ

The Bank's;
Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL

Phone number: (0 212) 318 50 00

Facsimile number: (0 212) 318 56 48

Web page: www.qnbfinansbank.com

E-mail address: investor.relations@qnbfinansbank.com

The unconsolidated financial report for the year ended December 31, 2019, designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections below:

- General Information About The Bank
- Unconsolidated Year End Financial Statements Of The Bank
- Explanations On The Unconsolidated Year End Financial Statements Of The Bank
- Information On Financial Structure And Risk Management Of The Bank
- Footnotes And Explanations On Unconsolidated Financial Statements
- Other Explanations
- Independent Audit Report

The unconsolidated financial statements and related disclosures and footnotes for the year ended December 31, 2019, are prepared in accordance with the Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying unconsolidated financial statements are presented in thousands of Turkish Lira (TL).

Ömer A. Aras Chairman of the Board of Directors	**Ali Teoman Kerman** Member of the Board of Directors and Chairman of the Audit Committee	**Ramzi T.A. Mari** Member of the Board of Directors and of the Audit Committee
Noor Mohd J. A. Al-Naimi Member of the Board of Directors and of the Audit Committee		**Durmuş Ali Kuzu** Member of the Board of Directors and of the Audit Committee
Temel Güzeloğlu General Manager and Member of the Board of Directors	**Adnan Menderes Yayla** Executive Vice President Responsible of Financial Control and Planning	**Ercan Sakarya** Director of Financial, Statutory Reporting and Treasury Control

Information related to the responsible personnel to whom the questions about the financial report can be communicated:

Name-Surname/Title: Elif Akan / Finansal Raporlama Müdürü

Phone Number: (0 212) 318 57 80

Facsimile Number: (0 212) 318 55 78

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SECTION ONE

GENERAL INFORMATION

I. Explanatory Note On The Establishment Date, Nature Of Activities And History Of The Bank

QNB Finansbank Anonim Şirketi (“the Bank”) was incorporated in Istanbul on September 23, 1987. The Bank’s shares have been listed on the Borsa Istanbul (“BIST”) (formerly known as Istanbul Stock Exchange (“ISE”) since 1990.

II. Information About The Bank’s Shareholding Structure, Shareholders Who Individually Or Jointly Have Power To Control The Management And Audit Directly Or Indirectly, Changes Regarding These Subjects During The Year, If Any, And Information About The Controlling Group Of The Bank

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the Bank in previous periods, and Qatar National Bank (“QNB”) regarding the direct or indirect sales of NBG’s shares, owned by affiliates and current associations of the Bank, at the rate of 99.81% to QNB at a price of EUR 2,750 million as of December 21, 2015. On April 7, 2016, BRSA permitted to transfer shares at ratios of 82.23%, 7.90%, 9.68% owned by National Bank of Greece S.A., NBGI Holdings B.V. and NBG Finance (Dollar) PLC respectively in the capital of the Bank to Qatar National Bank S.A.Q. in the framework of paragraph 1 of article 18 of Banking Law and dropping direct share of National Bank of Greece S.A. to 0% through the aforementioned share transfer. Necessary permissions related to share transfer have been completed on May 4, 2016 before the Competition Authority while permission transactions regarding direct/indirect share ownership which shall realize in related affiliates of the Bank (QNB Finans Yatırım Menkul Değerler A.Ş., QNB Finans Portföy Yönetimi A.Ş., QNB Finans Finansal Kiralama A.Ş. and Cigna Finans Emeklilik ve Hayat A.Ş.) Before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016.

The Bank has decided to change the logo and the name of the company within the scope of the main shareholder change and brand strategies the new logo and the company name of the Bank has started to be used as “QNB FİNANSBANK” as of October 20, 2016. According to the decision dated January 17, 2018 which was taken by the General Assembly The Bank’s trade name is changed from “FİNANS BANK A.Ş.” to “QNB FİNANSBANK A.Ş.” as of January 19, 2018.

99.88% of shares of QNB Finansbank A.Ş. are controlled by Qatar National Bank as of December 31, 2019 and remaining 0.12% of related shares are public shares.

50% of QNB shares, which is the first commercial bank of Qatar founded in 1964 and has been traded at Qatar Stock Exchange since 1997, are owned by Qatar Investment Authority while 50% of related shares are public shares. QNB is operating over 30 countries mainly in Middle East and North Africa Regions as well as being the biggest bank of Qatar. Also with respect to total assets, total credits and total deposits QNB is the biggest bank of Middle East and North Africa.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

III. Information About the Chairman and Members of Board of Directors, Members of Audit Committee, Managing Directors and executive vice presidents; any changes, and the information about the Bank shares they hold and their responsibilities

Name	Title	Date of Appointment	Education
Dr. Ömer A. Aras	Chairman	April 16, 2010	PhD
Sinan Şahinbaş	Deputy Chairman and Executive Member	April 16, 2010	Masters
Ali Teoman Kerman	Board Member and Chairman of the Audit Committee	April 16, 2013	Masters
Ramzi Talat A. Mari	Board Member and Audit Committee Member	June 16, 2016	Masters
Fatma Abdulla S.S. Al-Suwaidi	Board Member	June 16, 2016	Masters
Durmuş Ali Kuzu	Board Member and Audit Committee Member	August 25, 2016	PhD
Temel Güzeloğlu	Board Member and General Manager	April 16, 2010	Masters
Yousef Mahmoud H N Al-Neama	Board Member	May 28, 2019	Graduate
Assoc. Prof. Dr. Osman Reha Yolalan	Board Member	June 16, 2016	PhD
Adel Ali M A Al-Malki	Board Member	May 28, 2019	Graduate
Noor Mohd J. A. Al-Naimi	Board Member and Audit Committee Member	June 22, 2017	Graduate
Adnan Menderes Yayla	Executive Vice President	May 20, 2008	Masters
Köksal Çoban	Executive Vice President	August 19, 2008	Masters
Dr. Mehmet Kürşad Demirkol	Executive Vice President	October 8, 2010	PhD
Erkin Aydın	Executive Vice President	May 16, 2011	Masters
Ömür Tan	Executive Vice President	October 28, 2011	Masters
Halim Ersun Bilgici	Executive Vice President	March 15, 2013	Masters
Enis Kurtoğlu	Executive Vice President	May 14, 2015	Masters
Murat Koraş	Executive Vice President	May 14, 2015	Masters
Engin Turhan	Executive Vice President	June 14, 2016	Masters
Cumhur Türkmen	Executive Vice President	June 11, 2018	Graduate
Cenk Akıncılar	Executive Vice President	January 21,2019	Graduate
Burçin Dündar Tüzün(*)	Executive Vice President	December 1, 2019	Masters
Zeynep Kulalar(**)	Executive Vice President	December 1, 2019	Graduate
Ahmet Erzengin	Head of the Department of Internal Control and Compliance	September 12, 2012	Graduate
Bülent Yurdalan	Head of Department of Internal Systems	August 6, 2013	Graduate
Ersin Emir	Head of Internal Audit	February 18, 2011	Masters
Zeynep Aydın Demirkıran	Head of the Department of Risk Management	September 16, 2011	Masters

(*) As of December 1, 2019 , Burçin Dündar Tüzün has been appointed as Assistant General Manager responsible for Corporate and Commercial Loans.
(**) As of December 1, 2019, Zeynep Kulalar has been appointed as the Assistant General Manager responsible for Corporate Banking.
The top level management listed above possesses immaterial number of shares of the Bank.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

IV. Information About The Persons And Institutions That Have Qualified Shares

Name Surname/Trade Name	Amount of Shares	Percentage of Shares	Paid-up Shares	Unpaid Shares
Qatar National Bank ("QNB")	3,345,892	99.88%	3,345,892	-
Other	4,108	0.12%	4,108	-

V. Explanations on the Bank's services and activities

The Bank's activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets and securities operations and credit card operations. In addition, the Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of December 31, 2019, the Bank operates through 523 domestic (December 31, 2018 - 540), 1 abroad (December 31, 2018 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2018 - 1) branches. As of December 31, 2019, the Bank has 12,087 employees (December 31, 2018 - 12,276 employees).

VI. The Existing or Potential, Actual or Legal Obstacles to the Immediate Transfer of Shareholders' Equity Between the Bank And Its Subsidiaries and Repayment of Debts The Existing or Potential, Actual or Legal Obstacles to the Immediate Transfer of Shareholders' Equity Between the Bank And Its Subsidiaries and Repayment of Debts

The Bank's joint venture Cigna Finans Emeklilik and Hayat Anonim Şirketi is consolidated using equity method as per the Regulation on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards.

Ibtech A.Ş and E-finans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. included in investments in associates and Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. included in entities under common control are not consolidated to consolidated financial statements as per the Regulation on Preparation of Consolidated Financial Statements of Banks since they are nonfinancial investments. Bankalararası Kart Merkezi included in subsidiaries is carried at cost and not consolidated since the Bank does not have material control and presence over it.

All other subsidiaries are fully consolidated.

VII. The Existing or Potential, Actual or Legal Obstacles to the Immediate Transfer of Shareholders' Equity Between the Bank And Its Subsidiaries and Repayment of Debts

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

I. Balance Sheet (Statement of Financial Position)

II. Statement of Off-Balance Sheet Commitments and Contingencies

III. Statement of Profit or Loss

IV. Statement of Profit or Loss and Other Comprehensive Income

V. Statement of Changes in Shareholders' Equity

VI. Statement of Cash Flows

VII. Statement of Unconsolidated Profit Appropriation

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENTS OF BALANCE SHEET (STATEMENTS OF FINANCIAL POSITION) - ASSETS AS AT DECEMBER 31, 2019 AND DECEMBER 31, 2018

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

I. BALANCE SHEET - ASSETS

			Audited 31.12.2019			Audited(*) 31.12.2018		
		Section 5 Part I	TL	FC	Total	TL	FC	Total
I.	**FINANCIAL ASSETS (NET)**		**16,357,998**	**26,909,820**	**43,267,818**	**18,368,532**	**22,467,555**	**40,836,087**
1.1	**Cash and Cash Equivalents**		**4,561,447**	**18,081,828**	**22,643,275**	**2,087,753**	**17,720,257**	**19,808,010**
1.1.1	Cash and Balances with Central Bank	(1)	1,127,557	17,622,984	18,750,541	1,822,717	16,688,725	18,511,442
1.1.2	Banks	(3)	400,735	458,844	859,579	200,553	1,031,532	1,232,085
1.1.3	Money Markets	(4)	3,040,962	-	3,040,962	102,070	-	102,070
1.1.4	Expected Credit Losses (-)		7,807	-	7,807	37,587	-	37,587
1.2	**Financial Assets at Fair Value Through Profit or Loss**	(2)	**231,713**	**103,236**	**334,949**	**25,639**	**112,843**	**138,482**
1.2.1	Government Debt Securities		207,149	16,398	223,547	18,319	2,811	21,130
1.2.2	Equity Instruments		24,564	-	24,564	7,320	-	7,320
1.2.3	Other Financial Assets		-	86,838	86,838	-	110,032	110,032
1.3	**Financial Assets at Fair Value Through Other Comprehensive Income**	(5)	**4,784,881**	**7,558,560**	**12,343,441**	**4,545,637**	**3,898,418**	**8,444,055**
1.3.1	Government Debt Securities		4,777,207	7,352,489	12,129,696	4,540,725	3,763,899	8,304,624
1.3.2	Equity Securities		7,674	182,123	189,797	4,912	113,259	118,171
1.3.3	Other Financial Assets		-	23,948	23,948	-	21,260	21,260
1.4	**Derivative Financial Assets**	(12)	**6,779,957**	**1,166,196**	**7,946,153**	**11,709,503**	**736,037**	**12,445,540**
1.4.1	Derivative Financial Assets at Fair Value Through Profit or Loss		5,465,362	1,120,949	6,586,311	9,006,638	624,857	9,631,495
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		1,314,595	45,247	1,359,842	2,702,865	111,180	2,814,045
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)**	(7)	**83,819,597**	**42,946,245**	**126,765,842**	**72,795,080**	**34,008,026**	**106,803,106**
2.1	**Loans**	(6)	**83,618,617**	**35,353,734**	**118,972,351**	**72,347,758**	**28,992,338**	**101,340,096**
2.2	**Lease Receivables**	(11)	-	-	-	-	-	-
2.3	**Factoring Receivables**		-	-	-	-	-	-
2.4	**Other Financial Assets Measured at Amortized Cost**	(6)	**8,588,791**	**7,592,511**	**16,181,302**	**7,916,505**	**5,015,688**	**12,932,193**
2.4.1	Government Debt Securities		8,588,791	7,028,183	15,616,974	7,916,505	4,283,527	12,200,032
2.4.2	Other Financial Assets		-	564,328	564,328	-	732,161	732,161
2.5	**Expected Credit Losses (-)**		**8,387,811**	-	**8,387,811**	**7,469,183**	-	**7,469,183**
III.	**PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)**	(17)	-	-	-	-	-	-
3.1	Held for Sale Purpose		-	-	-	-	-	-
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	**EQUITY INVESTMENTS**		**1,492,873**	-	**1,492,873**	**1,298,703**	-	**1,298,703**
4.1	**Investments in Associates (Net)**	(8)	**5,982**	-	**5,982**	**5,982**	-	**5,982**
4.1.1	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		5,982	-	5,982	5,982	-	5,982
4.2	**Subsidiaries (Net)**	(9)	**1,250,114**	-	**1,250,114**	**1,141,248**	-	**1,141,248**
4.2.1	Unconsolidated Financial Subsidiaries		1,212,068	-	1,212,068	1,103,202	-	1,103,202
4.2.2	Unconsolidated Non-Financial Subsidiaries		38,046	-	38,046	38,046	-	38,046
4.3	**Entities under Common Control (Joint Venture) (Net)**	(10)	**236,777**	-	**236,777**	**151,473**	-	**151,473**
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		236,777	-	236,777	151,473	-	151,473
V.	**TANGIBLE ASSETS (NET)**	(13)	**3,376,309**	**40**	**3,376,349**	**2,861,861**	**61**	**2,861,922**
VI.	**INTANGIBLE ASSETS (NET)**	(14)	**438,280**	-	**438,280**	**397,179**	-	**397,179**
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		438,280	-	438,280	397,179	-	397,179
VII.	**INVESTMENT PROPERTY (NET)**	(15)	-	-	-	-	-	-
VIII.	**CURRENT TAX ASSET**		-	-	-	-	-	-
IX.	**DEFERRED TAX ASSET**	(16)	**348,688**	-	**348,688**	**522,283**	-	**522,283**
X.	**OTHER ASSETS (NET)**	(18)	**2,778,178**	**3,212,483**	**5,990,661**	**2,496,325**	**2,200,130**	**4,696,455**
	TOTAL ASSETS		**108,611,923**	**73,068,588**	**181,680,511**	**98,739,963**	**58,675,772**	**157,415,735**

(*) The necessary classifications have been made in the prior period financial statements in order to be comparable with the current period financial statements that are in the new financial statements format issued by the Banking Regulation and Supervision Agency (BRSA) on February 1, 2019.

The accompanying notes are an integral part of these financial statements.

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENTS OF BALANCE SHEET (STATEMENTS OF FINANCIAL POSITION) - LIABILITIES AND EQUITY AS AT DECEMBER 31, 2019 AND DECEMBER 31, 2018

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

I. BALANCE SHEET - LIABILITIES AND EQUITY

			Audited 31.12.2019			Audited(*) 31.12.2018		
		Section 5 Part II	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(1)	46,797,181	58,828,602	105,625,783	44,788,365	42,302,088	87,090,453
II.	FUNDS BORROWED	(3)	380,249	14,929,160	15,309,409	138,385	18,027,864	18,166,249
III.	MONEY MARKETS	(4)	267,816	8,797,038	9,064,854	92,273	4,622,546	4,714,819
IV.	SECURITIES ISSUED (NET)	(5)	3,954,629	9,131,345	13,085,974	2,206,779	6,697,676	8,904,455
4.1	Bills		3,954,629	116,648	4,071,277	2,206,779	388,754	2,595,533
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	9,014,697	9,014,697	-	6,308,922	6,308,922
V.	FUNDS		-	-	-	-	-	-
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		3,453,855	1,525,079	4,978,934	5,610,140	728,265	6,338,405
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(2)	2,966,468	1,292,986	4,259,454	5,450,465	651,892	6,102,357
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	487,387	232,093	719,480	159,675	76,373	236,048
VIII.	FACTORING PAYABLES		-	-	-	-	-	-
IX.	LEASE PAYABLES (NET)	(7)	432,658	15,072	447,730	18,629	5,994	24,623
X.	PROVISIONS	(9)	875,641	-	875,641	778,836	-	778,836
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		529,565	-	529,565	426,856	-	426,856
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		346,076	-	346,076	351,980	-	351,980
XI.	CURRENT TAX LIABILITY	(10)	205,582	-	205,582	149,662	-	149,662
XII.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIII.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)	(11)	-	-	-	-	-	-
13.1	Held for Sale		-	-	-	-	-	-
13.2	Discontinued Operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT INSTRUMENTS	(12)	-	5,432,553	5,432,553	-	4,816,098	4,816,098
14.1	Subordinated Loans		-	5,432,553	5,432,553	-	4,816,098	4,816,098
14.2	Other Debt Instruments		-	-	-	-	-	-
XV.	OTHER LIABILITIES		5,482,130	4,486,862	9,968,992	5,144,319	6,715,767	11,860,086
XVI.	SHAREHOLDERS' EQUITY		17,318,226	(633,167)	16,685,059	15,057,492	(485,443)	14,572,049
16.1	Paid-in Capital	(13)	3,350,000	-	3,350,000	3,350,000	-	3,350,000
16.2	Capital Reserves	(14)	714	-	714	714	-	714
16.2.1	Share Premium		714	-	714	714	-	714
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		-	-	-	-	-	-
16.3	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		872,251	101,267	973,518	700,576	44,291	744,867
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		(103,930)	(734,434)	(838,364)	429,168	(529,734)	(100,566)
16.5	Profit Reserves		10,577,034	-	10,577,034	8,167,205	-	8,167,205
16.5.1	Legal Reserves		670,000	-	670,000	584,870	-	584,870
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		9,907,034	-	9,907,034	7,582,335	-	7,582,335
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit/Loss		2,622,157	-	2,622,157	2,409,829	-	2,409,829
16.6.1	Prior Periods' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Period's Net Profit/Loss		2,622,157	-	2,622,157	2,409,829	-	2,409,829
16.7	Minority Interest		-	-	-	-	-	-
	TOTAL LIABILITIES		79,167,967	102,512,544	181,680,511	73,984,880	83,430,855	157,415,735

(*) The necessary classifications have been made in the prior period financial statements in order to be comparable with the current period financial statements that are in the new financial statements format issued by the Banking Regulation and Supervision Agency (BRSA) on February 1, 2019.

The accompanying notes are an integral part of these financial statements.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

		Section 5 Part III	Audited 31.12.2019			Audited 31.12.2018		
			TL	FC	Total	TL	FC	Total
A.	**OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)**		**143,090,252**	**224,173,699**	**367,263,951**	**130,113,215**	**179,084,169**	**309,197,384**
I.	**GUARANTEES**	(1), (2), (3), (4)	**10,270,332**	**18,246,772**	**28,517,104**	**8,744,817**	**14,944,429**	**23,689,246**
1.1.	Letters of guarantee		10,179,767	9,847,498	20,027,265	8,728,878	8,756,308	17,485,186
1.1.1.	Guarantees subject to State Tender Law		419,645	66,525	486,170	363,694	43,691	407,385
1.1.2.	Guarantees given for foreign trade operations		5,339,495	9,780,973	15,120,468	4,414,542	8,712,617	13,127,159
1.1.3.	Other letters of guarantee		4,420,627	-	4,420,627	3,950,642	-	3,950,642
1.2.	Bank loans		22,742	5,799,601	5,822,343	15,820	4,460,434	4,476,254
1.2.1.	Import letter of acceptance		22,742	5,799,601	5,822,343	15,820	4,460,434	4,476,254
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		67,823	2,599,673	2,667,496	119	1,727,687	1,727,806
1.3.1.	Documentary letters of credit		67,823	2,000,767	2,068,590	119	1,682,271	1,682,390
1.3.2.	Other letters of credit		-	598,906	598,906	-	45,416	45,416
1.4.	Prefinancing given as guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other endorsements		-	-	-	-	-	-
1.6.	Securities issue purchase guarantees		-	-	-	-	-	-
1.7.	Factoring guarantees		-	-	-	-	-	-
1.8.	Other guarantees		-	-	-	-	-	-
1.9.	Other collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**		**82,440,328**	**5,993,806**	**88,434,134**	**63,658,753**	**3,916,979**	**67,575,732**
2.1.	Irrevocable commitments	(1)	47,699,180	5,245,759	52,944,939	36,609,777	2,238,221	38,847,998
2.1.1.	Forward asset purchase commitments		1,326,013	4,004,529	5,330,542	427,989	1,777,120	2,205,109
2.1.2.	Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4.	Loan granting commitments		14,309,356	594	14,309,950	10,851,659	526	10,852,185
2.1.5.	Securities underwriting commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7.	Payment commitment for checks		2,377,515	-	2,377,515	2,181,264	-	2,181,264
2.1.8.	Tax and fund liabilities from export commitments		29,197	-	29,197	28,728	-	28,728
2.1.9.	Commitments for credit card expenditure limits		28,781,240	-	28,781,240	22,362,300	-	22,362,300
2.1.10.	Commitments for promotions related with credit cards and banking activities		71,447	-	71,447	29,958	-	29,958
2.1.11.	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12.	Payables for short sale commitments		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		804,412	1,240,636	2,045,048	727,879	460,575	1,188,454
2.2.	Revocable commitments		34,741,148	748,047	35,489,195	27,048,976	1,678,758	28,727,734
2.2.1.	Revocable loan granting commitments		34,741,148	748,047	35,489,195	27,048,976	1,678,758	28,727,734
2.2.2.	Other revocable commitments		-	-	-	-	-	-
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	(5), (6)	**50,379,592**	**199,933,121**	**250,312,713**	**57,709,645**	**160,222,761**	**217,932,406**
3.1	Derivative financial instruments for hedging purposes		16,210,514	64,039,377	80,249,891	17,909,998	48,962,094	66,872,092
3.1.1	Fair value hedge		6,608,353	24,539,687	31,148,040	6,922,598	19,690,796	26,613,394
3.1.2	Cash flow hedge		9,602,161	39,499,690	49,101,851	10,987,400	29,271,298	40,258,698
3.1.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2	Held for trading transactions		34,169,078	135,893,744	175,393,364	39,799,647	111,260,667	153,265,423
3.2.1	Forward foreign currency buy/sell transactions		2,837,603	5,229,023	8,066,626	2,517,071	4,581,723	7,098,794
3.2.1.1	Forward foreign currency transactions-buy		2,234,775	1,792,466	4,027,241	1,335,604	2,193,969	3,529,573
3.2.1.2	Forward foreign currency transactions-sell		602,828	3,436,557	4,039,385	1,181,467	2,387,754	3,569,221
3.2.2	Swap transactions related to foreign currency and interest rates		25,526,874	121,811,614	147,338,488	31,777,537	98,803,053	130,580,590
3.2.2.1	Foreign currency swap-buy		7,167,491	37,145,803	44,313,294	13,635,615	30,588,966	44,224,581
3.2.2.2	Foreign currency swap-sell		18,259,383	25,893,831	44,153,214	16,501,922	28,203,433	44,705,355
3.2.2.3	Interest rate swaps-buy		50,000	29,385,990	29,435,990	820,000	20,005,327	20,825,327
3.2.2.4	Interest rate swaps-sell		50,000	29,385,990	29,435,990	820,000	20,005,327	20,825,327
3.2.3	Foreign currency, interest rate and securities options		5,705,403	7,537,454	13,242,857	5,505,039	6,823,437	12,328,476
3.2.3.1	Foreign currency options-buy		1,385,083	5,219,625	6,604,708	2,341,029	3,789,135	6,130,164
3.2.3.2	Foreign currency options-sell		4,320,320	2,317,829	6,638,149	3,164,010	3,034,302	6,198,312
3.2.3.3	Interest rate options-buy		-	-	-	-	-	-
3.2.3.4	Interest rate options-sell		-	-	-	-	-	-
3.2.3.5	Securities options-buy		-	-	-	-	-	-
3.2.3.6	Securities options-sell		-	-	-	-	-	-
3.2.4	Foreign currency futures		99,198	97,912	197,110	-	237,014	237,014
3.2.4.1	Foreign currency futures-buy		99,198	-	99,198	-	118,507	118,507
3.2.4.2	Foreign currency futures-sell		-	97,912	97,912	-	118,507	118,507
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-	-	-	-
3.2.6	Other		-	1,217,741	1,217,741	-	815,440	815,440
B.	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**747,368,398**	**195,481,762**	**942,850,160**	**674,403,773**	**163,091,542**	**837,495,315**
IV.	**ITEMS HELD IN CUSTODY**		**12,140,889**	**6,466,621**	**18,607,510**	**5,970,745**	**4,150,268**	**10,121,013**
4.1.	Assets under management		3,522,838	-	3,522,838	216,937	-	216,937
4.2.	Investment securities held in custody		2,192,710	4,607,369	6,800,079	470,673	2,863,101	3,333,774
4.3.	Checks received for collection		4,722,228	1,059,298	5,781,526	3,804,427	573,547	4,377,974
4.4.	Commercial notes received for collection		1,703,113	342,751	2,045,864	1,478,708	304,711	1,783,419
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		-	457,203	457,203	-	408,909	408,909
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**441,122,637**	**119,044,468**	**560,167,105**	**406,901,559**	**96,312,753**	**503,214,312**
5.1.	Marketable securities		3,572,768	8,761,567	12,334,335	2,920,390	8,044,413	10,964,803
5.2.	Guarantee notes		398,506	82,436	480,942	442,693	131,866	574,559
5.3.	Commodity		476,476	-	476,476	66,090	-	66,090
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		102,041,042	61,972,389	164,013,431	90,756,028	53,481,420	144,237,448
5.6.	Other pledged items		334,633,845	48,228,076	382,861,921	312,716,358	34,655,054	347,371,412
5.7.	Pledged items-depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**294,104,872**	**69,970,673**	**364,075,545**	**261,531,469**	**62,628,521**	**324,159,990**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**890,458,650**	**419,655,461**	**1,310,114,111**	**804,516,988**	**342,175,711**	**1,146,692,699**

The accompanying notes are an integral part of these financial statements.

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

III. STATEMENT OF PROFIT OR LOSS

		Section 5 Part IV	Audited Current Period 01.01-31.12.2019	Audited Prior Period 01.01-31.12.2018
I.	**INTEREST INCOME**	(1)	**18,353,137**	**16,386,451**
1.1	Interest income on loans		15,304,037	13,388,944
1.2	Interest income on reserve deposits		190,664	200,684
1.3	Interest income on banks		235,137	201,108
1.4	Interest income on money market transactions		182,410	35,828
1.5	Interest income on securities portfolio		2,418,202	2,551,600
1.5.1	Financial assets measured at FVTPL		11,247	2,156
1.5.2	Financial assets measured at FVOCI		1,088,038	820,608
1.5.3	Financial assets measured at amortized cost		1,318,917	1,728,836
1.6	Financial lease income		-	-
1.7	Other interest income		22,687	8,287
II.	**INTEREST EXPENSE (-)**	(2)	**10,770,916**	**8,703,078**
2.1	Interest on deposits		7,838,246	6,479,053
2.2	Interest on funds borrowed		1,212,384	1,053,658
2.3	Interest on money market transactions		377,039	355,119
2.4	Interest on securities issued		1,268,228	808,179
2.5	Interests on leasings		67,865	1,200
2.6	Other interest expenses		7,154	5,869
III.	**NET INTEREST INCOME (I - II)**		**7,582,221**	**7,683,373**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**2,691,464**	**2,139,885**
4.1	Fees and commissions received		3,387,228	2,687,027
4.1.1	Non-cash loans		159,282	114,679
4.1.2	Others		3,227,946	2,572,348
4.2	Fees and commissions paid (-)		695,764	547,142
4.2.1	Non-cash loans		1,690	1,021
4.2.2	Others		694,074	546,121
V.	**DIVIDEND INCOME**	(3)	**51,187**	**52,196**
VI.	**NET TRADING INCOME/LOSS (NET)**	(4)	**(1,516,452)**	**(1,405,760)**
6.1	Trading account gain/losses		50,399	13,552
6.2	Gain/losses from derivative transactions		(1,417,439)	526,003
6.3	Foreign exchange gain/losses		(149,412)	(1,945,315)
VII.	**OTHER OPERATING INCOME**	(5)	**137,288**	**64,077**
VIII.	**TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)**		**8,945,708**	**8,533,771**
IX.	**EXPECTED CREDIT LOSSES (-)**	(6)	**1,819,590**	**2,207,465**
X.	**OTHER PROVISION LOSSES (-)**		**74,203**	**4,138**
XI.	**PERSONNEL EXPENSES (-)**		**1,716,360**	**1,425,103**
XII.	**OTHER OPERATING EXPENSES (-)**	(7)	**2,155,795**	**1,838,324**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**3,179,760**	**3,058,741**
XIV.	**INCOME RESULTED FROM MERGERS**		**-**	**-**
XV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**-**	**-**
XVI.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**	**-**
XVII.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)**	(8)	**3,179,760**	**3,058,741**
XVIII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	(9)	**(557,603)**	**(648,912)**
18.1	Current tax charge		(163,465)	(711,041)
18.2	Deferred tax charge (+)		178,086	1,067,006
18.3	Deferred tax credit (-)		(572,224)	(1,004,877)
XIX.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)**	(10)	**2,622,157**	**2,409,829**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
20.1	Income from assets held for sale		-	-
20.2	Income from sale of associates, subsidiaries and joint-ventures		-	-
20.3	Others		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
21.1	Expenses on assets held for sale		-	-
21.2	Expenses on sale of associates, subsidiaries and joint-ventures		-	-
21.3	Others		-	-
XXII.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX+XXI)**		**-**	**-**
XXIII.	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**		**-**	**-**
23.1	Current tax charge		-	-
23.2	Deferred tax charge (+)		-	-
23.3	Deferred tax credit (-)		-	-
XXIV.	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)**		**-**	**-**
XXV.	**NET PROFIT/LOSS (XIX+XXIV)**	(11)	**2,622,157**	**2,409,829**
25.1	Bank's profit/loss		2,622,157	2,409,829
25.2	Minority interest		-	-
	Earnings Per Share		0.0783	0.0719

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited Current Period 01.01-31.12.2019	Audited Prior Period 01.01-31.12.2018
I.	**CURRENT PERIOD PROFIT/LOSS**	**2,622,157**	**2,409,829**
II.	**OTHER COMPREHENSIVE INCOME**	**(509,147)**	**228,018**
2.1	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**228,651**	**397,863**
2.1.1	Revaluation Surplus on Tangible Assets	-	-
2.1.2	Revaluation Surplus on Intangible Assets	-	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(28,840)	19,408
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	254,463	384,047
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	3,028	(5,592)
2.2	**Other Income/Expense Items to be Recycled to Profit or Loss**	**(737,798)**	**(169,845)**
2.2.1	Translation Differences	-	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	278,627	(425,749)
2.2.3	Gains/losses from Cash Flow Hedges	(1,233,940)	211,542
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	217,515	44,362
III.	**TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE YEAR (I±II)**	**2,113,010**	**2,637,847**

The accompanying notes are an integral part of these unconsolidated financial statements.

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
	Audited	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others(*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Equity
	Prior Period - 01.01 - 31.12.2018															
I.	Balances at Beginning of Period		3,350,000	714	-	-	-	(65,980)	412,984	-	(251,126)	231,892	6,873,477	1,603,441	-	12,155,402
II.	Correction made as per TAS 8		-	-	-	-	-	-	-	-	88,513	-	-	(209,713)	-	(121,200)
2.1	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	88,513	-	-	(209,713)	-	(121,200)
III.	Adjusted Balances at Beginning of Period (I+II)		3,350,000	714	-	-	-	(65,980)	412,984	-	(162,613)	231,892	6,873,477	1,393,728	-	12,034,202
IV.	Total Comprehensive Income		-	-	-	-	-	15,138	382,725	-	(335,012)	165,167	-	-	2,409,829	2,637,847
V.	Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Others Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	1,293,728	(1,393,728)	-	(100,000)
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	(100,000)	-	(100,000)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	1,293,728	(1,293,728)	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV...+X+XI)		3,350,000	714	-	-	-	(50,842)	795,709	-	(497,625)	397,059	8,167,205	-	2,409,829	14,572,049

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2019
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

							Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
	Audited	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others(*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Equity
	Current Period - 01.01 - 31.12.2019															
I.	Balances at Beginning of Period		3,350,000	714	-	-	-	(50,842)	795,709	-	(497,625)	397,059	8,167,205	2,409,829	-	14,572,049
II.	Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balances at Beginning of Period (I+II)		3,350,000	714	-	-	-	(50,842)	795,709	-	(497,625)	397,059	8,167,205	2,409,829	-	14,572,049
IV.	Total Comprehensive Income		-	-	-	-	-	(22,495)	251,146	-	225,371	(963,169)	-	-	2,622,157	2,113,010
V.	Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Others Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	2,409,829	(2,409,829)	-	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	2,409,829	(2,409,829)	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV…+X+XI)		3,350,000	714	-	-	-	(73,337)	1,046,855	-	(272,254)	(566,110)	10,577,034	-	2,622,157	16,685,059

(*) Accumulated amounts of share of investments accounted for by the equity method that cannot be classified as profit / loss from other comprehensive income with other comprehensive income that will not be reclassified to other profit or loss.
(**) Accumulated amount of cash flow hedge gains / losses, equity attributable to equity holders of the Bank for profit or loss from other comprehensive income and other comprehensive income to be reclassified to other profit or loss.
The accompanying notes are an integral part of these financial statements.

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

		Section 5 Part VI	Audited 01.01 - 31.12.2019	Audited 01.01 - 31.12.2018
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities**		**10,116,709**	**6,205,042**
1.1.1	Interest received		17,225,113	13,587,268
1.1.2	Interest paid		(12,613,589)	(4,522,263)
1.1.3	Dividend received		51,187	52,196
1.1.4	Fees and commissions received		3,393,213	2,688,860
1.1.5	Other income		137,288	64,077
1.1.6	Collections from previously written off loans		1,398,431	1,423,091
1.1.7	Payments to personnel and service suppliers		(1,104,911)	(2,472,635)
1.1.8	Taxes paid		(692,935)	(1,234,763)
1.1.9	Others	(1)	2,322,912	(3,380,789)
1.2	**Changes in operating assets and liabilities**		**(2,680,011)**	**269,489**
1.2.1	Net (increase) decrease in financial assets measured at fair value through profit/loss		(194,601)	(4,236)
1.2.2	Net (increase) decrease in due from banks		2,868,903	236,261
1.2.3	Net (increase) decrease in loans		(14,535,962)	(7,517,232)
1.2.4	Net (increase) decrease in other assets	(1)	(1,437,206)	(3,726,562)
1.2.5	Net increase (decrease) in bank deposits		1,787,924	1,123,770
1.2.6	Net increase (decrease) in other deposits		12,335,067	8,538,123
1.2.7	Net (increase) decrease in financial liabilities measured at fair value through profit/loss		-	-
1.2.8	Net increase (decrease) in funds borrowed		(4,536,880)	(2,295,275)
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities	(1)	1,032,744	3,914,640
I.	**Net cash provided from / (used in) banking operations**		**7,436,698**	**6,474,531**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash provided from / (used in) investing activities**		**(4,969,543)**	**(2,896,918)**
2.1	Purchase of entities under common control, associates and subsidiaries		-	(35,000)
2.2	Sale of entities under common control, associates and subsidiaries		-	-
2.3	Fixed assets purchases		(229,459)	(187,474)
2.4	Fixed assets sales		18,289	575
2.5	Purchase of financial assets measured at fair value through other comprehensive income		(6,476,489)	(2,363,029)
2.6	Sale of financial assets measured at fair value through other comprehensive income		3,797,849	1,237,280
2.7	Purchase of financial assets measured at amortized cost		(3,406,328)	(2,201,072)
2.8	Sale of financial assets measured at amortized cost		1,496,516	837,723
2.9	Others	(1)	(169,921)	(185,921)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash provided from / (used in) financing activities**		**2,797,253**	**(722,659)**
3.1	Cash obtained from funds borrowed and securities issued		5,220,751	2,521,794
3.2	Cash used for repayment of funds borrowed and securities issued		(2,293,410)	(3,141,794)
3.3	Capital increase		-	-
3.4	Dividends paid		-	(100,000)
3.5	Payments for finance leases		(14,582)	(2,659)
3.6	Other		(115,506)	-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**356,419**	**(40,687)**
V.	**Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)**		**5,620,827**	**2,814,267**
VI.	**Cash and cash equivalents at beginning of the period**	(2)	**8,767,065**	**5,952,798**
VII.	**Cash and cash equivalents at end of the period (V+VI)**		**14,387,892**	**8,767,065**

The accompanying notes are an integral part of these financial statements.

QNB FİNANSBANK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENTS OF UNCONSOLIDATED PROFIT APPROPRIATION FOR THE YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VII. STATEMENT OF UNCONSOLIDATED PROFIT APPROPRIATION		Audited Current Period 31.12.2019(*)	Audited Prior period 31.12.2018
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1	Current Year Income	3,179,760	3,058,741
1.2	Taxes And Duties Payable (-)	557,603	648,912
1.2.1	Corporate Tax (Income Tax)	163,465	711,041
1.2.2	Income Withholding Tax	-	-
1.2.3	Other Taxes And Duties(**)	394,138	(62,129)
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**2,622,157**	**2,409,829**
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	-	85,130
1.5	Other Statutory Reserves (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**2,622,157**	**2,324,699**
1.6	First Dividend To Shareholders (-)	-	-
1.6.1	To Owners Of Ordinary Shares	-	-
1.6.2	To Owners Of Privileged Shares	-	-
1.6.3	To Owners Of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders Of Profit And (Loss) Sharing Certificates	-	-
1.7	Dividends To Personnel (-)	-	-
1.8	Dividends To Board Of Directors (-)	-	-
1.9	Second Dividend To Shareholders(-)	-	-
1.9.1	To Owners Of Ordinary Shares	-	-
1.9.2	To Owners Of Privileged Shares	-	-
1.9.3	To Owners Of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders Of Profit And (Loss) Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	-
1.11	Statutory Reserves(-)	-	-
1.12	Extraordinary Reserves	-	(2,324,699)
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends To Shareholders(-)	-	-
2.3.1	To Owners Of Ordinary Shares	-	-
2.3.2	To Owners Of Privileged Shares	-	-
2.3.3	To Owners Of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders Of Profit And (Loss) Sharing Certificates	-	-
2.4	Dividends To Personnel(-)	-	-
2.5	Dividends To Board Of Directors(-)	-	-
III.	**EARNINGS PER SHARE**		
3.1	To Owners Of Ordinary Shares	0.0783	0.0719
3.2	To Owners Of Ordinary Shares (%)	7.83%	7.19%
3.3	To Owners Of Privileged Shares	-	-
3.4	To Owners Of Privileged Shares (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	To Owners Of Ordinary Shares	-	-
4.2	To Owners Of Ordinary Shares (%)	-	-
4.3	To Owners Of Privileged Shares	-	-
4.4	To Owners Of Privileged Shares (%)	-	-

(*) Decision regarding the profit distribution for the 2019 will be taken at the General Meeting.

The accompanying notes are an integral part of these financial statements

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

1. Preparation of the financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Law numbered 5411 published in the Official Gazette no. 26333 dated November 1, 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA") and and in case where a specific regulation is not made by BRSA and Turkish Accounting Standards published by the Public Oversight Accounting for the format and detail of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated June 28, 2012, and amendments to this Communiqué dated February 1, 2019 which include Turkish Accounting Standard principles.

Financial statements and the related disclosures and footnotes have been presented in thousands of Turkish Lira unless otherwise specified. The amounts expressed in foreign currency is indicated by the full amount.

Explanation for convenience translation to english

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

2. Accounting policies and valuation principles used in the preparation of the financial statements

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"),and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2018 except for the application of TFRS 16.

The accounting policies and valuation principles related with current period are explained in Notes II to XXVI below.

Financial statements are prepared in TL accordance with the historical cost basis except for financial instruments measured at fair value through profit/loss, financial assets measured at fair value through other comprehensive income, derivative financial assets and liabilities. In addition, carrying value of assets subject to fair value hedge but are carried at historical cost is adjusted to reflect fair value changes related to risks being hedged.

The preparation of unconsolidated financial statements in conformity with TFRS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent matters as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections reflected to the income statement.

2.1. Changes in accounting policies and disclosures

2.1.1. Major new and amended standards and interpretations

The Bank has started to apply "TFRS 16 Leases" Standard published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29826 dated April 16, 2018 starting from January 1, 2019. Other changes on standards of TAS and TFRS have no significant impact on financial position or performance of the Bank.

2.1.2. The standards which are effective as of January 1, 2019

TFRS 16 Leases

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The bank has started to apply the "TFRS 16 Leases" Standard with using the modified retrospective approach from January 1, 2019.

Set out below are the new accounting policies of the Bank upon adoption of TFRS 16:

Right of use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right to use includes the presence of:

• The initial measurement of the lease;

• The amount obtained by deducting all lease payments received from all lease payments made on or on the date of actual lease; and

• All initial direct costs incurred by the Bank.

At the end of the lease term of the underlying asset's service, the transfer of the Bank is reasonably finalized, and the Bank depreciates the asset until the end of the life of the underlying asset on which the lease actually began. Right-of-use assets are subject to impairment.

Lease liabilities

The Bank measures the lease obligation at the present value of the unpaid lease payments on the date that the lease commences.

Lease payments included in the measurement of the lease obligation on the date that the lease actually commences, consists of the following payments to be made for the right of use of the underlying asset during the lease period and not paid on the date the lease actually starts:

• Fixed payments;

• Variable lease payments based on an index or rate, the first measurement made using an index or rate on the actual date of the lease;

• Amounts expected to be paid by the Bank under the residual value commitments;

• The use price of this option and, if the Bank is reasonably confident that it will use the purchase option; and

• Fines for termination of the lease if the lease term indicates that the Bank will use an option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggered the payment occurred. The Bank revises the revised discount rate for the remainder of the lease term, if the implicit interest rate in the lease can be easily determined; the Bank's alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Bank measures the lease obligation as follows:

• Increase the carrying amount to reflect the interest on the lease obligation; and

• Decreases the carrying amount to reflect the lease payments made.

In addition, in the event of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

Short-Term Leases And Leases Of Low-Value Assets

The Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Bank has started to apply TFRS 16, assets classified under tangible assets as of December 31, 2019 amounted to TL 458,369, lease liability amounted to TL 431,753, financing expense amounted to TL 61,839 and depreciation expense amounted to TL 215,641.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

II. Strategy for the Use of Financial Instruments and the Foreign Currency Transactions

1. Strategy for the use of financial instruments

The major funding sources of the Bank are customer deposits, bond issues and funds borrowed from international markets. The customer deposits bear fixed interest rate and have an average maturity of 1-3 months in line with the sector. Domestic bond issues are realized within the maturity of 6 months and foreign bond issues are based on long maturities with fixed interests. Funds borrowed from abroad mostly bear floating rates and are reprised at an average period of 3-6 months. The Bank diverts its placements to assets with high return and sufficient collaterals. The Bank manages the liquidity structure to meet its liabilities when due by diversifying the funding sources and keeping sufficient cash and cash equivalents. The maturity of fund sources and maturity and yield of placements are considered to the extent possible within the current market conditions and higher return on long-term placements is aimed.

Besides customer deposits, the Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets.

The Bank converts the foreign currency liquidity obtained from customer deposit accounts and the international markets to TL liquidity using long term swap transactions (fixed TL interest rate and floating FC interest rate). Thus, the Bank generates TL denominated resources for funding long term loans with fixed interest rates.

The Bank has determined securities portfolio limits based on the market risk limitations for money, capital and commodity markets. Products included in the securities portfolio are subject to position and risk limits. Position limits restrict the maximum nominal position based on the product. Risk limits are expressed in terms of “Value at Risk (VAR)” by taking the risk tolerance as a cap. The maximum VAR amounts are determined by interest and currency risk factors, which affect the securities portfolio that is subject to market risk, as well as determining the risk tolerance based on the total value at risk. The above mentioned limits are revised annually.

The strategies for hedging exchange rate risk resulting from the Bank’s foreign currency debt securities which are categorized as financial assets at fair value through other comprehensive income explained in foreign currency risk section and the applications regarding the cash flow hedging of interest rate cash flow risk resulting from deposits are explained in the Interest Rate Risk section in detail.

Hedging strategies for foreign exchange risk resulting from other foreign currency transactions are explained in the foreign currency risk section.

2. Foreign currency transactions

2.1. Foreign currency exchange rates used in converting transactions denominated in foreign currencies and presentation of them in the financial statements

The Bank accounts for the transactions denominated in foreign currencies in accordance with TAS 21

“The Effects of Changes in Foreign Exchange Rates”. Foreign exchange gains and losses arising from transactions that are completed as of December 31, 2019 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL by using foreign currency exchange rates of the Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Bank’s foreign currency exchange rates for the related period ends are as follows:

	December 31, 2019	December 31, 2018
US Dollar	TL 5.9402	TL 5.2609
Euro	TL 6.6506	TL 6.0280

2.2. Net profit or loss is included in the total foreign exchange differences for the period

The foreign currency position of the Bank and the profit / loss from the foreign exchange transactions realized are included in the income statement of foreign exchange gains / losses and income/losses from derivative financial instruments in the income statement. While gain / loss from spot foreign exchange transactions are included in the profit / loss item of foreign exchange gain/loss on balance sheet, profit / loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income / loss statement of derivative financial instruments. Therefore, in order to determine the net profit / loss effects of foreign exchange transactions, two balances should be assessed together. As of December 31, 2019, net foreign exchange transaction income is TL 152,549 (December 31, 2018 - TL 597,803 net foreign exchange transaction income) when the net interest expense amounting to TL 1,719,400 (December 31, 2018 - TL 2,017,523) arising from derivative transactions is excluded from the derivative transactions loss amounting to TL 1,417,439 (December 31, 2018 - TL 526,003 derivative transactions income) and foreign exchange loss amounting to TL 149,412 (December 31, 2018 - TL 1,945,723 net foreign exchange loss).

III. Information on Associates and Subsidiaries and Entities Under Common Control

Associates and Entities Under Common Control are recognized in the framework of TFRS 9 "Financial Instruments: Turkish Financial Reporting Standards" in accordance with TAS 27 "Individual Financial Statements" and TAS 28 "Investments in Subsidiaries and Associates" standards while subsidiaries are recognized based on cost principle.

IV. Explanations on Derivative Financial Assets and Liabilities

The Bank enters into forward currency purchase/sale agreements and swap transactions to reduce the foreign currency risk and interest rate risk and manage foreign currency liquidity risk. The Bank also carries out currency and interest options, credit default swap and futures agreements.

Besides customer deposits, the Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Bank converts the foreign currency liquidity obtained from customer deposit accounts and the international markets to TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Bank not only funds its long term fixed interest rate loans with TL but also hedges itself against interest rate risk.

The Bank's derivative instruments held for trading and derivative instruments hedging purpose are classified, measured and accounted in accordance with "TFRS 9" and TAS 39 "Financial Instruments: Recognition and Measurement", respectively. Derivative instruments held for trading and derivative instruments hedging purpose are initially recognized at fair value and subsequently measured at fair value. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the "Derivative Financial Assets at Fair Value Through Profit or Loss", "Derivative Financial Assets at Fair Value Through Other Comprehensive Income" or "Derivative Financial Liabilities at Fair Value Through Profit or Loss" and "Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. These amounts of derivative transactions presented on the balance sheet, represent the fair value differences based on the valuation.

Fair values of forward foreign currency purchase and sales contracts, currency and interest rate swap transactions are calculated by using internal pricing models based on market data.

Fair values of option contracts are calculated with option pricing models.

Futures transactions are accounted for at settlement as of the balance sheet date.

The Bank does not have either any hybrid contract contains a host that is not an asset within the scope of this standard or a financial instrument which shall be separated from the host and accounted for as derivative under this standard.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another. The Bank's credit derivatives portfolio included in the off-balance sheet accounts composes of credit default swaps resulted from protection buying or selling.

Credit default swap is a contract, in which the protection seller commits to pay the protection value to the protection buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily at their fair values.

Upon valuation of derivative instruments that are not subject to hedge accounting, differences in fair value, except for currency revaluation differences, are recorded in the income statement on Gains/Losses from Derivative transactions. These foreign currency valuation differences are accounted for under "Foreign Exchange Gains/Losses" account.

In cash flow hedge accounting:

The Bank applies cash flow hedge accounting using interest swap transactions to hedge its TL and FC customer deposits with short term cyclical basis and subordinated loans and loans with floating rate financial receivables which have floating interest payment. The Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss" whereas the amount concerning ineffective parts is associated with the income statement.

In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized.

In fair value hedge accounting:

The Bank applies fair value hedge accounting within the framework of TAS 39 using swaps to hedge a portion of its long term, fixed rate mortgage, commercial installment loans and project finance loans against possible fair value change due to market interest rate fluctuations.

The Bank applies fair value hedge accounting using interest rate swap transactions to hedge long term, fixed rate, foreign currency Eurobonds in financial assets which is classified as fair value through Other Comprehensive Income portfolio against interest rate fluctuations.

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term TL government bonds with fixed coupon payment in financial assets which is classified as fair value through Other Comprehensive Income portfolio using swap transactions as hedging instruments.

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued by the Bank using interest rate swap transactions as hedging instruments.

The Bank applies fair value hedge accounting through interest rate swaps to hedge itself against the changes in the interest rates related to the foreign currency borrowings.

At each balance sheet date, the Bank applies effectiveness tests for fair value hedge accounting.

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked, adjustments made to the carrying amount of the hedged item are transferred to profit and loss with straight line method for portfolio hedges or with effective interest rate method for micro hedges. In case the hedged item is derecognized, hedge accounting is discontinued and within the context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in the income statement.

As of September 30, 2018, the Bank terminated the hedge accounting for the fair value hedge of the fair value risk arising from the changes in the exchange rates for the real estates purchased in previous periods in foreign currency and the fair value of which is in foreign currency in the market. Fair value exchange difference adjustment amounting to TL 1,225,581 which is shown intangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

V. Explanations on Interest Income and Expenses

Interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the TFRS 9 "Financial Instruments" standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. When applying the effective interest rate method, an entity identifies fees that are an integral part of the effective interest rate method of a financial instrument. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate, unless the financial instrument is measured at fair value, with the change in fair value being recognized in profit or loss.

When applying the effective interest method, The Bank amortized any fees, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument. In case an interest was accrued on a security before its acquisition, the collected interest is divided into two parts as interest before and after the acquisition and only the interest of the period after the acquisition is recorded as interest income in the financial statements. If the expectation for the cash flows from financial asset is revised for reasons other than the credit risk, the change is reflected in the carrying amount of asset and in the related statement of profit or loss line and is amortized over the estimated life of financial asset.

If the financial asset is impaired and classified as a non-performing receivable, the Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected credit loss models and accordingly, the calculation of expected credit losses includes an interest amount. Therefore, a reclassification is made between the accounts of "Expected Credit Losses " and "Interest Income From Loans" for calculated amount.

VI. Explanations on Fees and Commission Income and Expenses

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. The income derived from agreements or asset purchases from real-person or corporate third parties are recognized as income when realized.

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

The Bank shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification of financial instruments

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

As per TFRS 9, the Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss. (The Bank tests all financial assets whether their “contractual cash-flows solely represent payments of principal and interest” and assess the asset classification within the business model.)

Assessment of business model

As per TFRS 9, the Bank’s business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The Bank’s business models are divided into three categories.

Business model aimed to hold assets in order to collect contractual cash flows

This is a model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Receivables from the Central Bank, Banks, Money Market Placements, investments under financial assets measured at amortized cost, loans, leasing receivables, factoring receivables and other receivables are assessed within this business model.

Business model aimed to collect contractual cash flows and sell financial assets

This is a model whose objective is achieved by both collecting contractual cash flows and selling financial assets: the Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial Assets Measured at Fair Value Through Other Comprehensive Income are assessed in this business model.

Other business models

Financial assets are measured at fair value through profit or loss in case they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Financial assets measured at fair value through profit/loss are assessed in this business model.

Measurement categories of financial assets and liabilities

Financial assets are classified in three main categories as listed below:

- Financial assets measured at fair value through profit/loss;
- Financial assets measured at fair value through other comprehensive income; and
- Financial assets measured at amortized cost

Financial assets at the fair value through profit or loss

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aimed to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and in case of the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

Financial assets at fair value through profit and loss, which are recognized in accordance with the bank's business model, have stocks, bonds and bills. The Bank has classified the related loan to financial assets at fair value through profit or loss in accordance with TFRS 9, since the terms of the contract for a loan extended to the private purpose company in December 2018 have not resulted in cash flows that include interest payments due to principal and principal balance at certain dates.

Financial assets at fair value through other comprehensive income

In addition to Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

"Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Other comprehensive income/expense items to recycled to profit loss" under shareholders' equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

Bank has inflation indexed (CPI) government bonds in its financial assets at fair value through other comprehensive income and measured at amortized cost portfolios. CPI government bonds that are constant throughout their lives and their real principal amounts are preserved from inflation. These marketable securities are valued and accounted by using effective interest rate method by considering the real coupon rates and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate as disclosed by the Turkish Treasury. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary.

Some portion of the Eurobond portfolio which has been recognized as financial assets at FV through OCI are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April 2009, and some portion of the TL government bonds are designated as fair value hedged items, hedged against interest rate fluctuations, starting from July 2011. Those securities are disclosed under financial assets at FV through OCI in order to be in line with balance sheet presentation. The fair value differences of Eurobond and TL government bond hedged items are accounted for under "Trading Account Gain/ Losses" in the income statement.

In cases where fair value hedge operations cannot be effectively performed as described in TAS 39, fair value hedge accounting is ceased. After fair value accounting is ceased value differences, previously reflected to the income statement are amortized through the equity until the maturity of related hedged securities. The fair value differences of related portfolio securities sold prior to maturity are immediately recognized in the income statement.

Financial assets measured at amortized cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

The Bank as explained in part IV, "Explanations on Derivative Financial Assets and Liabilities", enters into fx swap transactions against TL in order to hedge the possible losses which might arise due to the changes in the fair value of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. The Bank accounts for the hedged loan portfolio at fair value related to hedged risk, the swap transactions used as the hedging instrument at fair value and reflects the related net gain or loss to respective period's income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans.

VIII. Explanations on Expected Credit Losses

Bank recognizes a loss allowance for expected credit losses on financial assets and loans measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans" effective from January 1, 2018. At each reporting date, the Bank shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Bank considers the changes in the default risk of financial instrument, while making the assessment.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets are divided into three categories depending on the increase in credit risk observed since their initial recognition:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of expected credit losses on the 12-month default risk. It is calculated 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. As of December 31, 2019, minimum probability of default rate of Basel II is used in the expected credit loss calculation of receivables from public institutions and organizations. Such calculation is performed for each of three scenarios explained above. Such calculation is performed for each of three scenarios explained above.

Stage 2:

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. The calculation method is similar to the one described in the above paragraph, but the probability of default and the loss rate in default are estimated throughout the life of the instrument.

Stage 3:

Financial assets are considered as impaired at the reporting date are classified as stage 3. The probability of default is taken into account as 100% in the calculation of impairment provision and Bank accounts lifetime expected credit losses. In determining the impairment, the Bank takes the following criteria into consideration:

• Delay of over 90 days;

• Impairment of creditworthiness;

• Collateral and / or equity of debtor is inadequate cover the payment of receivables on the maturity; and

• In case the management believes that collection of receivables will be delayed by more than 90

days due to macroeconomic, sector-specific or customer-specific reasons.

Calculation of expected credit losses

The Bank measured expected credit losses with the reasonable, objective and supportable information based on a probability-weighted including estimations about time value of money, past events, current conditions and future economic conditions as of the reporting date, without undue cost or effort. The calculation of expected credit losses consists of three main parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD). PDs and LGDs used in the ECL calculation are point in time ("PIT")-based for key portfolios and consider both current conditions and expected cyclical changes.

While the expected credit loss is estimated, three scenarios (baseline scenario, adverse scenario, New Economic Plan) are evaluated. Each of these scenarios was associated with the different PD and LGD.

In addition, a certain portion of commercial and corporate loans is are assessed individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. Such calculations are made by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate.

While measuring expected credit losses, The risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs are shall be considered, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit loss which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

Probability of default (PD)

The PD represents the likelihood of a default over a specified time period. A 12-month PD represents the likelihood of default determined for the next 12 months and a lifetime PD represents the probability of default

over the remaining lifetime of the instrument. The lifetime PD calculation is based on a series of 12-month PIT PDs that are derived from through the cyclce (TTC) PDs and scenario forecasts.

It is used internal rating systems for both retail and commercial portfolios to measure risk level. The internal rating models used for the commercial portfolio include customer financial information and qualitative survey responses. Whereas behavioral and application scorecards used in the retail portfolio include; the behavioral data of the customer and the product in the Bank, the demographic information of the customer, and the behavioral data of the customer in the sector. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss given default (LGD)

The LGD represents an estimate of the loss at the time of a potential default occurring during the life of a financial instrument. The LGD is calculated taking into account expected future cash flows from collateral and other credit enhancements by considering time value of money.

LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections. The Bank bases its estimates on models for collateralized portfolios and on previous experience for unsecured parties, except for corporate loans that are assigned by the Basel Committee individually or as designated by the Basel Committee.

Exposure at default (EAD):

The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals, discounted at the effective interest rate. Future drawdowns on facilities are considered through a credit conversion factor (CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios. While the expected credit loss is estimated, three scenarios (baseline scenario, bad scenario, New Economic Plan) are evaluated. Each of these scenarios was associated with the probability of different default and loss in default.

Consideration of the macroeconomic factors

Loss given default and probability of default parameters are determined by considering macroeconomic factors. The macroeconomic variables used in the calculation of the expected loss are as follows:

- Five year credit risk of Turkey;
- Real GDP growth;
- Unemployment rate;
- European Region inflation rate; and
- Five year government bond interest rate of Turkey.

Stages were determined through the models created using internal information for the Bank and QNB Finans Finansal Kiralama A.Ş., the simplified method has been applied for other financial institutions.

Calculating the expected loss period

Lifetime ECL is calculated by taking maturity extensions, repayment options and the period during which the Bank will be exposed to credit risk into account. The time in financial guarantees and other irrevocable commitments represents the credit maturity for which the liabilities of the Bank. Behavioral maturity analysis has been performed on credit cards and overdraft accounts. With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier.

Significant increase in credit risk

The Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

Within the scope of quantitative assessment, the quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD, it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Bank has calculated thresholds at which point the relative change is a significant deterioration. In the quantitative evaluation of the significant increase in credit risk, the Bank considers the absolute thresholds as well as the relative thresholds as an additional layer.

Receivables below the absolute threshold value of default are not included in the relative threshold value comparison.

The Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

• Loans overdue more than 30 days as of the reporting date;

• Loans classified as watch-list; and

• When there is a change in the payment plan due to restructuring.

IX. Explanations on Netting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when the Bank has a legally enforceable right to offset the recognized amounts, and the intention of collecting or paying the net amount of related assets and liabilities or to realize the asset and settle the liability simultaneously.

X. Derecognition of Financial Instruments

a) Derecognition of financial assets due to change in contractual terms

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset could lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. When the Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset is recalculated and recognized a modification gain or loss in profit or loss. Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

b) Derecognition of financial assets without any change in contractual terms

The Bank derecognizes the asset if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

c) Derecognition of financial liabilities

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expires.

d) Reclassification of financial instruments

Based on TFRS 9, it shall be reclassified all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it is changed the business model for managing financial assets.

e) Restructuring and refinancing of financial instruments

The bank may be changed the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan can not be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is made for changing the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future.

Changes in the original terms of a credit risk can be made in the current contract or through a new contract.

Corporate and commercial companies which have been restructured and refinanced can be removed from the watchlist when the following conditions are met:

• Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time); and

• At least 1 years should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring /

refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring/ refinancing.

In order for the restructured non-performing corporate and commercial loans to be classified to the watchlist category, the following conditions must be met:

• Recovery in debt service; and

• At least 1 year should pass over the date of restructuring;

• Payment of all accrued and overdue amounts by debtor (interest and principal) since the date ofrestructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing; and

• Collection of all overdue amounts, disappearance of the reasons for classification as nonperforming receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification. Monitoring period subject to restart in case of a new restructuring/financing takes place or there is a delay more than 30 days.

During the follow-up period of at least one year following the date of restructuring / refinancing, if there is a new restructuring / refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again. The performing or non-performing retail loans being subject to restructuring shall be removed from the watchlist only if the debt is paid in full.

In personal loans, loans can be restructured in order to give liquidity power to the debtor and to ensure the collection of the receivables of the Bank in case of temporary liquidity problems due to the failure of the payment obligation to the Bank. The Bank removing customers from the restructuring scope in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation).

XI. Explanations on Sales and Repurchase Agreements and Lending of Securities

Securities sold under repurchase agreements are recorded on the balance in accordance with Uniform Chart of Accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as "Investments Subject to Repurchase Agreements" and valued based on the Bank management's future intentions, either at market prices or using discounting method with internal rate of return.

Funds lended against securities purchased under agreements to resell ("Reverse repos") are accounted under "Receivables from reverse repurchase agreements" on the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued over the life of repurchase agreements using the "Effective interest method".

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 11,992,093 (December 31, 2018 - TL 6,488,226).

As of December 31, 2019 the Bank has no securities that are subject to lending transactions (December 31, 2018 - None).

Securities purchased with a commitment to resell (reverse repurchase agreements) are recorded in a separate account under "Cash and Cash Equivalents" and on the line of "Money Market Placements" in the balance sheet. The difference resulting from purchase and resale prices is treated as interest income and accrued over the life of the agreement.

XII. Explanations on Assets Held for Sale and Discontinued Operations

In accordance with IFRS 5 ("Assets Held for Sale and Discontinued Operations"), assets classified as held for sale are measured at lower of carrying value or fair value less costs to sell. Amortization on subject asset is ended and these assets are presented separately on financial statements. An asset (or a disposal group) is regarded as "asset held for sale" only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset (or a disposal group) should be actively marketed at a price consistent with its fair value. Various events and conditions may prolong the sale procedures for more than one year. In case subject delay is caused by the events and conditions beyond the bank's control and there is enough evidence that plans to sell subject asset (or a disposal group) continue subject assets continue to be classified as assets held for sale. As of December 31, 2019 the Bank has assets held for sale and discontinued operations explained in footnote 15. of Section Five.

A discontinued operation is a part of the Bank's business classified as disposed or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Bank has no discontinuing operations.

The Bank classifies tangible assets which are acquired due to non-performing receivables as other assets.

XIII. Explanations on Goodwill and Other Intangible Assets

The Bank's intangible assets consist of softwares and intangible rights.

The intangible assets are recorded at their historical cost less accumulated amortization and provision for impairment, if any. Amortization is calculated on a straight-line basis.

Softwares have been classified as other intangible fixed assets. The useful life of softwares is determined as 3-5 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the

"Turkish Accounting Standard on Impairment of Assets" (TAS 36) and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made. There is no goodwill regarding the associates, entities under common controls and subsidiaries in the accompanying unconsolidated financial statements.

XIV. Explanations on Tangible Assets

The tangible assets are recorded at their historical cost less accumulated depreciation and provision for impairment, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of tangible assets. The annual amortization rates used are as follows:

Property 2%

Movables purchased and acquired under finance lease contracts 7% - 25%

The depreciation of leasehold improvements acquired before December 2009, under operating lease agreements, is calculated according to their useful lives. Depreciation of leasehold improvements acquired after this date is calculated over the lease period not exceeding 5 years where the lease duration is certain; or 5 years where the lease period is not certain in accordance with "Communiqué on the Amendment of Communiqué on Uniform Chart of Accounts and Explanatory Notes" dated January 10, 2011.

Depreciation is calculated on a pro-rata basis for the assets that have been placed in use for less than a year as of the balance sheet date.

Net book value of the property and leased assets under financial lease contracts are compared with the fair values determined by independent appraisers as of the year end and provision for impairment is recognized in "Other Operating Expenses" in the related period income statement when the fair value is below the net book value in accordance with "Turkish Accounting Standard on Impairment of Assets" (TAS 36).

Gains or losses resulting from disposals of the tangible assets are recorded in the income statement as the difference between the net proceeds and net book value of the asset.

Expenses for repairs are capitalized if the expenditure increases economic life of the asset; otherwise they are expensed.

There are no changes in the accounting estimates in regards to amortization duration that could have a significant impact on the current and future financial statements. There are no pledges, mortgages or other restrictions on the tangible assets. There are no purchase commitments related to the fixed assets.

XV. Explanations on Leasing Transactions

Fixed assets acquired under finance lease contracts are presented under "Tangible Fixed Assets" on the asset side and under "Financial Lease Payables" on the liability side at the initial date of the lease. The basis for the determination of related balance sheet amounts is the lower of fair value of the leased asset and the present value of the lease payments. The direct costs incurred for a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period. Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets at the rate of 20% except for the buildings which are depreciated at the rate of 2%.

At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

The Bank has no leasing transactions as lessor.

XVI. Explanations on Provisions and Contingent Liabilities

Provisions, other than specific and general provisions for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Provisions are immediately accounted when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Bank. Whenever the amount of such obligations cannot be measured, they are regarded as "contingent". If the possibility of an outflow of resources embodying economic benefits becomes probable and the amount of the obligation can reliably be measured, a provision is provided.

XVII. Explanations on Obligations of the Bank Concerning Employee Benefits

Provision for employee severance benefits has been accounted for in accordance with TAS 19 "Employee Benefits".

In accordance with the existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct.

The retirement pay is calculated for every working year within the Bank over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Bank.

The Bank has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to IAS 19, The Bank recognizes all actuarial gains and losses immediately through other comprehensive income.

The Bank does not have any employees who work under limited period contracts with remaining terms longer than 12 months after the balance sheet date.

Provision for the employees' unused vacations has been booked in accordance with IAS 19 and reflected to the financial statements.

There are no foundations, pension funds or similar associations of which the employees are members.

XVIII. Explanations on Taxation

1. Corporate tax

In accordance with the Corporate Tax Law No. 5520 published in the Official Gazette No: 26205 dated June 21, 2006, statutory income is subject to corporate tax at 20%. However, according to temporary article 10 added to the Corporate Income Tax Law, the rate of 20% shall be applied as 22% for the corporate earnings of the taxation periods of the companies in 2018, 2019 and 2020 (accounting periods starting within the relevant year for companies appointed for the special accounting period). Advance corporate taxes paid are followed under “Current Tax Liability” or “Current Tax Asset” account and are deducted from the corporate taxes of the current year.

50% of gain from the sale of real estate which are held more than two years in the assets of the Bank and 75% of gain on disposal of subsidiary shares which are held for more than two years in the assets of the Bank are exemption from tax according to Corporate Tax Law in condition with adding these gains into equity or allocating into a specific fund account in the Bank's liabilities for five years.

Companies calculate their advance tax at the rate of 22% (for taxation periods of 2018, 2019 and 2020) on their quarterly financial profits, declare until the 14th day of the second month following that period and pay until the evening of the seventeenth day. The advance tax paid belongs that year and is offset from the corporation tax that will be calculated on the tax declaration of the companies to be given in the following year. If the advance tax paid amount remains after offsetting, this amount could be either returned as cash or offset.

According to the Corporate Tax Law, financial losses in the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within five years by the tax office. On the other hand, if document subjects to stamp duty and the statute of limitations of tax and penalty is used after the expiry of the time limit, the taxable income of document is regenerated.

The provision for corporate and income taxes for the period is recognized as “Current Tax Charge” in the income statement and current tax effect related to transactions directly recognized in equity are reflected to equity.

Undistributed profit for the period is not subject to withholding tax if it is added to capital or it is distributed to full-fledged taxpayer corporations. However, with the Council of Ministers' decisions numbered 2009/14593 and 2009/14594; published in the Official Gazette No: 27130 dated February 3, 2009 and based on Corporate Tax Law No: 5520, 15th and 30th Articles, profit distribution for the period is subject to withholding tax by 15%, for full-fledged real person taxpayers, for those who are not responsible for corporate tax and income tax, for those exempt from corporate and income tax (except for those taxed through their businesses or permanent representatives in Turkey) and for foreign based real person taxpayers.

2. Deferred taxes

The Bank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”) and the related decrees of the BRSA concerning income taxes. In calculating deferred tax, legalized tax rates effective as of balance sheet date are used as per tax legislations.

Deferred tax liabilities are recognized for all temporary differences whereas deferred tax assets calculated from deductible temporary differences are only recognized if it's highly probable that these will in the future create taxable profit.

The Bank, deferred tax calculation has started to be measured over Stage 1 and Stage 2 expected credit loss provisions accorded.

Deferred tax effect related to transactions for which the profit or loss effect is directly accounted in equity, is also reflected to equity.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of December 31, 2019 for the temporary differences expected to be realized/closed for the year 2020 (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

3. Transfer pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing. "The General Communique on Disguised Profit Distribution by way of Transfer Pricing" published on November 18, 2007 explains the application related issues in detail. According to this Communique, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes. Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer, is subject to or exempt from tax.

As discussed under subject Communique's 7.1 Annual Documentation section, taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

XIX. Additional Explanations on Borrowings

The Bank generates funds from domestically and internationally resident people and institutions by using debt instruments such as syndication, securitization, collateralized debt and bond issuance. Aforementioned transactions are initially recorded at transaction cost plus acquisition cost, reflective of their fair value, and are subsequently measured at amortized cost by using effective interest rate method.

XX. Explanations on Share Issues

The Bank's paid in capital has not been changed for the current period. (The Bank's paid in capital has not been changed for the prior period.)

XXI. Explanations on Confirmed Bills of Exchange and Acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

There are no acceptances and confirmed bills of exchange presented as liabilities against any assets.

XXII. Explanations on Government Incentives

As of December 31, 2019 the Bank does not have any government incentives or grants (As of December 31, 2018 - None).

XXIII. Explanations on Segment Reporting

In addition to corporate banking, retail banking and commercial banking services, the Bank also provides private banking, SME banking, treasury operations and credit card services through branches and alternative channels. The Bank serves its retail banking clients with time and demand deposits, also overdraft services, automatic account services, consumer loans, vehicle loans, housing loans and investment fund services. The Bank provides services including deposit and loans, foreign trade financing, forward and option agreements to its corporate clients. The Bank also serves in trading financial instruments and treasury operations.

The calculations based on the income statement for retail banking (consumer banking and plastic cards), corporate and commercial banking have operational units designated as the main profit centers, have been made according to the product and customer types. During the profitability calculations, the pricing of transfers among these units and treasury unit are made by using cost/return ratios that are determined by the Bank's senior management and which are updated periodically. In this pricing method, general market conditions and the Bank's internal policies are considered.

Corporate and Commercial Banking serves corporate qualified companies with annual turnover of TL 300,000 and above, multinational companies operating in Turkey and commercial firms with annual turnover of TL 50,000-300,000. In addition to the financing and investment needs of customers, it offers products that facilitate payment and collection processes in both domestic and foreign trade. With its customer-focused service approach, firm-specific solution approach and long-term partnership building strategy, it produces solutions that will create added value for all customer needs.

The Consumer Banking meets the needs and expectations of the retail banking customers. The Private Banking Unit has formed and started to operate to serve customers with high level income, in a more effective way. The installments, discounts and bonus advantages are provided to the users of Card Finans in the plastic cards line. The main function of Treasury Segment is managing the liquidity of the Bank and interest and foreign currency risks resulting from market conditions. This segment is in close relation with corporate, commercial, retail and private banking units in order to increase the number of customers and the volume of transactions in treasury products of the Bank.

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Current Period (January 1 - December 31, 2019)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Net Interest Income	2,547,694	2,672,303	2,362,224	7,582,221
Net Fees and Commissions Income	2,023,007	706,904	(38,447)	2,691,464
Other Operating Income and Net Trading Expense	115,515	8,193	(1,502,872)	(1,379,164)
Dividend Income	-	-	51,187	51,187
Operating Income	**4,686,216**	**3,387,400**	**872,092**	**8,945,708**
Provision for Expected Credit Losses (-)	397,012	1,485,040	(62,462)	1,819,590
Other Provision Expenses (-)			74,203	74,203
Personnel Expense (-)	411,636	479,835	824,889	1,716,360
Other Operating Expenses (-)	1,795,558	948,280	(588,043)	2,155,795
Profit Before Taxes	**2,082,010**	**474,245**	**623,505**	**3,179,760**
Provision Tax (-)	**-**	**-**	**-**	**557,603**
Net Profit/Loss	**-**	**-**	**-**	**2,622,157**
Total Assets	**39,730,429**	**70,865,962**	**57,792,723**	**181,680,511**
Segment Assets	39,730,429	70,865,962	57,792,723	168,389,114
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	1,492,873
Undistributed Assets	-	-	-	11,798,524
Total Liabilities	**68,846,852**	**31,372,536**	**53,278,117**	**181,680,511**
Segment Liabilities	68,846,852	31,372,536	53,278,117	153,497,505
Undistributed Liabilities	-	-	-	11,497,947
Equity	-	-	-	16,685,059
Other Segment Accounts	**441,430**	**233,130**	**(144,413)**	**530,147**
Capital Expenditures	25,694	13,569	(8,415)	30,848
Depreciation and Amortization	415,736	219,561	(135,998)	499,299

Prior Period (January 1 - December 31, 2018)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Net Interest Income	2,078,539	2,739,986	2,864,848	7,683,373
Net Fees and Commissions Income	1,570,507	616,839	(47,461)	2,139,885
Other Operating Income and Net Trading Expense	46,021	(420)	(1,387,284)	(1,341,683)
Dividend Income	-	-	52,196	52,196
Operating Income	**3,695,067**	**3,356,405**	**1,482,299**	**8,533,771**
Provision for Expected Credit Losses (-)	556,783	1,407,662	243,020	2,207,465
Other Provision Expenses (-)	-	-	4,138	4,138
Personnel Expense (-)	325,944	405,578	693,581	1,425,103
Other Operating Expenses (-)	1,497,974	816,124	(475,774)	1,838,324
Profit Before Taxes	**1,314,366**	**727,041**	**1,017,334**	**3,058,741**
Provision Tax (-)	**-**	**-**	**-**	**648,912**
Net Profit/Loss	**-**	**-**	**-**	**2,409,829**
Total Assets	**33,403,626**	**60,614,395**	**51,913,752**	**157,415,735**
Segment Assets	33,403,626	60,614,395	51,913,752	145,931,773
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	1,298,703
Undistributed Assets	-	-	-	10,185,259
Total Liabilities	**56,362,699**	**27,049,207**	**46,618,573**	**157,415,735**
Segment Liabilities	56,362,699	27,049,207	46,618,573	130,030,479
Undistributed Liabilities	-	-	-	12,813,207
Equity	-	-	-	14,572,049
Other Segment Accounts	**419,024**	**228,292**	**(97,228)**	**550,088**
Capital Expenditures	230,912	125,805	(60,075)	296,642
Depreciation and Amortization	188,112	102,487	(37,153)	253,446

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

XXIV. Explanations on Profit Reserves and Profit Distribution

The Ordinary General Assembly Meeting of the Bank was held on March 28, 2019. In the Ordinary General Assembly, it was decided to pay dividend to the Bank's shareholders from net income of the Bank's 2018 operations.

2018 profit distribution table:	
Current Year Profit	**2,409,829**
A - I. Legal Reserve (Turkish Commercial Code 519/A) at 5%	(85,130)
C - Extraordinary Reserves	(2,324,699)

XXV. Earnings Per Share

Earnings per share listed on income statement is calculated by dividing net profit to weighted average amount of shares issued within respective year.

	Current Period	Prior Period
Net Profit for the Period of Bank	**2,622,157**	**2,409,829**
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
Earnings Per Share	**0.0783**	**0.0719**

In Turkey, companies can increase capital through "bonus share" distributed from previous year earnings to current shareholders. Such "bonus share" distributions are accounted as issued shares while calculating earnings per share. Accordingly, weighted average amount of shares issued used in these calculations is found through taking into consideration retroactive effects of subject share distributions. In case, amount of shares issued increases after the balance sheet date but before the date of financial statement preparation due to distribution of "bonus share", earnings per share is calculated taking into consideration the new amount of shares.
Amount of issued bonus shared in 2019 is none (Amount of issued bonus shared in 2018 is none).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

XXVI. Explanations on Other Matters

1. Changes related to prior period accounting policies

The Bank has started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated January 19, 2017 in lieu of TAS 39 Financial Instruments: "Accounting and Measurement" starting from January 1, 2018. In accordance with the transition rules option provided by the TFRS 9 "Financial Instruments", the Bank is not restated the prior period financial statements and recognized the transition effect of the standard as of January 1, 2018 under equity's "prior year profit or loss" accounts. Furthermore, in accordance with Communiqué Regarding Financial Statements and Explanations and Footnotes to be Announced to the Public by Banks", the Bank has classified the following classifications as of January 1, 2018. Explanation of the effect of the Bank's application of TFRS 9 is stated below:

2. Reconciliation of statement of financial position balances as at the transition of TFRS 9

	Book Value Before TFRS 9	Reclassifications	Re-measures	TFRS 9 book value January 1, 2018	Tax Effect	Equity Effect
Financial Assets	**December 31, 2017**			**January 1, 2018**		
Measured at amortized cost						
Pre-classification balance (held to maturity)	7,168,664	-	-	-	-	-
Classified from Measured at Fair Value through Other Comprehensive Income	-	1,720,595	99,484	-	(21,888)	77,596
Classified as Measured at Fair Value through Other Comprehensive Income	-	(42,573)	-	-	-	-
Post-classification book value	-	-	-	8,946,170	-	-
Measured at Fair Value through Other Comprehensive Income						
Pre-classification Balance (Available to Sale)	8,349,710	-	-	-	-	-
Classified as Held-to-Maturity	-	42,573	2,872	-	(632)	2,240
Classified to Held-to-Maturity	-	(1,720,595)	-	-	-	-
Post-classification book value	-	-	-	6,674,560	-	-
Expected loss provision	-	-	11,124	-	(2,447)	8,677
Loans and Other Receivables Measured at Amortized Cost (Gross)						
Pre-classification value measured at Amortized Cost	86,202,301	-	-	-	-	-
Pre-classification Financial Assets Measured at Fair Value through Profit/Loss	10,579	-	-	-	-	-
Classified to Measured at Amortized Cost	-	10,579	-	-	-	-
Classified from Measured at Fair Value through Profit/Loss	-	(10,579)	-	-	-	-
Post-classification value measured at Amortized cost	-	-	-	86,212,880	-	-
Post-classification value Measured at Fair Value through Profit/Loss	-	-	-	-	-	-
Expected loss provision(*)	(5,101,253)	-	(651,561)	(5,752,814)	441,848	(209,713)

(*) Expected loss provision also includes amounts related to loans and receivables, other receivables and off-balance sheet financial assets.

In addition to the classification in the table, "Cash and Cash Equivalents" item on the financial statements as of January 1, 2018 includes the combination of items "Cash and Central Bank", "Banks" and "Money Market Receivables" which were shown as separate items on the December 31, 2017 financial statements. In addition, "Other Liabilities" item in the financial statements as of January 1, 2018 includes both "Miscellaneous Payables" and "Other Liabilities" items which were shown as separate items in the December 31, 2017 financial statements.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

3. Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9

	Book Value Before TFRS 9 December 31, 2017	Remeasurements	Book Value After TFRS 9 January 1, 2018
Loans and Other Receivables	**4,883,424**	**605,658**	**5,489,082**
Stage 1	1,124,990	(117,112)	1,007,878
Stage 2	228,613	871,900	1,100,513
Stage 3	3,529,821	(149,130)	3,380,691
Financial Assets(*)	**59,270**	**(18,424)**	**40,846**
Non-Cash Loans(**)	**158,559**	**64,327**	**222,886**
Stage 1 and 2	91,845	120,072	211,917
Stage 3	66,714	(55,745)	10,969
Total	**5,101,253**	**651,561**	**5,752,814**

(*) Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Fair Value Through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets, Receivables from CRBT and Receivables from Other Financial Assets.

(**) Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified “General Provision” and expected credit loss for stage 3 non-cash loans is classified “Other Provisions” under liabilities. In accordance with TFRS 9, the expected loss provisions for the 1st, 2nd and 3rd stage non-cash loans are in the “Other Provisions” column in the liabilities.

4. Effects on equity with TFRS 9 transition

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated January 19, 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not revised, it is stated that the difference between the book value of January 1, 2018 at the date of application should be reflected in the opening aspect of equity. The explanations about the transition effects to TFRS 9 presented in the equity items under the scope of this article are given below.

The amounting to TL 651,561 difference which is an expense between the provision for impairment of the previous period of the Bank and the provision for loss that is measured in accordance with TFRS 9 impairment model as of January 1, 2018 is classified as “Extraordinary Reserves” in shareholders’ equity.

Deferred tax assets amounting to TL 474,448 and corporate tax loss amounting to TL 46,444 which have been cancelled due to TFRS 9 transition, have been reflected to the opening financials of January 1, 2018 and the related amount has been classified under “Extraordinary Reserves” in shareholders’ equity.

Before January 1, 2018 securities which was classified as fair value through OCI is now classified as amortized cost with the adoption of TFRS 9 is TL 1,720,595 and securities which was classified as amortized cost is now classified as fair value through OCI with the adoption of TFRS 9 is TL 45,445. Net After tax remeasurement differences of these securities TL 79,836 are classified in Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI. At the same time as of January 1, 2018, the expected loss reserve amounting to TL 8,677 for the securities classified as fair value through other comprehensive income is classified under “Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI”.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. Explanations on Equity

Total capital and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks". As of December 31, 2019 Bank's total capital has been calculated as TL 24,280,307 (December 31, 2018 - TL 18,864,272), capital adequacy ratio is 15.73%. (December 31, 2018 - 15.42%). This ratio is well above the minimum ratio required by the legislation.

Components of unconsolidated shareholders' equity items:	Current Period December 31, 2019	1/1/2014 Amounts related to previous application(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3,350,000	
Share issue premiums	714	
Reserves	10,577,034	
Gains recognized in equity as per TAS	1,224,356	
Profit	2,622,157	
Current Period Profit	2,622,157	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	2,689	
Common Equity Tier 1 Capital Before Deductions	**17,776,950**	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	525,783	
Improvement costs for operating leasing	74,009	
Goodwill (Net of related tax liability)	396,779	
Other intangibles other than mortgage-servicing rights (Net of related tax liability)	-	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (Net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	**996,571**	
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	390,936	
Total Common Equity Tier 1 Capital	**17,171,315**	

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

ADDITIONAL TIER I CAPITAL	Current Period December 31, 2019	1/1/2014 Amounts related to previous application(*)
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	3,118,605	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	**3,118,605**	
Deductions from Additional Tier I Capital	**-**	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	**-**	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	**-**	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)		
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)		
Total Deductions From Additional Tier I Capital	**-**	
Total Additional Tier I Capital	**3,118,605**	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**20,289,920**	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	2,286,977	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,731,935	
Tier II Capital Before Deductions	**4,018,912**	
Deductions From Tier II Capital	**-**	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	**-**	
Total Tier II Capital	**4,018,912**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**24,308,832**	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	7,103	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	21,422	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	**-**	
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity,mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Current Period December 31, 2019	1/1/2014 Amounts related to previous application(*)
TOTAL CAPITAL		
Total Capital	24,280,307	
Total risk weighted amounts	154,338,272	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	11.13	
Tier 1 Capital Adequacy Ratio (%)	13.15	
Capital Adequacy Ratio (%)	15.73	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	2.51	
a) Capital conservation buffer requirement	2.50	
b) Bank specific counter-cyclical buffer requirement	0.01	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	0.05	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	236,777	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2,571,026	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,731,935	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to %0.6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	3,118,605	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	2,286,977	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(*) Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of “Regulations regarding to changes on Regulation on Equity of Banks” and taken into consideration at the end of transition process.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Information on equity accounts:	Prior Period December 31,2018	1/1/2014 Amounts related to previous application(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3,350,000	
Share issue premiums	714	
Reserves	8,167,205	
Gains recognized in equity as per TAS	859,788	
Profit	2,409,829	
Current Period Profit	2,409,829	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	2,689	
Common Equity Tier 1 Capital Before Deductions	**14,790,225**	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	615,234	
Improvement costs for operating leasing	67,876	
Goodwill (Net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (Net of related tax liability)	370,964	370,964
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (Net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	**1,054,074**	
Total Deductions From Common Equity Tier 1 Capital	521,248	
Total Common Equity Tier 1 Capital	**14,257,399**	

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

ADDITIONAL TIER I CAPITAL	Prior Period December 31, 2018	1/1/2014 Amounts related to previous application(*)
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Additional Tier I Capital before Deductions	**-**	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the	-	
Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	**-**	
Total Additional Tier I Capital	**-**	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**14,257,399**	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	3,308,715	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,381,696	
Tier II Capital Before Deductions	**4,690,411**	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	**-**	
Total Tier II Capital	**4,690,411**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**18,947,810**	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12,890	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	70,648	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Prior Period December 31, 2018	1/1/2014 Amounts related to previous application(*)
TOTAL CAPITAL		
Total Capital	18,864,272	
Total risk weighted amounts	122,314,929	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	11.66	
Tier 1 Capital Adequacy Ratio (%)	11.66	
Capital Adequacy Ratio (%)	15.42	
BUFFERS		
Bank specific total common equity tier 1 capital ratio (%)	1.88	
a) Capital conservation buffer requirement (%)	1.88	
b) Bank specific counter-cyclical buffer requirement (%)	0.01	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	5.65	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	151,473	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2,853,495	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,381,696	
Excess amount of total provision amounts to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amounts to %0.6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	3,308,715	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1,478,704	

(*) Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Banks" and taken into consideration at the end of transition.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Information on debt instruments included in the calculation of equity:

	1	2	3
Issuer	QATAR NATIONAL BANK S.A.Q.	QATAR NATIONAL BANK S.A.Q.	QATAR NATIONAL BANK S.A.Q.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA
Regulatory treatment	Additional Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	No	No	No
Eligible at stand-alone / consolidated	Standalone - Consolidated	Standalone - Consolidated	Standalone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	3,199	743	1,544
Par value of instrument (Currency in million)	3,199	743	1,544
Accounting classification	Liability - Subordinated Loans- amortized cost	Liability - Subordinated Loans- amortized cost	Liability - Subordinated Loans- amortized cost
Original date of issuance	June 30, 2019	April 1, 2019	May 22, 2017
Perpetual or dated	Undated	Dated	Dated
Original maturity date	-	10 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Every 5 years	5 years	5 years
Subsequent call dates, if applicable	-	-	-
Coupons / dividends	-	-	-
Fixed or floating dividend/coupon	Fixed	Floating	Floating
Coupon rate and any related index	First 5 years fixed at 9.50%, next 5 years fixed at MS + 7.08%	6M LIBOR + 5.75%	6M LIBOR + 3.87%
Existence of a dividend stopper	There will be no interest on the deducted value after the impairment	-	-
Fully discretionary, partially discretionary or mandatory	Optional	-	-

Information on debt instruments included in the calculation of equity:

	1	2	3
Existence of step up or other incentive to redeem	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	Yes	Yes
If convertible, conversion trigger(s)	-	Article number 7-2-i of “Own fund regulation”	Article number 7-2-i of “Own fund regulation”
If convertible, fully or partially	-	All of the remaining capital	All of the remaining capital
If convertible, conversion rate	(*)	(*)	(*)
If convertible, mandatory or optional conversion	-	Optional	Optional
If convertible, specify instrument type convertible into	-	Equity Share	Equity Share
If convertible, specify issuer of instrument it converts into	-	QNB Finansbank A.Ş.	QNB Finansbank A.Ş.
Write-down feature	Yes	None	None
If write-down, write-down trigger(s)	Non-existence of the core capital ratio is less than 5.125%	-	-
If write-down, full or partial	Full and partial	-	-
If write-down, permanent or temporary	Temporary	-	-
If temporary write-down, description of write-up mechanism	Disappearance of non-existence and higher core capital ratio than 5.125%	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After borrowing and contribution capital	After borrowing, before additional capital, the same as other contribution capital	After borrowing, before additional capital, the same as other contribution capital
Incompliance with article number 7 and 8 of “Own fund regulation”	Article number 7&8 of “Own fund regulation”	Article number 7&8 of “Own fund regulation”	Article number 7&8 of “Own fund regulation”
Details of incompliances with article number 7 and 8 of “Own fund regulation”	-	-	-

(*) The conversion rate / value will be calculated based on the market data available when the right is exercised.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Information on Article 5 of the Regulation on Equities of Banks:

EQUITY ITEMS	T	T-1	T-2	T-3
Common Equity	17,171,315	17,041,003	16,910,691	16,780,379
Transition process not implemented Common Equity	16,780,379	16,780,379	16,780,379	16,780,379
Tier 1 Capital	20,289,920	20,159,608	20,029,296	19,898,984
Transition process not implemented Tier 1 Capital	19,898,984	19,898,984	19,898,984	19,898,984
Total Capital	24,280,307	24,149,995	24,019,683	23,889,371
Transition process not implemented Equity	23,889,371	23,889,371	23,889,371	23,889,371
TOTAL RISK WEIGHTED AMOUNTS				
Total Risk Weighted Amounts	154,338,272	154,338,272	154,338,272	154,338,272
CAPITAL ADEQUACY RATIO				
Common Equity Adequacy Ratio (%)	11.13%	11.04%	10.96%	10.87%
Transition process not implemented Common Equity Ratio (%)	10.87%	10.87%	10.87%	10.87%
Tier 1 Capital Adequacy Ratio (%)	13.15%	13.06%	12.98%	12.89%
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	12.89%	12.89%	12.89%	12.89%
Capital Adequacy Ratio (%)	15.73%	15.65%	15.56%	15.48%
Transition process not implemented Capital Adequacy Ratio (%)	15.48%	15.48%	15.48%	15.48%
LEVERAGE				
Leverage Ratio Total Risk Amount	268,140,150	268,140,150	268,140,150	268,140,150
Leverage (%)	7.34%	7.34%	7.34%	7.34%
Transition process not implemented Leverage Ratio (%)	7.19%	7.19%	7.19%	7.19%

Explanations on the reconciliation of shareholders' equity items and balance sheet amounts:

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context; up to 1.25% of the amount of the first and second part of the expected loss provisions is taken into account as contribution capital, loses from cash flow hedges have not been taken into consideration in the information on the equity items and valuation adjustments calculated according to item (i) of the first paragraph of the ninth article of the "Regulation on Equity of Banks" have been taken into consideration in the explanations on equity items.

II. Explanations On Risk Management :

1. Explanations on credit risk

Credit risk represents the risk arising due to the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally.

Loan strategies and policies are determined by the Policy Committees. These policies and strategies are constituted in line with the applications of the Bank, and credit risk is managed according to these

policies and strategies. The quality of loan portfolio is monitored regularly with the help of metrics which are in line with the Bank's risk appetite, as specified in Risk Management Strategies.

Credit Risk Management takes place in every step of the Bank's credit process from the beginning. Loan applications are evaluated by non-profit oriented independent loan granting departments. Loan limits are determined on a product basis and in the aggregate for every individual, corporate customer and risk group. Furthermore, concentration on product, industry, region, are monitored within the frame of loan limits in line with the regulation.

The credibility of the debtors is monitored periodically in accordance with the related regulation. The statements presenting the financial position of the borrowers are obtained in accordance with the related regulation.

Loan limits of the loan customers are revised periodically in line with the Bank's loan limit revision procedures.

The Bank analyses the credibility of the loans within the framework of its loan policies and obtains collaterals for loans.

The Bank has control limits over the positions of forward transactions, options and other similar agreements. The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations.

The Bank monitors risks of forward transactions, options and other similar agreements and reduces the risk if necessary.

Indemnified non-cash loans are weighted in the same risk group with the past due but not impaired loans.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

The restructured and rescheduled loans are monitored by the Bank in line with Bank's credit risk management procedures. The debtor's financial position and commercial activities are continuously analyzed and the principal and interest payments of rescheduled loans are monitored by the related departments.

The restructured and rescheduled loans are evaluated in the Bank's current internal rating system besides the follow up method determined in the related regulation.

The risk of banking operations abroad and credit transactions is acceptable and there is no significant credit risk density in the international banking market.

The policies implemented by the bank regarding the calculation of expected loss provisions are explained in note VIII of the third part. The bank has taken the general provision for overdue loans and special provision for impaired loans under the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation) into consideration.

The receivables of the Bank from its top 100 cash loan customers are 26% in the total cash loans (December 31, 2018 - 26%).

The receivables of the Bank from its top 200 cash loan customers are 31% in the total cash loans (December 31, 2018 - 30%).

The receivables of the Bank from its top 100 non-cash loan customers are 55% in the total non-cash loans (December 31, 2018 - 52%).

The receivables of the Bank from its top 200 non-cash loan customers are 65% in the total non-cash loans (December 31, 2018 - 62%).

The share of cash and non-cash receivables of the Bank from its top 100 loan customers in total cash and non -cash loans is 21% (December 31, 2018 - 25%).

The share of cash and non-cash receivables of the Bank from its top 200 loan customers in total cash and non -cash loans is 25% (December 31, 2018 - 31%).

The general loan loss provision taken by the Bank is TL 2,571,026 (December 31, 2018 - TL 2,853,495).

As of December 31, 2019, the Bank does not take any provision for probable risks in loan portfolio amounted (December 31, 2018 - None).

	Current Period		Prior Period	
Exposure Categories	Risk Amount(*)	Average Risk Amount(**)	Risk Amount(*)	Average Risk Amount(**)
Conditional and unconditional receivables from central governments and Central Banks	45,141,846	44,291,062	37,533,317	35,515,103
Conditional and unconditional receivables from regional or local governments	83,191	78,753	83,606	55,545
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	227,552	217,109	224,563	148,266
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	26,735,151	26,560,790	21,259,608	21,225,512
Conditional and unconditional receivables from corporates	65,142,650	59,307,163	54,205,109	47,939,134
Conditional and unconditional receivables from retail portfolios	61,089,766	56,336,732	52,335,034	50,550,977
Conditional and unconditional receivables secured by mortgages	5,346,690	5,886,562	6,096,008	7,742,898
Past due receivables	2,094,857	1,527,541	1,308,493	983,134
Receivables defined under high risk category by BRSA	237,429	163,967	120,409	46,828
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Investment in equities	1,682,670	1,485,137	1,416,874	1,187,050
Other receivables	7,829,811	7,248,431	7,099,718	5,921,662

(*) The risk amounts are given after the loan conversion rate, and before Loan Risk Reduction..
(**) The average risk amount was calculated by taking the arithmetic average of the values in the monthly reports prepared in balance sheet period in regards to "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation").

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Profile of significant exposures in major regions:

	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
Domestic	45,141,846	83,191	227,552	-	-	5,941,878	64,371,437	61,055,271	5,339,891	2,089,677	225,202	-	-	-	-	1,682,670	7,829,811	193,988,426
EU countries	-	-	-	-	-	15,454,668	438,249	117	154	5,173	-	-	-	-	-	-	-	15,898,361
OECD countries(**)	-	-	-	-	-	112,324	10	8	6,223	-	10,687	-	-	-	-	-	-	129,252
Off-shore banking regions	-	-	-	-	-	1,262,615	183,684	1	-	-	1,540	-	-	-	-	-	-	1,447,840
USA, Canada	-	-	-	-	-	880,170	18,726	164	81	-	-	-	-	-	-	-	-	899,141
Other countries	-	-	-	-	-	3,083,496	130,544	34,205	341	7	-	-	-	-	-	-	-	3,248,593
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**45,141,846**	**83,191**	**227,552**	**-**	**-**	**26,735,151**	**65,142,650**	**61,089,766**	**5,346,690**	**2,094,857**	**237,429**	**-**	**-**	**-**	**-**	**1,682,670**	**7,829,811**	**215,611,613**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior Period Period																		
Domestic	37,533,317	83,606	224,563	-	-	2,353,934	53,575,103	52,317,587	6,090,521	1,307,500	87,317	-	-	-	-	1,416,874	7,099,718	162,090,040
EU countries	-	-	-	-	-	15,642,600	411,226	118	201	11	19,793	-	-	-	-	-	-	16,073,949
OECD countries(**)	-	-	-	-	-	195,934	5,844	6	4,772	-	13,299	-	-	-	-	-	-	219,855
Off-shore banking regions	-	-	-	-	-	366,208	70,123	8	60	-	-	-	-	-	-	-	-	436,399
USA, Canada	-	-	-	-	-	920,245	23,312	164	83	-	-	-	-	-	-	-	-	943,804
Other countries	-	-	-	-	-	1,780,687	119,501	17,151	371	982	-	-	-	-	-	-	-	1,918,692
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**37,533,317**	**83,606**	**224,563**	**-**	**-**	**21,259,608**	**54,205,109**	**52,335,034**	**6,096,008**	**1,308,493**	**120,409**	**-**	**-**	**-**	**-**	**1,416,874**	**7,099,718**	**181,682,739**

(*) Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that can not be allocated on a consistent basis.

1 - Conditional and unconditional receivables from central governments or central banks
2 - Conditional and unconditional receivables from regional or local governments
3 - Conditional and unconditional receivables from administrative units and non-commercial enterprises
4 - Conditional and unconditional receivables from multilateral development banks
5 - Conditional and unconditional receivables from international organizations
6 - Conditional and unconditional receivables from banks and brokerage houses
7 - Conditional and unconditional receivables from corporates
8 - Conditional and unconditional retail receivables
9 - Conditional and unconditional receivables secured by mortgages
10 - Past due receivables
11 - Receivables defined as high risk category by the Regulator
12 - Mortgage-backed Securities
13 - Securitization Positions
14 - Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
15 - Investments in the Nature of Collective Investment
16 - Investment in equities
17 - Other receivables

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Risk profile by sectors or counterparties:

	Exposure Categories(*)																		
Current Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agriculture	-	-	785	-	-	-	408,037	2,031,409	18,021	129,138	6,933	-	-	-	-	-	-	2,384,817	209,506	2,594,323
Farming and Livestock	-	-	785	-	-	-	212,569	1,990,028	17,307	126,471	6,933	-	-	-	-	-	-	2,335,573	18,520	2,354,093
Forestation	-	-	-	-	-	-	1,022	6,664	627	27	-	-	-	-	-	-	-	8,340	-	8,340
Fishing Industry	-	-	-	-	-	-	194,446	34,717	87	2,640	-	-	-	-	-	-	-	40,904	190,986	231,890
Industrial	-	35,048	10	-	-	-	22,066,676	5,130,777	518,977	301,702	21,918	-	-	-	-	-	-	11,033,307	17,041,801	28,075,108
Mining and Quarrying	-	-	-	-	-	-	266,422	124,927	570	5,023	92	-	-	-	-	-	-	325,965	71,069	397,034
Manufacturing Industry	-	-	10	-	-	-	17,744,577	4,964,756	518,162	296,567	21,826	-	-	-	-	-	-	10,527,019	13,018,879	23,545,898
Electricity, Gas, Water	-	35,048	-	-	-	-	4,055,677	41,094	245	112	-	-	-	-	-	-	-	180,323	3,951,853	4,132,176
Construction	-	-	-	-	-	-	5,387,232	3,032,871	354,812	242,243	149,722	-	-	-	-	-	-	6,832,350	2,334,530	9,166,880
Services	17,338,120	33	30,945	-	-	24,445,719	34,766,341	12,136,169	1,939,170	851,262	41,023	-	-	-	-	-	-	30,905,396	60,643,386	91,548,782
Wholesale and Retail Trade	-	-	8,948	-	-	-	9,124,455	9,584,369	510,020	594,996	29,207	-	-	-	-	-	-	15,423,061	4,428,934	19,851,995
Hotels and Restaurants	-	-	-	-	-	-	3,518,507	331,578	190,756	27,082	1,773	-	-	-	-	-	-	750,039	3,319,657	4,069,696
Transportation and Communications	-	-	-	-	-	-	12,231,364	851,343	33,381	36,485	2,825	-	-	-	-	-	-	1,293,245	11,862,153	13,155,398
Financial Institutions	17,338,120	33	-	-	-	24,445,719	452,457	77,509	1,329	1,668	1,540	-	-	-	-	-	-	10,785,234	31,533,141	42,318,375
Real Estate and Rent Services	-	-	-	-	-	-	4,550,600	195,374	1,145,801	124,189	2,254	-	-	-	-	-	-	484,807	5,533,411	6,018,218
Independent Business Services	-	-	21,781	-	-	-	1,005,046	532,466	21,529	26,260	2,846	-	-	-	-	-	-	920,499	689,429	1,609,928
Education Services	-	-	133	-	-	-	171,977	219,634	12,665	32,798	1	-	-	-	-	-	-	401,233	35,975	437,208
Health and Social Services	-	-	83	-	-	-	3,711,935	343,896	23,689	7,784	577	-	-	-	-	-	-	847,278	3,240,686	4,087,964
Other	27,803,726	48,110	195,812	-	-	2,289,432	2,514,364	38,758,540	2,515,710	570,512	17,833	-	-	-	-	1,682,670	7,829,811	64,818,774	19,407,746	84,226,520
Total	45,141,846	83,191	227,552	-	-	26,735,151	65,142,650	61,089,766	5,346,690	2,094,857	237,429	-	-	-	-	1,682,670	7,829,811	115,974,644	99,636,969	215,611,613

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

1 - Conditional and unconditional receivables from central governments or central banks
2 - Conditional and unconditional receivables from regional or local governments
3 - Conditional and unconditional receivables from administrative units and non-commercial enterprises
4 - Conditional and unconditional receivables from multilateral development banks
5 - Conditional and unconditional receivables from international organizations
6 - Conditional and unconditional receivables from banks and brokerage houses
7 - Conditional and unconditional receivables from corporates
8 - Conditional and unconditional retail receivables
9 - Conditional and unconditional receivables secured by mortgages
10 - Past due receivables
11 - Receivables defined as high risk category by the Regulator
12 - Mortgage-backed Securities
13 - Securitization Positions
14 - Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
15 - Investments in the Nature of Collective Investment
16 - Investment in equities
17 - Other receivable

Risk profile by sectors or counterparties:

Prior Period	Exposure Categories(*) 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agriculture	**-**	**-**	**61,801**	**-**	**-**	**-**	**445,446**	**2,088,263**	**15,333**	**97,049**	**11,759**	**-**	**-**	**-**	**-**	**-**	**-**	**2,487,667**	**231,984**	**2,719,651**
Farming and Livestock	-	-	61,801	-	-	-	264,357	2,052,031	13,518	96,233	11,759	-	-	-	-	-	-	2,455,523	44,176	2,499,699
Forestation	-	-	-	-	-	-	773	5,772	203	247	-	-	-	-	-	-	-	6,995	-	6,995
Fishing Industry	-	-	-	-	-	-	180,316	30,460	1,612	569	-	-	-	-	-	-	-	25,149	187,808	212,957
Industrial	**-**	**31,103**	**-**	**-**	**-**	**-**	**18,112,507**	**4,435,765**	**510,692**	**242,984**	**34,449**	**-**	**-**	**-**	**-**	**-**	**-**	**9,033,259**	**14,334,241**	**23,367,500**
Mining and Quarrying	-	-	-	-	-	-	228,559	90,843	2,016	1,629	206	-	-	-	-	-	-	226,721	96,532	323,253
Manufacturing Industry	-	-	-	-	-	-	13,760,753	4,305,183	506,626	241,130	34,243	-	-	-	-	-	-	8,346,753	10,501,182	18,847,935
Electricity, Gas, Water	-	31,103	-	-	-	-	4,123,195	39,739	2,050	225	-	-	-	-	-	-	-	459,785	3,736,527	4,196,312
Construction	-	-	-	-	-	-	**4,323,179**	**3,031,745**	**574,655**	**173,770**	**23,070**	-	-	-	-	-	-	**6,023,819**	**2,102,600**	**8,126,419**
Services	**16,812,956**	**33**	**25,671**	**-**	**-**	**19,758,026**	**28,670,061**	**11,289,872**	**1,713,114**	**501,596**	**24,108**	**-**	**-**	**-**	**-**	**-**	**-**	**27,902,317**	**50,893,120**	**78,795,437**
Wholesale and Retail Trade	-	-	7,882	-	-	-	6,281,950	8,989,994	471,732	382,375	17,600	-	-	-	-	-	-	13,151,146	3,000,387	16,151,533
Hotels and Restaurants	-	-	-	-	-	-	2,606,329	267,994	89,174	33,310	534	-	-	-	-	-	-	527,586	2,469,755	2,997,341
Transportation and Communications	-	-	-	-	-	-	9,683,367	752,961	27,397	34,927	2,417	-	-	-	-	-	-	1,148,025	9,353,044	10,501,069
Financial Institutions	16,812,956	33	-	-	-	19,758,026	1,064,978	72,054	235	701	257	-	-	-	-	-	-	10,811,905	26,897,335	37,709,240
Real Estate and Rent Services	-	-	-	-	-	-	5,202,133	238,590	999,772	8,511	1,713	-	-	-	-	-	-	384,232	6,066,487	6,450,719
Independent Business Services	-	-	17,630	-	-	-	1,071,927	493,858	19,773	26,709	1,072	-	-	-	-	-	-	913,442	717,527	1,630,969
Education Services	-	-	114	-	-	-	161,869	190,831	18,201	6,388	-	-	-	-	-	-	-	344,835	32,568	377,403
Health and Social Services	-	-	45	-	-	-	2,597,508	283,590	86,830	8,675	515	-	-	-	-	-	-	621,146	2,356,017	2,977,163
Other	**20,720,361**	**52,470**	**137,091**	**-**	**-**	**1,501,582**	**2,653,916**	**31,489,389**	**3,282,214**	**293,094**	**27,023**	**-**	**-**	**-**	**-**	**1,416,874**	**7,099,718**	**57,393,730**	**11,280,002**	**68,673,732**
Total	**37,533,317**	**83,606**	**224,563**	**-**	**-**	**21,259,608**	**54,205,109**	**52,335,034**	**6,096,008**	**1,308,493**	**120,409**	**-**	**-**	**-**	**-**	**1,416,874**	**7,099,718**	**102,840,792**	**78,841,947**	**181,682,739**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

1 - Conditional and unconditional receivables from central governments or central banks
2 - Conditional and unconditional receivables from regional or local governments
3 - Conditional and unconditional receivables from administrative units and non-commercial enterprises
4 - Conditional and unconditional receivables from multilateral development banks
5 - Conditional and unconditional receivables from international organizations
6 - Conditional and unconditional receivables from banks and brokerage houses
7 - Conditional and unconditional receivables from corporates
8 - Conditional and unconditional retail receivables
9 - Conditional and unconditional receivables secured by mortgages
10 - Past due receivables
11 - Receivables defined as high risk category by the Regulator
12 - Mortgage-backed Securities
13 - Securitization Positions
14 - Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
15 - Investments in the Nature of Collective Investment
16 - Investment in equities
17 - Other receivable

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Analysis of maturity-bearing exposures according to remaining maturities(*):

Current Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	320,559	1,360,426	915,790	703,827	24,377,078
Conditional and unconditional receivables from regional or local governments	-	-	-	-	83,158
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	15,346	5,003	71,560	7,436	120,099
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	7,121,518	4,176,394	1,940,433	696,513	3,985,502
Conditional and unconditional receivables from corporates	6,862,516	3,977,440	5,130,832	9,180,854	35,883,370
Conditional and unconditional receivables from retail portfolios	2,669,055	3,955,263	4,012,856	7,118,817	29,014,711
Conditional and unconditional receivables secured by mortgages	26,914	123,021	150,304	389,094	4,608,845
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	1,540	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock investments	189,797	-	-	-	-
Other receivables	-	-	-	-	-
Total	**17,207,245**	**13,597,547**	**12,221,775**	**18,096,541**	**98,072,763**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration.

Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	6,925	327,787	85,667	550,871	19,233,346
Conditional and unconditional receivables from regional or local governments	351	-	-	-	83,223
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	4,151	12,070	17,449	65,711	117,531
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	3,652,725	1,802,632	1,331,112	163,738	2,929,945
Conditional and unconditional receivables from corporates	5,353,341	3,266,510	5,005,183	5,623,091	30,369,563
Conditional and unconditional receivables from retail portfolios	2,262,632	3,499,162	3,758,408	5,725,893	23,847,380
Conditional and unconditional receivables secured by mortgages	35,456	136,013	216,477	474,456	5,165,642
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	75	182	263	-	631
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock investments	118,171	-	-	-	-
Other receivables	-	-	-	-	-
Total	**11,433,827**	**9,044,356**	**10,414,559**	**12,603,760**	**81,747,261**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Exposures by Risk Weights:

Current Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	32,669,119	-	6,159,238	-	20,608,157	64,499,745	91,428,444	237,429	-	-	9,481	499,313
2. Exposures After Credit Risk Mitigation	37,503,592	-	1,701,486	2,662,222	14,040,343	55,785,280	87,312,824	237,398	-	-	9,481	499,313

Prior Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	31,503,994	-	4,817,784	-	15,905,422	56,500,118	72,835,012	120,409	-	-	-	522,378
2. Exposures After Credit Risk Mitigation	38,524,655	-	2,466,405	3,540,454	10,454,821	46,067,807	68,027,116	120,309	-	-	-	522,378

Information by major sectors and type of counterparties:

Information about impaired credits and past due credits and value adjustments and provisioning methods are described in Part IV Footnote 2.

Current Period	Loans(*)			Provisions	
	Impaired Loans (TFRS 9)		Non-Performing (Regulation of Provision)		
Major Sectors / Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)		Provision For Expected Losses of Credit (TFRS 9)	(Regulation of Provision)
1. Agriculture	**573,663**	**330,342**	**-**	**262,517**	**-**
1.1. Farming and Livestock	570,714	318,254	-	252,912	-
1.2. Forestation	1,109	294	-	366	-
1.3. Fishing	1,840	11,794	-	9,239	-
2. Industrial	**1,392,970**	**1,486,997**	**-**	**1,363,930**	**-**
2.1. Mining and Quarrying	48,857	18,438	-	16,867	-
2.2. Manufacturing Industry	1,328,606	1,159,220	-	1,037,056	-
2.3. Electricity, Gas, Water	15,507	309,339	-	310,007	-
3. Construction	**1,394,388**	**860,694**	**-**	**728,594**	**-**
4. Services	**5,326,163**	**2,962,883**	**-**	**2,734,384**	**-**
4.1. Wholesale and Retail Commerce	1,687,207	2,076,620	-	1,662,178	-
4.2. Hotel and Restaurant Services	446,618	210,944	-	203,787	-
4.3. Transportation and Communication	585,908	141,637	-	279,684	-
4.4. Financial Corporations	2,064,989	274,960	-	429,265	-
4.5. Real Estate and Loan Services	64,477	24,010	-	29,638	-
4.6. Independent Business Services	306,121	112,221	-	34,936	-
4.7. Education Services	58,703	81,995	-	55,240	-
4.8. Health and Social Services	112,140	40,496	-	39,656	-
5. Other	**3,432,539**	**2,633,499**	**-**	**2,379,241**	**-**
6. Total	**12,119,723**	**8,274,415**	**-**	**7,468,666**	**-**

(*) Represents the distribution of cash loans.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period	Loans(*)			Provisions	
	Impaired Loans (TFRS 9)				
Major Sectors / Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)	Non-Performing (Regulation of Provision)	Provision For Expected Losses of Credit (TFRS 9)	(Regulation of Provision)
1. Agriculture	**466,738**	**219,393**	**-**	**172,037**	**-**
1.1. Farming and Livestock	460,859	216,049	-	169,013	-
1.2. Forestation	146	621	-	374	-
1.3. Fishing	5,733	2,723	-	2,650	-
2. Industrial	**1,366,804**	**941,265**	**-**	**1,181,425**	**-**
2.1. Mining and Quarrying	41,140	7,452	-	9,204	-
2.2. Manufacturing Industry	1,025,218	932,428	-	878,963	-
2.3. Electricity, Gas, Water	300,446	1,385	-	293,258	-
3. Construction	**1,191,113**	**455,499**	-	**453,671**	-
4. Services	**3,729,742**	**2,002,453**	**-**	**2,140,214**	**-**
4.1. Wholesale and Retail Commerce	1,427,349	1,497,816	-	1,308,354	-
4.2. Hotel and Restaurant Services	537,407	188,419	-	236,235	-
4.3. Transportation and Communication	306,748	120,086	-	122,717	-
4.4. Financial Corporations	754,402	23,425	-	211,790	-
4.5. Real Estate and Loan Services	69,278	20,207	-	27,611	-
4.6. Independent Business Services	463,980	75,831	-	144,895	-
4.7. Education Services	88,722	34,643	-	43,273	-
4.8. Health and Social Services	81,856	42,026	-	45,339	-
5. Other	**3,162,964**	**2,536,642**	-	**2,421,931**	-
6. Total	**9,917,361**	**6,155,252**	**-**	**6,369,278**	**-**

(*) Represents the distribution of cash loans.

Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Stage 3 Provisions	4,746,136	2,560,099	(433,276)	(929,246)	5,943,713
2. Stage 1-2 Provisions	2,853,495	431,035	(713,504)	-	2,571,026

(*) Represents the provision of loans written-off.

Prior Period	Opening Balance	TFRS 9 Transition Effect	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Stage 3 Provisions	3,529,821	(149,130)	1,816,666	(341,007)	(110,214)	4,746,136
2. Stage 1-2 Provisions	1,396,268	856,346	600,881	-	-	2,853,495

(*) Represents the provision of loans written-off.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Exposures subject to countercyclical capital buffer:
The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué "Regulation on Capital Conservation and Countercyclical Capital buffers of Banks" published in the Official Gazette numbered 28812 dated November 5, 2013 is presented below:

Information on private sector receivables:

Current Period Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	117,688,081	-	117,688,081
Malta	433,209	-	433,209
Other	125,512	-	125,512
Total	**118,246,802**	**-**	**118,246,802**

Prior Period Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	97,315,234	-	97,315,234
Malta	405,321	-	405,321
Other	40,844	-	40,844
Total	**97,761,399**	**-**	**97,761,399**

2. Risk Management and General Disclosures regarding Risk Weighted Amounts

2.1. GBA - Risk management approach of the Bank:

a) The way risk profile of the Bank is determined by business model and the interaction between (e.g. key risks related to business model and in which way those risks are reflected to disclosures) and in which way the risk profile of the Bank is related to risk appetite approved by board of directors

Bank acknowledges that business and strategy risks are material since the Bank's growth oriented business plan is sensitive to changes in market conditions. From this point of view, Bank classifies business and strategy risk as an important risk. Bank reviews its 5 year long term business plans once a year periodically. If the economic developments and market conditions require, then business plans are reviewed and revised more often.

b) Risk management structure: Allocation of responsibilities in the Bank (e.g. supervision and delegation of authorization; separation of responsibilities with respect to their risk type, business unit etc.; relations between structures included in risk management processes (e.g. board of directors, senior management, separate risk committee, risk management unit, legal compliance, internal audit function)

Bank's risk measurement, monitoring, and control functions have clearly defined responsibilities that are sufficiently independent from position/risk taking functions. Risk exposures are directly reported to Senior Management and the Board of Directors/Board Risk Committee. Bank's internal control systems are designed to provide adequate segregation of duties, in order to prevent conflicts of interest with respect to the distinct functions of undertaking, approving, monitoring and controlling risks. In particular the functions that undertake transactions (front line) are administratively and operationally separate from the functions of, confirmation, accounting and settlement of transactions, as well as the safekeeping of the assets of the Bank or its customers.

Risk management governance at the Bank starts with the Board of Directors. The Board Risk Committee ("BRC"), Audit Committee (the "AC"), Assets and Liabilities Committee (the "ALCO"), Corporate and Retail Credit Policy Committee ("CPC"), Operational Risk Management Committee ("ORMC"), Reputation Risk Management and Risk Management Department are the important bodies of the risk management structure. The Board of Directors determines the general risk policy and the risk appetite of the Bank.

The Audit Committee is responsible for supervising whether the Bank complies with the provisions of applicable risk management legislation, and the internal risk management policies and procedures approved by the BoD. The AC reviewing whether the Bank has the methods, instruments and procedures required for identifying, measuring, monitoring and controlling the risk exposures of the Bank.

The ALCO, meeting monthly, is responsible for monitoring and managing the structural asset-liability mismatches of the Bank, as well as monitoring and controlling liquidity risk and foreign currency exchange risk.

The CPC meets monthly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies regarding the credit risk management processes such as loan approval, limit setting, rating, monitoring and problem management. The ORMC meets every three months and is responsible for reviewing operational risk issues of the Bank and defining the necessary actions to be taken to minimize these risks. The Reputation Risk Management Committee is established to identify, evaluate and monitor the reputational risks that the Bank is exposed to and to take necessary actions to prevent risks and meets quarterly.

The Risk Management Department, working independently from the executive functions and reporting to the Board of Directors, is organized under three main sections as market risk, credit risk, operational risk and model validation, each having responsibility for identifying, measuring, monitoring, controlling and managing the relevant risks as well as for model validation, assessing the predictive ability of risk estimates and the use of ratings in credit processes.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. This includes in particular anti-money laundering and terrorist financing regulation. In doing so, the compliance function informs all Bank employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Bank risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Bank has and controls relevant to them during audit works.

c) Channels which are used to extend and apply risk culture in the Bank (e.g. behavior rules, manuals including operation limits or procedures which shall be applied when the risk limits are exceeded, procedures regarding sharing of risk matters between business units and risk units)

Risk Management Strategy comes out as the main risk management policy document in which the Bank defines its risks, determines the risk appetite and the risk management principles. In the Policy regarding the Strategic Risk Management, the Bank's strategic risk management framework and its role and responsibilities in this context are organized.

Corporate and Retail Loan Policies and application directions also determines the Bank's credit risk management workflow and procedures.

Corporate Rating Governance Policy regulates the internal governance framework for corporate and commercial segment risk rating system operations.

The Market Risk Management Policy determines the key principles underlying the operations of the Bank in money and capital markets including limit structure.

The IRRBB Management Policy defines the key principles of the management of interest rate risk arising from non-trading activities.

The liquidity policy outlines the Bank's view and identifies the guidelines for incurring, retaining and managing liquidity risk.

The Operational Risk Management Policy ensures that all the Bank's stakeholders manage operational risk within a formalised framework aligned to business objectives.

Reputation Risk Policy, identifies the rules and frame of managing the reputation risk.

d) Key elements and scope of risk measurement systems

Consistent across the Bank internal risk rating systems appropriate to the nature, size and complexity of each activity and fully integrated in credit processes. The internal risk rating system employs appropriate credit risk rating models the scope and coverage of which are adequate to accommodate the Bank's strategic aspirations and regulatory requirements. In particular, the Bank's internal rating systems form the basis of capital assessment and allocation and constitute a key element of risk adjusted performance measurement, pricing and profitability measurement.

Information systems and analytical techniques that enable measurement of credit risk inherent in all relevant activities, providing adequate information on the composition of the credit portfolio, including identification of any concentrations of risk.

The Market Risk Management Policy determines the key principles underlying the operations of the Bank in money and capital markets. Key principles of Market Risk Management Framework are:

The Board Risk Committee is responsible for ensuring that market risk strategy and policy are consistently implemented. This includes:

- Implementation of the market risk management policy;
- Designation of risk limits;
- Definition of responsibilities for every unit involved in market risk management;
- Ongoing market risk monitoring and control, ensuring that risk appetite remains within the approved limits;
- Setting up appropriate IT systems for evaluating and monitoring the risks taken;
- Setting up standard models for market risk positions valuation and performance evaluation;

• Setting up comprehensive reporting and internal control systems;

• Providing for the maintenance of an adequate level of regulatory capital against the market risk undertaken; and

• Providing for the disclosure of information regarding the type and level of the market risk assumed and for the implementation of policies for the management thereof.

e) Disclosures regarding risk reporting processes provided to Board of Directors and senior management (especially on the scope and main content of reporting)

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk.

Credit Risk section of the report consists of three main sub sections such as General Outlook to the Total Portfolio, Business Loans and Retail Loans, and include:

• Basic risk appetite parameters in the Bank Risk Management Strategy;

• Exposures by segments, monthly and annual changes, portfolio growth;

• Sector concentration and risk metrics;

• Delinquency amounts, product types and delinquencies by segments, new NPLs and recoveries from NPLS;

• Detailed watchlist analyses for business segments;

• Rating distributions, PD distributions, expected loss trend, collateral structure;

• New NPLs, vintage analyses, recoveries by segments and products;

• Restructured credits by segments;

• Derivative products exposures by segments, stress testing; and

• Credit risk information regarding subsidiaries.

The Risk Management Division is required to inform Senior Management and Board Member who is responsible from Internal Systems on Market Risk of Trading Book and AFS portfolio.

Reports are prepared daily and indicatively include the following:

• Estimation of the VaR on aggregate basis and by type of risk (interest rate, FX, equity);

• Estimation of stress VaR on aggregate basis and by type of risk (interest rate, FX, equity);

• Sensitivity of the trading and AFS portfolio;

• Nominal values of bond portfolios;

• Breakdowns of the portfolio and utilization of the relevant limits;

• Utilization of limits on option Greeks; and

• Subsidiary VaR calculation.

In addition, Board of Directors Risk Committee Report is prepared monthly in a way covering abovementioned market risk metrics and stress tests in order to be presented to Board of Directors and Risk Committee.

f) Disclosures regarding stress test (e.g. assets included in stress test, adapted scenarios and used methodologies and use of stress test in risk management)

Stress test constitute the center of capital planning within the scope of the Group's APICA (Assessment Process of Internal Capital Adequacy). The bank's general principles on these stress testing framework can be summarized as follows:

Comprehensive stress testing, aggregated per risk category, is conducted at least annually on year end data and business plan.

• Stress testing is integrated to the ICAAP document which is subject to Board of Directors approval;

• A historical scenario is selected as an anchor scenario to be used on the construct of base adverse scenario for the stress test use. However, final scenario is applied by enriching with hypothetical components as independent from anchor scenario;

• Bank's stress testing framework encompasses sensitivity tests;

• The impact of the stress testing on the Bank's financial strength and capital position are analyzed through some key ratios and key items including but not limited to the following: Non-performing Loan Ratio, Return of Equity, Return on Asset, Leverage Ratio, Core Tier I Ratio, Capital Adequacy Ratio, Loan Balances, Balance Sheet Items, Income Statement Items; and

• Stress testing framework encompasses reverse stress testing.

Market Risk Management defines the stress test approaches as below:

• To move the risk factors parallel in one direction;

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

• To move the risk factors non parallel; and

• To perform tests to the existing portfolio based on past extreme situations.

Trading book consists of Financial Assets at Fair Value Through Profit or Loss securities, Financial Assets at Fair Value Through Profit or Loss derivatives and open currency positions which are clearly defined in Market Risk Management Policy.

g) Risk management, protection and mitigation strategies and process of the Bank sourcing from its business model and Monitoing processes of continuing effects of protection and mitigation

First, it is generally the case that internal expectations about the effectiveness of CRM are based on the internal experience of the Bank, incorporated in the respective credit risk control framework, including its lending processes, and are typically conservatively adjusted, using for example recognition rates per collateral type.

Likewise, conservatism is also embedded in regulatory rules through respective haircuts, collateral eligibility requirements and so forth. Furthermore, the collaterals used as a risk mitigant in the Bank's capital adequacy calculations are predominantly cash or equivalent collaterals. The treatment of cash collaterals is straight forward, issues about recovery, and valuation are not relevant.

Regarding the exposure secured with mortgages, the new capital adequacy regime with Basel II increased the operational requirements for the recognition.

2.2 GB1 - Overview of Risk Weighted Assets:

		Risk Weighted Amount		Minimum Capital Requirement	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
1	Credit Risk (excluding counterparty Credit Risk)	133,737,010	106,848,199	10,698,961	8,547,856
2	Standardized approach	133,737,010	106,848,199	10,698,961	8,547,856
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	4,817,823	3,687,514	385,426	295,001
5	Standardized approach for counterparty credit Risk	4,817,823	3,687,514	385,426	295,001
6	Internal model method	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-	-
9	Investments made in collective investment companies - mandate-based approach	-	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization positions in banking accounts	-	-	-	-
13	IRB ratings-based approach	-	-	-	-
14	IRB Supervisory Formula Approach	-	-	-	-
15	SA/simplified supervisory formula approach	-	-	-	-
16	Market risk	3,347,613	1,778,238	267,809	142,259
17	Standardized approach	3,347,613	1,778,238	267,809	142,259
18	Internal model approaches	-	-	-	-
19	Operational Risk	12,435,826	10,000,978	994,866	800,078
20	Basic Indicator Approach	12,435,826	10,000,978	994,866	800,078
21	Standard Approach	-	-	-	-
22	Advanced measurement approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24	Floor adjustment	-	-	-	-
25	**TOTAL(1+4+7+8+9+10+11+12+16+19+23+24)**	**154,338,272**	**122,314,929**	**12,347,062**	**9,785,194**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

3.Linkages between financial statements and risk amount

3.1. B1 - Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts

Current Period		Carrying values of items in accordance with TAS				
Assets	Financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Cash and balances with the Central Bank	18,748,232	18,750,540	-	-	-	-
Trading Financial Assets(*)	3,814,171	-	3,778,815	-	2,777,147	-
Financial Assets at Fair Value Through Profit or Loss	334,949	86,838	-	-	334,949	-
Banks	854,081	859,580	-	-	-	-
Money Market Placements	3,040,962	-	3,040,962	-	-	-
Financial Assets Available-for-Sale (Net)	12,343,441	12,343,441	5,475,062	-	-	-
Loans and Receivables	110,596,392	113,169,631	-	-	-	28,525
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (Net)	16,169,450	16,181,302	6,517,031	-	-	-
Investment in Associates (Net)	5,982	5,982	-	-	-	-
Investment in Subsidiaries (Net)	1,250,114	1,250,114	-	-	-	-
Investment in Joint ventures (Net)	236,777	236,777	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging(*)	4,131,982	-	4,131,982	-	-	-
Property And Equipment (Net)	3,376,349	3,302,340	-	-	-	74,009
Intangible Assets (Net)	438,280	-	-	-	-	396,779
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	348,688	348,688	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	5,990,661	5,999,874	-	-	-	-
TOTAL ASSETS	**181,680,511**	**172,535,107**	**22,943,852**	**-**	**3,112,096**	**499,313**
Liabilities						
Deposits	105,625,783	-	-	-	-	105,625,783
Derivative Financial Liabilities Held for Trading(**)	3,619,172	-	-	-	2,630,305	988,867
Funds Borrowed	15,309,409	-	-	-	-	15,309,409
Money Markets	9,064,854	-	9,064,854	-	-	-
Marketable Securities Issued	13,085,974	-	-	-	-	13,085,974
Funds	-	-	-	-	-	-
Miscellaneous Payables(***)	7,596,208	-	-	-	-	7,596,209
Other Liabilities(***)	2,372,784	-	-	-	-	2,372,783
Factoring Payables	-	-	-	-	-	-
Lease Payables	447,730	-	-	-	-	447,730
Derivative Financial Liabilities Held For Hedging(**)	1,359,762	-	-	-	-	1,359,762
Provisions	875,641	-	-	-	-	875,641
Tax Liability	205,582	-	-	-	-	205,582
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Loans	5,432,553	-	-	-	-	5,432,553
Shareholder's Equity	16,685,059	-	-	-	-	16,685,059
TOTAL LIABILITIES	**181,680,511**	**-**	**9,064,854**	**-**	**2,630,305**	**169,985,352**

(*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.
(**) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.
(***) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period		Carrying values of items in accordance with TAS				
Assets	Financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Cash and balances with the Central Bank	18,474,301	18,511,442	-	-	-	-
Trading Financial Assets	5,481,286	-	5,474,025	-	5,070,007	-
Financial Assets at Fair Value Through Profit or Loss	28,450	-	-	-	28,450	-
Banks	1,231,644	1,232,085	-	-	-	-
Money Market Placements	102,065	2,000	100,070	-	-	-
Financial Assets Available-for-Sale (Net)	8,444,055	8,444,055	2,814,590	-	-	-
Loans and Receivables	94,018,022	96,620,453	-	-	-	83,538
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (Net)	12,895,116	12,932,193	3,673,636	-	-	-
Investment in Associates (Net)	5,982	5,982	-	-	-	-
Investment in Subsidiaries (Net)	1,141,248	1,141,248	-	-	-	-
Investment in Joint ventures (Net)	151,473	151,473	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	6,964,254	-	6,964,254	-	-	-
Property And Equipment (Net)	2,861,922	2,794,046	-	-	-	67,876
Intangible Assets (Net)	397,179	26,215	-	-	-	370,964
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	522,283	522,283	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	4,696,455	4,698,463	-	-	-	-
TOTAL ASSETS	**157,415,735**	**147,081,938**	**19,026,575**	**-**	**5,098,457**	**522,378**
Liabilities						
Deposits	87,090,453	-	-	-	-	87,090,453
Derivative Financial Liabilities Held for Trading	5,731,640	-	-	-	4,912,695	818,945
Funds Borrowed	18,166,249	-	-	-	-	18,166,249
Money Markets	4,714,819	-	4,714,819	-	-	-
Marketable Securities Issued	8,904,455	-	-	-	-	8,904,455
Funds	-	-	-	-	-	-
Miscellaneous Payables	9,182,085	-	-	-	-	9,182,085
Other Liabilities	2,667,019	-	-	-	-	2,667,019
Factoring Payables	-	-	-	-	-	-
Lease Payables	24,623	-	-	-	-	24,623
Derivative Financial Liabilities Held For Hedging	606,765	-	-	-	-	606,765
Provisions	789,818	-	-	-	-	789,818
Tax Liability	149,662	-	-	-	-	149,662
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Loans	4,816,098	-	-	-	-	4,816,098
Shareholder's Equity	14,572,049	-	-	-	-	14,572,049
TOTAL LIABILITIES	**157,415,735**	**-**	**4,714,819**	**-**	**4,912,695**	**147,788,221**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

3.2. B2-The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements:

	Current period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	198,591,054	172,535,107	-	22,943,852	3,112,096
2	Liabilities carrying value amount under regulatory scope of consolidation	11,695,159	-	-	9,064,854	2,630,305
3	Total net amount under regulatory scope of consolidation	186,895,895	172,535,107	-	13,878,998	481,791
4	Off-Balance Sheet Amounts	116,905,624	21,647,562	-	-	-
5	Differences due to different netting rules	2,865,822	-	-	-	2,865,822
6	Repo transactions	2,848,164	-	-	2,848,164	-
7	Potential credit risk amount calculated for the counterparty	1,397,176	-	-	1,397,176	-
8	Differences due to credit risk reduction	(13,054,380)	(2,030,934)	-	(11,023,446)	-
	Risk Amounts	-	192,151,735	-	7,100,892	3,347,613

	Prior period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	171,206,970	147,081,938	-	19,026,575	5,098,457
2	Liabilities carrying value amount under regulatory scope of consolidation	9,627,514	-	-	4,714,819	4,912,695
3	Total net amount under regulatory scope of consolidation	161,579,456	147,081,938	-	14,311,756	185,762
4	Off-Balance Sheet Amounts	91,214,862	18,485,121	-	-	-
5	Differences due to different netting rules	1,592,476	-	-	-	1,592,476
6	Repo transactions	69,905	-	-	69,905	-
7	Potential credit risk amount calculated for the counterparty	1,494,161	-	-	1,494,161	-
8	Differences due to credit risk reduction	(12,241,314)	(2,085,090)	-	(10,156,224)	-
	Risk Amounts	-	163,481,969	-	5,719,598	1,778,238

3.3 BA- Disclosures regarding differences between amounts valued according to TAS and risk exposures

a) None.

b) There is no significant difference between amounts valued in accordance with TAS included in B2 and risk exposures except for "Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)". There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.

c)Valuation methodologies regarding the disclosure related to use of Market Value and Model Value:

In general terms, market risk is the possibility of making loss as a result of changes occurring in the current market values of financial assets and positions in the bank's trading accounts. In this framework, the following elements of the Bank, which must be reflected on balance sheet over their current market values (market to market), are included in market risk.

Market risk is the likelihood of loss of financial assets and positions in the bank's trading accounts in general terms as a result of changing the current market values.

• Equity shares included in trading, investment fund participation documents, securities such as bonds and bills;

• Open foreign exchange position with respect to each foreign currency;

• Derivative contracts (forwards) sensitive to interest changes and concluded for trading, future transactions, simple or complex options, swaps, credit derivatives; and

• Reverse repo transactions.

Classification of Trading Accounts are made in accordance with Appedix-3 of Regulation on Measurement and Evaluation of Bank's Capital Adequacy.

QNB Finansbank calculates its value at market risk with standard method in the framework of "Regulation on Measurement and Evaluation of Bank's Capital Adequacy". Accordingly, capital requirement is reached through multiplying of total of general market risk, commodity risk, settlement risk, exchange risk option risk to 12,5.

Value at market risk of the Bank is reached through the determination of amounts related to market risk in scope of Basel 2 reporting set. Details of analysis are as follows:

• Commodity risk analysis: Simplified approach (Standard method);

• Interest rate risk analysis: General Market Risk Calculation (Standard method - maturity approach) - Specific risk calculation (Standard method);

• Equity share risk analysis: Position risk in equity share investments (Standard method);

• Exchange rate exposure analysis (Standard method); and

• Option risk analysis: Weighting method with delta factor (Standard method).

Securities such as equity share, bond and bills, whose market prices are monitored directly, and derivative products such as futures, which are traded in stock exchange, are reviewed over their transaction prices as of reporting date. If a security included in Financial Assets at Fair Value through Profit/Loss portfolio cannot be treated as of reporting date, it is evaluated over the price determined in scope of precautionary principles.

Market value of products, which are traded at over the counter markets such as forward foreign exchange, foreign exchange swaps and interest swaps, are calculated in line with discounting of cash flows over market interest rates. Market value of option transactions is performed based on softwares which are internationally accepted valuation methodologies.

Definition of independent price approval processes:

There are four main price parameters which shall have an impact on current market value of financial assets and positions held by the Banks:

• Market interest rates (bond, bill and derivative prices);

• Share prices;

• Exchange rates; and

• Gold, other precious metals and commodity prices.

Total risk of loss sourcing from price movements (interest, equity share, exchange and commodity risk) related to financial assets and positions are called as "general market risk".

Independency of price process in ensured through the recording and management of prices to Bank systems by back office. In addition, the pricing and valuation systems in question are also reviewed and validated by Validation Unit. Details belonging to aforementioned valuation and accounting are strictly documented and monitored by Treasury Control Unit.

Processes for valuation adjustments or differences (It includes definition of process and methodology definition for the valuation of trading positions according to type of financial instrument)

TL borrowing instruments included in securities portfolio of Financial Assets at Fair Value through Profit/Loss account consist of government securities. The aforementioned securities are evaluated based on weighted average price traded in BIST. Market price is calculated based on CBT prices for TL securities not traded in BIST. Average of quotation of purchase and sell in the market are accepted as market price for Foreign Currency securities included in the same portfolio.

4. Credit Risk Disclosures

4.1 General Information on Credit Risk

4.1.1. CRA - General Qualitative Information on Credit Risk

a) Conversion of Bank's business model to components of credit risk profile

The Bank deploys forward looking, risk sensitive measurement systems and tools, including appropriate information technology (IT) applications and management information systems (MIS), to account for expected and unexpected losses in both normal and stress market conditions, for all types of risks as appropriate.

b) Criteria and approach used during the determination of credit risk policy and credit risk limits

Bank credit policies have been established to form effective and satisfactory loan allocation processes based on prudence and applicability principles in a way that it is in line with the risk boundaries set by the Bank, Bank Credit Policies and legal authorities. Pillars of credit risk management policy in Bank are:

• Rules and Regulations of BRSA (Banking Regulation and Supervision Agency);

• Decisions of institutions auditing QNB Bank;

• Credit policies and procedures at Bank level;

• Risk Management Strategy;

• Corporate, commercial and SME banking credit policies and corporate grading management documents; and

• Individual credit and credit cards policies.

Risk Management Strategy comes out as the main risk management policy document in which the Bank defines its risks, determines the risk appetite and the risk management principles. Credit risk limits are reviewed annually, consistent to risk strategy.

c) Structure and organization of credit risk management and control function

All of the process related to direct or indirect credit allocation, extension, monitoring and operation of the Bank in favour of individuals or legal entities are reviewed in scope of credit risk management. Activities related to capital management includes calculation of legal and economic capital requirement of annual and long term business plans of the Bank.

Activities related to Credit Risk and Capital Management are carried out by Credit Risk Analytic, Strategy and Capital Management unit. Bank's Credit Risk organization, duties and responsibilities, related units and responsibilities of those units are identified in detail in the own Credit Policy documents of the Bank, Risk Management Strategy Document and Risk Management Department operation instruction and also main principles, applications, limits and reporting processes, which are going to be adopted in Credit Risk Management, are included.

Main responsibilities of Credit Risk Management Department are as follows:

• To establish risk management policies and strategies related to risks exposed by the Bank and to submit those policies and strategies for the approval of Board of Directors Risk Committee;

• To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at Bank level to senior management;

• To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Bank;

• To make periodic stress tests and scenario analysis and establish early warning systems;

• To support decision-making processes of the Bank through providing reviews and risk point of view with respect to risk management;

• To develop application and behavior score cards which are used in order to manage credit portfolio and processes in a correct and effective manner and forming main source for DR models;

• To promote risk awareness and management culture at Bank level;

• To develop of forecasting models/approaches and the measurement monitoring of portfolio credit risk through Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD); and

• Implementation of risk based Credit Classification and Expected Credit Loss (ECL) calculations under TFRS 9, determination of credit risk measurement framework, development and implementation of relevant models / approaches.

d) Relationship between credit risk management, risk control, legal compliance and internal audit functions

Risk governance model includes three lines of defense consisting of:

• The risk taking units (lines of business) at the first level, responsible for assessing and minimizing risks for a given level of return;

• Risk Management Unit, at the second level, identifies, monitors, controls, quantifies risk, provides appropriate tools and methodologies, provides coordination and assistance; measures risk adjusted performance across the business lines; reports to appropriate levels and proposes mitigation measures, being supported by business lines, where the risk is actually created, and specialized units; and

• Internal Audit - provides the independent review function.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. This includes in particular anti-money laundering and terrorist financing regulation. In doing so, the compliance function informs all Bank employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

QNB FİNANSBANK ANONİM ŞİRKETİ

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Internal audit function acts as one of the three lines of defense of Bank risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Bank has and controls relevant to them during audit works.

e) Disclosures regarding risk reporting processes provided to Board of Directors and senior management (especially on the scope and main content of reporting)

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk. Report mainly consists of the following; changes in risk parameters, changes in exposures of segments, concentration and risk metrics, stress testing and results, delinquency amounts and ratios by segments, stage 3, stage 2, rating and PD distributions, vintage analyses, collaterals, recoveries, restructurings.

In addition to these monthly reports, a comparative analysis with peer Banks, which is based on quarterly capital adequacy and credit risk metrics, is also reported to senior management and the board of directors.

4.2 CR1 - Credit quality of assets:

		Gross carrying values of as per TAS			
	Current Period	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values
1	Loans	8,274,415	110,784,774	5,943,713	**113,115,476**
2	Debt Securities	-	28,334,946	-	**28,334,946**
3	Off-balance sheet Exposures	-	76,131,500	45,614	**76,085.886**
4	**Total**	**8,274,415**	**215,251,220**	**5,989,327**	**217,536,308**

		Gross carrying values of as per TAS			
	Prior Period	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values
1	Loans	6,155,252	95,294,876	4,746,136	**96,703,992**
2	Debt Securities	-	21,258,077	-	**21,258,077**
3	Off-balance sheet exposures	-	60,332,135	50,116	**60,282,019**
4	**Total**	**6,155,252**	**176,885,088**	**4,796,252**	**178,244,088**

4.3. CR2 - Changes in stock of defaulted loans and debt securities:

		Current Period	Prior Period
1	**Defaulted loans and debt securities at end of the previous reporting period**	6,155,252	4,330,104
2	Loans and debt securities that have defaulted since the last reporting period	4,357,917	3,355,909
3	Returned to non-defaulted status	-	-
4	Amounts written off(*)	929,246	110,214
5	Other changes(**)	1,309,508	1,420,547
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**8,274,415**	**6,155,252**

(*) Includes the sale of non performing loan amounting to TL 918,518 in the current period (December 31, 2018 - None)
(**) Includes collections from credits in default.

4.4 CRB - Additional disclosures related to credit quality of assets:

a) The criteria taken into consideration by the Bank in determining the impairment are explained in footnote VIII of the third section. Receivables having more than 90 days overdue are defined as "Past due receivables". There is no difference between "past due receivables" and "loans subject to provisioning" since all loans with 90 days overdue are subject to specific provisioning.

b) There is no part of past due receivables which is not reviewed as "loans subject to provisioning".

c) The Bank's specific provision calculation is explained in footnote VIII of the third section.When specific provisions are determined, the minimum specific provision rates are used and the collaterals are not deducted from the risk bases in accordance with the "Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside".

d) In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments then receivables in aforementioned scope are identified as "restructured receivables".

e) Exposures provisioned according to major regions, major sectors and remaining maturity

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Exposures provisioned against by major regions:

Country	Current Period	Prior Period
Turkey	109,998,461	94,768,174
European Union (EU) Countries	449,498	426,822
USA,Canada	19,487	22,376
OECD Countries	2,493	3
Off-Shore Banking Regions	44,659	19,973
Other Countries	270,176	57,528
Total(*)	**110,784,774**	**95,294,876**

(*) Includes Financial Assets Measured at fair value through profit or loss amounting to TL 86,838 in accordance with TFRS 9 (December 31, 2018 - TL 110,032).

Exposures provisioned against by major sectors:

	Current Period	Prior Period
1. Agricultural	**2,342,906**	**2,538,528**
1.1. Farming and raising livestock	2,165,319	2,337,406
1.2. Forestry	7,463	5,629
1.3. Fishing	170,124	195,493
2. Manufacturing	**20,227,280**	**16,371,069**
2.1. Mining and Quarrying	320,642	283,274
2.2. Production	15,932,481	12,360,435
2.3. Electricity, Gas, Water	3,974,157	3,727,360
3. Construction	**5,842,486**	**5,853,595**
4. Services	**45,263,180**	**38,883,649**
4.1 Wholesale and retail trade	16,057,124	14,396,553
4.2 Hotel, food and beverage services	4,759,454	3,434,383
4.3 Transportation and telecommunication	11,837,609	9,215,542
4.4 Financial institutions	7,065,951	6,935,904
4.5 Real estate and leasing services	276,556	350,168
4.6 Self-employment services	1,333,270	1,535,336
4.7 Education services	402,373	375,746
4.8 Health and social services	3,530,843	2,640,017
5. Other	**37,108,922**	**31,648,035**
6. Total(*)	**110,784,774**	**95,294,876**

(*) Includes Financial Assets Measured at fair value through profit or loss amounting to TL 86,838 in accordance with TFRS 9. (December 31, 2018 - TL 110,032)

Breakdown of Exposures according to remaining maturity:

Current period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables(*)	-	21,248,476	9,383,560	31,665,164	33,504,799	12,463,691	108,265,690

Prior period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables	-	18,415,746	8,420,975	24,482,569	29,598,378	11,691,238	92,608,906

(*) Provision amounts have been deducted from current period balances.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

f) Exposures provisioned against by major regions and Loans written off during the period an uncollectible

Loan Amounts provisioned on the basis of by geographical regiaons Loans written off during the assets

Current Period	Loans Subject to Provision	Provision	Written-off from Assets
Turkey	8,239,083	5,924,249	929,246
European Union (EU) Countries	18,903	3,043	-
USA,Canada	-	-	-
OECD Countries(*)	-	-	-
Off-Shore Banking Regions	16,410	16,403	-
Other Countries	19	18	-
Total	**8,274,415**	**5,943,713**	**929,246**

Prior Period	Loans Subject to Provision	Provision	Written-off from Assets
Turkey	6,124,876	4,729,071	110,214
European Union (EU) Countries	16,192	2,882	-
USA,Canada	-	-	-
OECD Countries(*)	-	-	-
Off-Shore Banking Regions	14,164	14,164	-
Other Countries	20	19	-
Total	**6,155,252**	**4,746,136**	**110,214**

(*) Includes OECD countries other than EU countries, USA and Canada.

"Exposures provisioned against by major sectors and Loans written off"

	Current Period			Prior Period		
	Loans subject to provision	Provision	Written-off from Assets	Loans subject to provision	Provision	Written-off from Assets
1. Agriculture	**330,343**	**193,701**	**8,551**	**219,393**	**123,276**	**4**
1.1. Farming and Raising Livestock	318,254	184,370	8,361	216,049	120,708	4
1.2. Forestry	294	256	43	621	364	-
1.3. Fishing	11,795	9,075	147	2,723	2,204	-
2. Industrial	**1,486,996**	**1,150,456**	**82,271**	**941,265**	**686,919**	**18**
2.1. Mining and Quarrying	18,437	13,158	601	7,452	5,567	-
2.2. Production	1,159,220	828,090	81,453	932,428	680,182	18
2.3. Electricity, Gas, Water	309,339	309,208	217	1,385	1,170	-
3. Construction	**860,694**	**461,305**	**13,735**	**455,499**	**273,786**	**6**
4. Services	**2,962,884**	**1,974,398**	**288,858**	**2,002,453**	**1,467,989**	**106,284**
4.1. Wholesale and Retail Trade	2,076,620	1,407,994	217,195	1,497,816	1,106,253	154
4.2. Hotel, Food and Beverage Services	210,944	137,678	32,407	188,419	129,239	8
4.3. Transportation and Communication	141,637	97,716	17,865	120,086	82,683	106,122
4.4. Financial Institutions	274,960	151,576	3,761	23,425	18,193	-
4.5. Real Estate and Renting Services	24,010	17,860	2,386	20,207	14,434	-
4.6. Self-Employment Services	112,221	81,572	9,052	75,831	55,216	-
4.7. Educational Services	81,995	48,626	1,945	34,643	28,576	-
4.8. Health and Social Services	40,497	31,376	4,247	42,026	33,395	-
5. Other	**2,633,498**	**2,163,853**	**535,831**	**2,536,642**	**2,194,166**	**3,902**
6. Total	**8,274,415**	**5,943,713**	**929,246**	**6,155,252**	**4,746,136**	**110,214**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

g) Aging Analysis

Overdue Days	Current Period	Prior Period
0-30	108,487,649	92,725,903
31-60	1,334,197	1,633,574
61-90	962,928	935,399
90+	8,274,415	6,155,252
Total	**119,059,189**	**101,450,128**

h) Breakdown of restructured receivables based on whether or not provisions are allocated:

Current Period	Standard Loans	Loans under close monitoring	Non- performing loan
Loans subject to provision	-	-	70,697
Non- reserved Loans(*)	-	7,687,589	-
Total	**-**	**7,687,589**	**70,697**

Prior Period	Standard Loans	Loans under close monitoring	Non- performing loan
Loans subject to provision	-	-	91,417
Non- reserved Loans(*)	1,127,050	4,297,570	-
Total	**1,127,050**	**4,297,570**	**91,417**

(*) General provision is made for the related Loans.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

5. Credit risk mitigation

5.1 CRC - Qualitative disclosure on credit risk mitigation techniques

Collateralization is used as main risk mitigation method. Tangible and intangible assets which can be accepted as collateral and their consideration rates are defined in detail in instructions. The Bank follows a conservative approach in collateral valuation. The value of the collateral is determined both with independent valuation and also internal valuation.

Legality and operational applicability is the precondition for the validity of collaterals. Legal teams should have performed sufficient legal examinations and confirmed all legal regulations related to collateral and validity of collateral before the receipt of the collateral. In addition, all contracts and other related documents should be obtained.

Collateral value should not have a positive correlation with the credit worthiness of the debtor.

Monitoring of collateral values is important to maintain credit quality. Market value of the collateral is periodically reviewed in line with determined frequency in directives and necessary precautions are taken when there is a significant deterioration indication in market value of the collateral.

Insurance policies of the collaterals should be obtained.

Collateral value meets Debt-Collateral ratio determined for credit type or specific sectors legally or in internal application of the Bank.

The Bank takes netting agreements concluded with counterparties into account in the framework of rules mentioned in scope of Appendix-2 of Regulation on Measurement and Evaluation of Bank’s Capital Adequacy during the counterparty risk measurement.

5.2 CR3 Credit risk mitigation techniques - Overview:

	Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	108,894,571	4,220,904	2,032,650	-	-	-	-
2	Debt securities	28,334,946	-	-	-	-	-	-
3	**TOTAL**	**137,229,517**	**4,220,904**	**2,032,650**	**-**	**-**	**-**	**-**
4	Of which defaulted	2,319,740	10,962	321	-	-	-	-

	Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	93,352,575	3,351,417	1,772,578	-	-	-	-
2	Debt securities	21,258,077	-	-	-	-	-	-
3	**TOTAL**	**114,610,652**	**3,351,417**	**1,772,578**	**-**	**-**	**-**	**-**
4	Of which defaulted	1,381,892	27,224	2,279	-	-	-	-

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

6. Credit risk when standard approach is used

6.1. CRD - Qualitative disclosures which shall be made related to grading marks used by the Banks while calculating credit risk with standard approach:

a) Marks of Fitch credit rating institution are used in credit risk standard approach calculations.

b) Centralized administrations and Banks take CRA marks into account for risk classes.

c) Mark is assigned to a debtor by taking for all assets of the debtor into account.

d) CRA, which is not included in twinning table of the institution, is not used.

6.2. CR4 - Standard Approach - Credit risk exposure and credit risk mitigation (CRM) effects

	Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	44,900,241	-	49,934,775	-	14,079,559	28%
2	Exposures to regional governments or local authorities	83,158	65	83,158	-	41,579	50%
3	Exposures to public sector entities	179,878	105,385	179,289	47,232	226,523	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	6,210,450	2,284,548	6,209,132	1,510,750	4,157,233	54%
7	Exposures to corporates	47,584,523	34,947,988	45,587,561	16,440,757	62,028,317	100%
8	Retail exposures	56,504,241	79,033,922	51,436,247	3,531,696	41,225,957	75%
9	Exposures secured by residential property	2,649,968	342,574	2,649,968	12,254	931,778	35%
10	Exposures secured by commercial real estate	2,579,419	169,759	2,579,419	105,049	1,342,234	50%
11	Past-due loans	2,094,858	-	2,094,568	-	1,479,795	71%
12	Higher-risk categories by the Agency Board	235,889	1,540	235,858	1,540	356,096	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	7,829,811	19,843	7,829,812	-	6,185,269	79%
17	Investments in equities	1,682,670	-	1,682,670	-	1,682,670	100%
18	**Total**	**172,535,106**	**116,905,624**	**170,502,457**	**21,649,278**	**133,737,010**	**70%**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Prior Period	Exposure before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	37,526,392	-	44,547,053	-	7,760,540	17%
2	Exposures to regional governments or local authorities	83,573	65	83,573	-	41,787	50%
3	Exposures to public sector entities	204,463	45,137	141,578	19,883	161,461	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	4,462,398	1,929,416	4,394,944	1,413,199	3,133,645	54%
7	Exposures to corporates	39,694,142	27,337,106	37,122,419	13,663,624	50,786,043	100%
8	Retail exposures	49,183,082	61,060,073	43,094,187	2,962,917	34,542,825	75%
9	Exposures secured by residential property	3,529,987	385,720	3,529,986	10,468	1,239,159	35%
10	Exposures secured by commercial real estate	2,453,558	171,553	2,453,558	101,996	1,277,777	50%
11	Past-due loans	1,308,493	-	1,306,314	-	940,071	72%
12	Higher-risk categories by the Agency Board	119,258	6,044	119,158	520	179,517	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	7,099,718	279,748	7,099,718	-	5,368,500	76%
17	Investments in equities	1,416,874	-	1,416,874	-	1,416,874	100%
18	**Total**	**147,081,938**	**91,214,862**	**145,309,362**	**18,172,607**	**106,848,199**	**65%**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

6.3. CR5 - Standard approach - exposures by asset classes and risk

	Current Period										
	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount
1	Exposures to central governments or central banks	35,855,216	-	-	-	-	-	14,079,559	-	-	49,934,775
2	Exposures to regional governments or local authorities	-	-	-	-	83,158	-	-	-	-	83,158
3	Exposures to public sector entities	-	-	-	-	-	-	226,521	-	-	226,521
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1,101,642	-	5,362,670	-	1,255,570	-	-	7,719,882
7	Exposures to corporates	-	-	-	-	-	-	62,028,318	-	-	62,028,318
8	Retail exposures	-	-	-	-	-	54,967,943	-	-	-	54,967,943
9	Exposures secured by residential property	-	-	-	2,662,222	-	-	-	-	-	2,662,222
10	Exposures secured by commercial real estate	-	-	-	-	2,684,468	-	-	-	-	2,684,468
11	Past-due loans	-	-	-	-	1,229,547	-	865,021	-	-	2,094,568
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	237,398	-	237,398
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	1,682,670	-	-	1,682,670
17	Other Assetd	1,644,535	-	8	-	-	-	6,185,269	-	-	7,829,812
18	**Total**	**37,499,751**	**-**	**1,101,650**	**2,662,222**	**9,359,843**	**54,967,943**	**86,322,928**	**237,398**	**-**	**192,151,735**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Prior Period										
	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount (*)
1	Exposures to central governments or central banks	36,786,513	-	-	-	-	-	7,760,540	-	-	44,547,053
2	Exposures to regional governments or local authorities	-	-	-	-	83,573	-	-	-	-	83,573
3	Exposures to public sector entities	-	-	-	-	-	-	161,461	-	-	161,461
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1,443,636	-	3,039,179	-	1,325,328	-	-	5,808,143
7	Exposures to corporates	-	-	-	-	-	-	50,786,043	-	-	50,786,043
8	Retail exposures	-	-	-	-	-	46,057,104	-	-	-	46,057,104
9	Exposures secured by residential property	-	-	-	3,540,454	-	-	-	-	-	3,540,454
10	Exposures secured by commercial real estate	-	-	-	-	2,555,554	-	-	-	-	2,555,554
11	Past-due loans	-	-	-	-	732,487	-	573,827	-	-	1,306,314
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	119,678	-	119,678
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	1,416,874	-	-	1,416,874
17	Other Assetd	1,731,217	-	2	-	-	-	5,368,499	-	-	7,099,718
18	**Total**	**38,517,730**	**-**	**1,443,638**	**3,540,454**	**6,410,793**	**46,057,104**	**67,392,572**	**119,678**	**-**	**163,481,969**

7. Disclosures regarding counterparty credit risk

7.1 Qualitative disclosures regarding DCCR - CCR table:

a) Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. CCR causes credit risk for banks carrying out money and capital market transactions. Derivative financial instruments, repo and reverse repo transactions, securities and commodities lending transactions, transactions having long clearing process and margin trading transactions are considered in the aforementioned scope.

The most significant part of CCR in the Bank is sourced from derivative financial instruments. Derivative transactions are made with financial institutions, individual and commercial customers for the purposes of trading, management of interest risk of banking accounts and meeting customer demands.

CCR is managed within the framework of the Counterparty Credit Policy approved by the Board of Directors. In this policy, the scope of the CCR, the risk calculation method, and the distribution of responsibility distribution were determined. The general lines determined in the CCR policy are detailed with the Derivative Products Application Instructions.

Main Bank does not make a distinction between banks, non-bank financial institutions and individual customers with respect to counterparty credit risk. Transactions made with non-bank financial institutions are reviewed in the framework of corporate-commercial credit risk while banks are considered in the framework of financial institutions.

Derivative risk amount which can be carried by the customer is limited within the credit policies framework. Related risk and limit amounts are monitored on a daily basis and when a collateral shortfall exists, shortfall collateral amount is completed in line with given standards in Derivative Products Application Instruction.

b) A clear definition of risk appetite and its approval by Board of Directors is the precondition to establish a consistent risk limit system. The Bank has determined the following limit structure in order to limit the risk carried over derivative transactions. Those limits are determined in Market Risk Policy and approved by Board of Directors.

• Limits on option sensitivity indexes basis: Maximum risk which can be taken in delta, gama and vega positions is limited.

• Option nominal position limit: Maximum nominal position which can be taken on option type basis is limited.

• Interest sensitivity limit of forward exchanges included in trading accounts: Interest risk which can be carried by swap and forward exchanges made for the purposes of trading.

Derivative limit on the basis of customer has been prepared in addition to abovementioned limit structure. The Bank has established required control mechanism in order to stay in the framework of determined limits.

c) CCR is tried to be reduced with various techniques. The Bank uses daily exchange limits in addition to credit support and global repo agreements in order to reduce exchange risk. Limits, defined for financial institutions, are allocated according to creditability of counterparty and monitored as real time and online. Parties, having over the counter transactions with the Bank, are financial institutions which are well known and having a long term of business relationship.

d) Countertrend risk states that probability of default of counterparty has a positive correlation with general market risk factors. Main Partner Bank monitors impacts of market risk factors such as interest and exchange on customer credit risk. Especially, in periods having sharp financial movements, required actions are taken in line with analysis performed.

e) If there is a decline in credit rating grade, there is no additional collateral amount which must be provided by the Bank.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7.2 CCR1 - Assessment of Counterparty Credit Risk according to the models of measurement

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	4,846,796	1,397,176	-	1.4	3,134,602	2,040,809
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3	The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4	Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	3,966,290	2,022,498
5	Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6	**Total**	-	-	-	-	-	**4,063,307**

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	8,063,385	1,494,161	-	1.4	3,974,460	2,247,225
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3	The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4	Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	1,745,138	622,861
5	Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6	**Total**	-	-	-	-	-	**2,870,086**

7.3 CCR2 - Credit valuation adjustment (CVA) capital charge

		Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
		Current Period	Prior Period	Current Period	Prior Period
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (3*multiplier included)	-	-	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3	Total portfolio value with simplified approach CVA capital adequacy	3,134,602	3,974,460	754,518	817,428
4	**Total amount of CVA capital adequacy**	**3,134,602**	**3,974,460**	**754,518**	**817,428**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7.4. CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk weights

Current Period

	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Risk
1	Exposures from central governments or central banks	3,841	-	-	-	-	28,222	-	9,481	41,544
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	2	-	-	2
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	599,836	4,680,501	-	21,980	-	-	5,302,317
7	Exposures from corporates	-	-	-	-	-	939,693	-	-	939,693
8	Retail receivables	-	-	-	-	817,336	-	-	-	817,336
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	-	-	-
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16	Equity Investments	-	-	-	-	-	-	-	-	-
17	Other Receivables	-	-	-	-	-	-	-	-	-
18	Other Assets	-	-	-	-	-	-	-	-	-
19	**Total**	**3,841**	**-**	**599,836**	**4,680,501**	**817,336**	**989,897**	**-**	**9,481**	**7,100,892**

Prior Period

	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	Total Credit Risk
1	Exposures from central governments or central banks	6,925	-	-	-	-	-	-	-	6,925
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	2	-	-	2
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	1,022,767	4,044,028	-	16,475	-	-	5,083,270
7	Exposures from corporates	-	-	-	-	-	618,067	-	-	618,067
8	Retail receivables	-	-	-	-	10,703	-	-	-	10,703
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	631	-	631
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16	Equity Investments	-	-	-	-	-	-	-	-	-
17	Other Receivables	-	-	-	-	-	-	-	-	-
18	Other Assets	-	-	-	-	-	-	-	-	-
19	**Total**	**6,925**	**-**	**1,022,767**	**4,044,028**	**10,703**	**634,544**	**631**	**-**	**5,719,598**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7.5 CCR4 - Risk Class and Counterparty Credit Risk on the basis of Possibility of Default

Related table is not presented due to standard method is used for calculation of capital adequacy (December 31, 2018 - None).

7.6 CCR5 - Composition of collateral for CCR exposure:

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given			
Current Period	Segregated	Unsegregated	Segregated	Unsegregated	Collaterals Taken	Collaterals Given
Cash-Local Currency	-	-	-	-	256,811	-
Cash - Foreign Currency	-	3,792,115	-	3,124,158	7,636,052	-
Government bond-domestic	-	-	-	-	3,040,962	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**-**	**3,792,115**	**-**	**3,124,158**	**10,933,825**	**-**

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given			
Prior Peiod	Segregated	Unsegregated	Segregated	Unsegregated	Collaterals Taken	Collaterals Given
Cash-Local Currency	-	-	-	-	92,273	-
Cash - Foreign Currency	-	6,140,938	-	2,124,008	4,622,546	-
Government bond-domestic	-	-	-	-	100,070	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**-**	**6,140,938**	**-**	**2,124,008**	**4,814,889**	**-**

7.7 CCR6 - Credit derivatives exposures

Related table is not presented due to the Bank has no risk arrived from derivative credit received or sold (December 31, 2018 - None).

7.8 CCR7 - RWA changes on CCR within the internal model method

Related table is not presented due to usage of standard approach for the calculation of capital adequacy by the Bank (December 31, 2018 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7.9 CCR8 - Exposures to central counterparties

		Current Period		Prior Period	
		Exposure at Default (Post - CRM)	RWA	Exposure at Default (Post - CRM)	RWA
1	**Exposure to Qualified Central Counterparties (QCCPs) Total**	**9,481**	**190**	**-**	**-**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which	-	-	-	-
3	(i) OTC Derivatives	-	-	-	-
4	(ii) Exchange-traded Derivatives	9,481	190	-	-
5	(iii) Securities financing transactions	-	-	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	-	-	-	-
8	Non-segregated initial margin	-	-	-	-
9	Pre-funded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
11	Exposures to non-QCCPs (total)	-	-	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13	(i) OTC Derivatives	-	-	-	-
14	(ii) Exchange-traded Derivatives	-	-	-	-
15	(iii) Securities financing transactions	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-	-	-	-
18	Non-segregated initial margin	-	-	-	-
19	Pre-funded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

8. Securitization exposures:

The Bank has no securitization transactions. (December 31, 2018 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

9. Disclosures regarding consolidated market risk

9.1 MRD - Qualitative information which shall be disclosed to public related to market risk

a)Market risk states the risk sourcing from change in market prices on positions held in order to make profit in trading accounts in line with short term expectations in market prices or interest rates. Financial Assets at Fair Value through Profit/Loss accounts covers all derivative products except for financial assets held for trading, open exchange position and having hedging purposes.

The Bank has established a structure to effectively define, monitor and manage the risk sourcing from changes in market prices including interest rates, stocks, bond prices, exchange rates and uncertainty of aforementioned prices in their volatility levels. The aforementioned structure is determined in Market Risk Policy of the Bank which is approved by the Board of Directors. This policy determines principles, measurement methods, processes and limits covering all transactions of the Bank sourcing from market risk.

Market risk is calculated and reported on a monthly basis with standard method for capital adequacy calculation in line with regulation on Measurement and Evaluation of Bank's Capital Adequacy published by BRSA.

Market risk also includes value at risk limits in line with internal policies based on internal model. Limits include value at risk limits, positions, limits on options sensitivity and loss cessation limits for each of the market risk types.

b) Risk Committee of the Bank is responsible to ensure implementation of market risk strategy and policies in a consistent manner. Market risk unit operates totally independent from risk carrying units and directly subject to Risk Committee of the Bank in given authorization and responsibilities framework.

Internal Control Department is responsible for the evaluation of internal control system related to market risk through periodical independent audits. Required system evaluation reports are shared with Board of Directors and other related authorities. Risk Committee of Board of Directors provides holding of sufficient capital against market risk carried by QNB Finansbank.

c) QNB Finansbank makes its capital calculation for market risk in accordance with standard method approach defined in Basel II first pillar. Capital calculation method for each risk category is made by BRSA in line with Basel standards as of month-ends as solo or consolidated.

The Bank calculates market risk with value at risk approach for the purpose of monitoring and management of risk at the Bank except for standard method. The aforementioned calculation is made both for the risk of trade portfolio and also total risk of trade portfolio and Securities Available for Sale portfolio. Value at risk calculation is made daily with historical simulation at 99% confidence interval through 252 working days observation period and exponential weighted moving average volatility assumption. Dynamic structure of the volatility is reached through giving weight to recent observations in exponential weighted moving average.

9.2. PR1 - Market risk under standardized approach:

		RWA(**)	
		Current Period	Prior Period
	Outright products(*)	3,271,550	1,751,713
1	Interest rate risk (general and specific)	2,125,287	1,457,750
2	Equity risk (general and specific)	49,125	14,150
3	Foreign exchange risk	923,788	279,350
4	Commodity risk	173,350	463
	Options	76,063	26,525
5	Simplified approach	-	-
6	Delta-plus method	76,063	26,525
7	Scenario approach	-	-
8	Securitization	-	-
9	**Total**	**3,347,613**	**1,778,238**

(*) Outright Product refer to positioning products that are not optional

(**) The Market risk represents the capital requirement multiplied by 12.5 times Risk Weighted Amount.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

10. Explanations related to the operational risk

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2018, 2017, 2016 year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 28337 dated June 28, 2012, namely "The Calculation of the Amount Subject to Operational Risk. As of December 31, 2019, the total amount subject to operational risk is TL 12,435,826 (December 31, 2018 - TL 10,000,978).

Current Year Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total / No. of Years of Positive Gross	Rate (%)	Total
Gross Income	5,233,130	6,158,155	8,506,036	6,632,440	15	994,866
Value at operational risk (Total*12.5)						**12,435,826**

Current Year Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total / No. of Years of Positive Gross	Rate (%)	Total
Gross Income	4,610,359	5,233,051	6,158,155	5,333,855	15	800,078
Value at operational risk (Total*12.5)						**10,000,978**

The annual gross income is composed of net interest income and net non-interest income after deducting realized gains/ losses from the disposal of Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI), extraordinary income and income derived from insurance claims at year-end.

III. Explanations on Foreign Currency Exchange Rate Risk

1. Whether the Bank is exposed to foreign exchange risk, whether the effects of this situation are estimated, and whether the Board of Directors of the Bank sets limits for positions that are monitored daily

The difference between the Bank's foreign currency denominated and foreign currency indexed assets and liabilities is defined as the "Net Foreign Currency Position" and is the basis of currency risk. Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure.

The Risk Management Department, which maintains its activities independently from the executive functions and reports to the Board of Directors; as of Credit Risk, Market Risk and Operational Risk each consists of three sub-divisions with responsibility for defining, measuring, controlling, managing and monitoring related risk types and Model Verification team responsible for monitoring the performance of models used in risk estimates.

In measuring the exchange rate exposure of the Bank, the "standard method" used in the legal reports and the internal method. The measurements made within the scope of the standard method are carried out monthly and the measurements made within the scope of VaR calculations are carried out on a daily basis.

2. The magnitude of hedging foreign currency debt instruments and net foreign currency investments by using derivatives

The Bank hedges foreign currency borrowings with derivative instruments. The Bank does not hedge net foreign currency investments with derivative instruments. (Details explaining Section Five Part three)

3. Bank's spot foreign exchange bid rates of the Bank as of the balance sheet date and for each of the five days prior to that date

US Dollar purchase rate at the date of the balance sheet	TL 5.9402
Euro purchase rate at the date of the balance sheet	TL 6.6506

Date	US Dollar	Euro
December 31, 2019	5.9402	6.6506
December 30, 2019	5.9370	6.6117
December 27, 2019	5.9302	6.5759
December 26, 2019	5.9293	6.5755
December 25, 2019	5.9364	6.5773

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

4. The basic arithmetical average of the Bank's foreign exchange bid rate for the last thirty days

The arithmetical average of the Bank's US Dollar and Euro purchase rates for December 2019 are TL 5.8354 and TL 6.4793 respectively.

5. Information on the foreign currency exchange rate risk of the bank (Thousands TL)

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank[1]	6,753,925	10,095,007	774,052	17,622,984
Due From Banks	133,405	287,571	37,868	458,844
Financial Assets at Fair Value through Profit/Loss[2]	448,335	442,306	305	890,946
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2,347,503	5,211,057	-	7,558,560
Loans and Receivables[3]	20,997,341	15,229,579	209,879	36,436,799
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	1,864,697	5,727,814	-	7,592,511
Derivative Financial Assets Hedging Purposes	2,390	121,709	-	124,099
Tangible Assets	-	-	40	40
Intangible Assets	-	-	-	-
Other Assets[4]	1,719,571	1,454,505	1,092	3,175,168
Total Assets	**34,267,167**	**38,569,548**	**1,023,236**	**73,859,951**
Liabilities				
Bank Deposits	1,670,847	3,128,265	370,787	5,169,899
Foreign Currency Deposits[5]	10,791,507	38,092,281	4,774,915	53,658,703
Money Market Borrowings	2,002,559	6,794,479	-	8,797,038
Funds Provided from Other Financial Institutions	6,045,907	13,908,847	406,959	20,361,713
Securities Issues	-	9,013,933	117,412	9,131,345
Sundry Creditors	3,423,618	515,849	3,948	3,943,415
Derivative Fin. Liabilities for Hedging Purposes	34,084	553,086	-	587,170
Other Liabilities[6]	606,117	783,605	3,115	1,392,837
Total Liabilities	**24,574,639**	**72,790,345**	**5,677,136**	**103,042,120**
Net Balance Sheet Position	**9,692,528**	**(34,220,797)**	**(4,653,900)**	**(29,182,169)**
Net Off-Balance Sheet Position	**(9,599,135)**	**33,099,527**	**4,660,214**	**28,160,606**
Financial Derivative Assets	18,473,411	89,357,689	4,984,700	112,815,800
Financial Derivative Liabilities	28,072,546	56,258,162	324,486	84,655,194
Non-Cash Loans[7]	8,107,684	9,513,266	625,822	18,246,772
Prior Period				
Total Assets	28,985,731	29,507,164	2,277,125	60,770,020
Total Liabilities	23,812,819	55,442,492	4,585,722	83,841,033
Net Balance Sheet Position	**5,172,912**	**(25,935,328)**	**(2,308,597)**	**(23,071,013)**
Net Off-Balance Sheet Position	**(5,220,847)**	**25,331,458**	**2,307,317**	**22,417,928**
Financial Derivative Assets	16,634,448	70,688,044	2,403,103	89,725,595
Financial Derivative Liabilities	21,855,295	45,356,586	95,786	67,307,667
Non-Cash Loans[7]	7,367,223	7,133,391	443,815	14,944,429

[1] Cash and Balances with TR Central Bank; Other FC include TL 737,276 (December 31, 2018 - TL 2,020,547) precious metal deposit account.
[2] Does not include TL 167,549 (December 31, 2018 - TL 57,113) of currency income accruals arising from derivative transactions.In accordance with TFRS 9, TL 86,838 which is accounted under Financial Assets at Fair Value Through profit or Loss is not included.
[3] Includes TL 1,083,065 (December 31, 2018 - TL 2,162,619) FC indexed loans.
[4] Does not include FC prepaid expenses amounting to TL 37,315 (December 31, 2018 - TL 11,258) as per BRSA's Communique published in Official Gazette no 26085 on February 19, 2006..
[5] Other foreign currency includes TL 3,700,363 (December 31, 2018 - TL 1,862,513) of precious metal deposit account.
[6] Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 103,590 (December 31, 2018 - TL 75,265).
[7] Does not have an effect on Net Off-Balance Sheet Position.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

6. Sensitivity to foreign exchange risk

The Bank is mainly exposed to EUR and USD currencies.

The following table details the Bank's sensitivity to a 10% increase and decrease in USD and EUR. Other variables are assumed to be unchanged.

	Change in Currency rate in %	Net Effect on Profit or Loss (After Tax)	Net Effect on Equity(*)	Net Effect on Profit or Loss (After Tax)	Net Effect on Equity(*)
		Current Period	Current Period	Prior Period	Prior Period
US Dollar	10% increase	(2,253)	(56,153)	(16,338)	(49,726)
	10% decrease	2,253	56,153	16,338	49,726
EURO	10% increase	748	177	(3,739)	(7,034)
	10% decrease	(748)	(177)	3,739	7,034

(*) Effect on Shareholders Equity include the effect of the change of exchange rates on the income statement.

IV. Explanations on Interest Rate Risk

Interest rate risk that would arise from the changes in interest rates depending on the Bank's position is managed by the Asset/Liability Committee of the Bank.

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/Liability Committee meetings held every month by taking the market developments into consideration.

The management of the Bank follows the interest rates in the market on a daily basis and revises interest rates of the Bank when necessary.

Besides customer deposits, the Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Bank changes the foreign currency liquidity obtained from the international markets and customer deposits to TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Bank not only funds its long term fixed interest rate loans with TL but also hedges itself from interest rate and maturity risk.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items

(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing[1]	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank[2]	5,273,824	-	-	-	-	13,474,408	18,748,232
Due from Banks[3]	397,559	-	-	-	-	456,522	854,081
Financial Assets at Fair Value Through Profit/Loss[4]	105,443	7,324	100,830	83,906	10,890	6,612,867	6,921,260
Money Market Placements[5]	3,040,962	-	-	-	-	-	3,040,962
Financial Assets at Fair Value Through Other Comprehensive Income[6]	888,910	951,296	3,187,056	3,129,517	3,756,217	1,790,287	13,703,283
Loans and Receivables	26,662,304	13,675,068	39,329,793	25,677,719	2,920,806	2,330,702	110,596,392
Inv. Securities Held to Maturity[7]	2,102,380	2,924,348	3,936,398	2,689,458	4,240,487	276,379	16,169,450
Other Assets	-	-	-	-	-	11,646,851	11,646,851
Total Assets	**38,471,382**	**17,558,036**	**46,554,077**	**31,580,600**	**10,928,400**	**36,588,016**	**181,680,511**
Liabilities							
Bank Deposits	3,244,393	1,864,410	103,274	-	-	194,282	5,406,359
Other Deposits	56,711,063	14,379,041	3,507,554	253,342	149	25,368,275	100,219,424
Money Market Borrowings	3,169,354	3,117,558	2,580,779	47,000	94,372	55,791	9,064,854
Sundry Creditors	3,943,415	-	-	-	-	3,652,793	7,596,208
Securities Issued	1,427,774	2,238,188	406,078	9,013,934	-	-	13,085,974
Funds Borrowed	2,594,108	9,297,887	5,662,540	63,315	3,121,810	2,302	20,741,962
Other Liabilities[8]	1,426	2,576	26,550	410,576	6,602	25,118,000	25,565,730
Total Liabilities	**71,091,533**	**30,899,660**	**12,286,775**	**9,788,167**	**3,222,933**	**54,391,443**	**181,680,511**
On Balance Sheet Long Position	-	-	34,267,302	21,792,433	7,705,467	-	63,765,202
On Balance Sheet Short Position	(32,620,151)	(13,341,624)	-	-	-	(17,803,427)	(63,765,202)
Off-Balance Sheet Long Position	2,860,494	15,346,143	-	-	-	-	18,206,637
Off-Balance Sheet Short Position	-	-	(16,962)	(9,826,412)	(3,490,092)	-	(13,333,466)
Total Position	**(29,759,657)**	**2,004,519**	**34,250,340**	**11,966,021**	**4,215,375**	**(17,803,427)**	**4,873,171**

[1] Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
[2] Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 2,309 expected loss provisions.
[3] Banks include balance of expected loss provisions amounting to TL 5,498.
[4] Financial Assets at Fair Value Through Profit/Loss include TL 6,586,311 derivative financial assets used for hedging purposes.
[5] There is no balance at Receivables from Money Markets include the balance of expected loss provisions.
[6] Financial Assets at Fair Value Through Other Comprehensive Income include 1,359,842 derivative financial assets used for hedging purposes.
[7] Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 11,852.
[8] Other Liabilities includes Derivative Financial Assets amounting to TL 4,978,934.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items

(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing[1]	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank[2]	6,948,671	-	-	-	-	11,525,630	18,474,301
Due from Banks[3]	231,261	-	77	-	-	1,000,306	1,231,644
Financial Assets at Fair Value Through Profit/Loss[4]	-	374	1,109	11,814	7,703	9,638,945	9,659,945
Money Market Placements[5]	100,065	-	2,000	-	-	-	102,065
Financial Assets at Fair Value Through Other Comprehensive Income[6]	293,702	537,796	3,121,016	1,944,080	2,689,994	2,671,512	11,258,100
Loans and Receivables	28,263,491	10,330,220	25,370,432	22,332,338	3,418,528	4,303,013	94,018,022
Inv, Securities Held to Maturity[7]	1,302,442	1,696,535	3,692,648	1,684,718	3,543,329	975,444	12,895,116
Other Assets	-	-	-	-	-	9,776,542	9,776,542
Total Assets	**37,139,632**	**12,564,925**	**32,187,282**	**25,972,950**	**9,659,554**	**39,891,392**	**157,415,735**
Liabilities							
Bank Deposits	2,399,562	660,153	53,659	-	-	564,208	3,677,582
Other Deposits	45,406,323	15,952,389	6,055,592	150,735	164	15,847,668	83,412,871
Money Market Borrowings	1,700,050	1,712,362	1,199,840	41,625	37,132	23,810	4,714,819
Sundry Creditors	6,211,927	-	-	-	-	2,970,158	9,182,085
Securities Issued	1,220,426	1,317,894	2,680,000	3,639,506	-	46,629	8,904,455
Funds Borrowed	2,957,988	5,983,726	11,544,584	376,377	2,117,695	1,977	22,982,347
Other Liabilities[8]	1,222	2,539	11,242	21,444	-	24,505,129	24,541,576
Total Liabilities	**59,897,498**	**25,629,063**	**21,544,917**	**4,229,687**	**2,154,991**	**43,959,579**	**157,415,735**
On Balance Sheet Long Position	-	-	10,642,365	21,743,263	7,504,563	-	39,890,191
On Balance Sheet Short Position	(22,757,866)	(13,064,138)	-	-	-	(4,068,187)	(39,890,191)
Off-Balance Sheet Long Position	5,263,926	21,607,361	1,915,396	-	-	-	28,786,683
Off-Balance Sheet Short Position	-	-	-	(15,205,275)	(7,277,663)	-	(22,482,938)
Total Position	**(17,493,940)**	**8,543,223**	**12,557,761**	**6,537,988**	**226,900**	**(4,068,187)**	**6,303,745**

[1] Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
[2] Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 37,141 expected loss provisions.
[3] Banks include balance of expected loss provisions amounting to TL 441.
[4] Financial Assets at Fair Value Through Profit/Loss include TL 9,631,495 derivative financial assets used for hedging purposes.
[5] Includes TL 5 Receivables from Money Markets include the balance of expected loss provisions.
[6] Financial Assets at Fair Value Through Other Comprehensive Income include 2,814,045 derivative financial assets used for hedging purposes.
[7] Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 37,077.
[8] Other Liabilities include derivative Financial Assets Measured at Fair Value through Other Comprehensive Incomeused for hedging purposes amounting to TL 6,338,405.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Average interest rates applied to monetary financial instruments

	EURO %	USD %	JPY %	TL %
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	10.00
Due from Banks	-	-	-	11.40
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	2.94	8.64	-	11.82
Money Market Placements	-	-	-	11.55
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2.92	5.27	-	18.00
Loans and Receivables	4.87	6.60	2.46	16.60
Financial Assets Measured at Amortized Cost	3.20	5.50	-	12.46
Liabilities				
Bank Deposits	0.33	2.39	-	10.95
Other Deposits	0.22	2.00	0.02	10.16
Money Market Borrowings	0.07	2.06	-	9.87
Sundry Creditors	(0.46)	1.55	-	-
Securities Issued	-	5.74	-	11.79
Funds Borrowed	2.19	5.92	-	12.04

	EURO %	USD %	JPY %	TL %
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	2.00	-	13.00
Due from Banks	-	1.36	-	23.69
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	2.05	6.64	-	18.90
Money Market Placements	-	-	-	25.52
Investment Securities Available for Sale	3.52	5.00	-	20.91
Loans and Receivables	4.81	7.26	2.39	21.01
Investment Securities Held to Maturity	4.84	5.27	-	25.80
Liabilities				
Bank Deposits	1.26	3.81	-	22.40
Other Deposits	1.64	4.17	0.83	22.34
Money Market Borrowings	0.24	2.43	-	16.27
Sundry Creditors	0.36	2.27	-	-
Securities Issued	1.43	5.62	-	27.62
Funds Borrowed	2.31	5.11	-	12.45

Interest rate risk on banking book

The interest rate risk resulting from banking book comprises of maturity mismatch risk, yield-curve risk, base risk and option risk. Within the scope of the interest rate risk, the Bank analyzes all these risks periodically, and considering market conditions, manages all aspects of interest rate risk on banking book effectively in accordance with the bank strategy. In order to this, within the scope of "Banking Books Interest Rate Risk Management" risks are measured, monitored and limited on a regular basis.

In the calculation of the interest rate risk on banking book, income approach and the economic value approach are applied. The analysis of economic value, duration and gap analysis are calculated twice in a month, analysis of the standard economic value approach is supported by different scenarios. In addition, the sensitivity of the net interest income is monitored, the prepayment rates of loans are considered managing the interest rate risk.

In customer deposits, core deposits analyses are performed regularly on profit center base and the rate of core deposits in demand deposits are considered in economic value, gap and duration analyses. The interest rate risk of uncertain due credits is determined considering the nature of the credit and added to calculations.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

All these analyses are reported to Asset and Liability Committee and Risk Committee and by considering market conditions and the bank strategy, the interest rate risk on banking book is managed within specified limits parallel to the Bank's appetite of risk.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) included in banking book are daily monitored by being added to the scope of market risk. In this context, the risk level of this portfolio is managed considering the sensitivity of nominal, interest rate and VAR limits.

The interest rate risk on banking book is measured legally as per the "Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method" published in the Official Gazette No: 28034 dated August 23, 2011, and the legal limit as per this measurement is monitored and reported monthly to the Assets and Liability Committee, the Risk Committee and the Board of Directors.

Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity-Losses/Equity
1. TL	(+)500	(1,344,149)	(5.54)%
	(-)400	1,216,648	5.01%
2. EUR	(+)200	145,893	0.60%
	(-)200	(149,123)	(0.61)%
3. USD	(+)200	(272,147)	(1.12)%
	(-)200	297,013	1.22%
Total (of negative shocks)		**1,364,538**	**5.62%**
Total (of positive shocks)		**(1,470,403)**	**(6.06)%**

V. Explanations on Position Risk of Equity Securities in Banking Book

	Comparison		
Equity Securities (shares)	Carrying Value	Fair Value	Market Value
1. Investment in Shares - grade A	**-**	**-**	**-**
Quoted Securities	-	-	-
2. Investment in Shares - grade B	**-**	**-**	**-**
Quoted Securities	-	-	-
3. Investment in Shares - grade C	**624,551**	**-**	**624,551**
Quoted Securit	624,551	-	624,551(**)
4. Investment in Shares - grade Other(*)	**868,322**	**821,492**	**-**

(*) Includes associates, subsidiaries and entities under common control not quoted to ISE and not classified as investment in shares by Capital Markets Board (CMB).
(**) Changes have been made in the fair value measurement of the Subsidiary QNB Finans Finansal Kiralama A.Ş. and it started to be shown at level 3 in the current period.

		Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio	Gains/Losses in Current Period	Total	Amount under Supplementary Capital	Total	Amount under Core Capital	Amount under Supplementary Capital
1. Private Equity Investments	-	942,899	942,899	-	-	-
2. Quoted Shares	-	-	-	-	-	-
3. Other Shares	-	-	-	-	-	-
4. Total	**-**	**942,899**	**942,899**	**-**	**-**	**-**

VI. Explanations on Remarks regarding Liquidity Risk Management and Liquidity Coverage Ratio

Liquidity Risk of the Bank is monitored and managed in accordance with Liquidity Risk Management Policy. According to this policy, Board of Directors is responsible to review and approve risk profile and appetite of the Bank periodically. Senior Management takes necessary measures to monitor aforementioned risk and controls liquidity risk in line with accepted strategies and policies.

Treasury Department is responsible to carry out liquidity strategy determined and approved by Board of Directors. Risk Management Department is responsible to define, measure, monitor and control liquidity risk besides developing internal and external methods and procedures which are in line with context and structure of applicable activities in the Bank in order to monitor related limits. Senior management of the Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of Bank's liquidity risk profile. Assets and Liabilities Committee (ALC) meetings, which ensure the necessary monitoring for liquidity risk, are held monthly. Risk Committee reviews the liquidity risk of the Bank monthly in addition to aforementioned meetings and informs Board of Directors. The Bank reviews its liquidity position daily. Internal and legal reports related to liquidity positions are examined in ALC meetings monthly with the participation of senior management. Several decisions are taken related to management of short and long term liquidity in this scope. Internal metrics such as reserve liquidity and deposit concentration are monitored daily besides liquidity coverage rate related to measurement of liquidity coverage. Internal limit and warning level are periodically monitored and reported to related parties by the Board of Directors.

The Bank has no liquidity management center and each entity, which is under control of the Bank, performs its liquidity management separately from the Bank by an authority responsible for liquidity management. Fund amounts, which shall be used by associates from the Bank, are determined in the framework of limits.

It is essential for the Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Bank is carried out in line with limits and internal warning systems within the framework of ALC decisions. Funding and placement strategies are developed through evaluating the liquidity of the Bank. Liquidity position is evaluated and funding strategy is developed taking into consideration customer based concentration and maturity levels. While developing this strategy, it is aimed to fully utilize funding from long term and consistent resources.

A large part of the Bank's liabilities consist of TL, USD and EUR. Gap reports issued based on the aforementioned three currencies are presented in ALC meetings. Maturity mismatches based on currencies are managed through FC swap and FC forward.

The Bank diversifies its funding sources as customer deposits, foreign loans and bond issuance in order to reduce its liquidity risk. Measures are taken through making investments to assets having higher capacity to generate cash against liquidity crisis. The Bank watches over reducing customer deposit concentration and controls concentration level daily in line with warning level approved by the Board of Directors.

Liquidity life cycle approach is determined as the liquidity risk stress test methodology. This approach is a stress test to measure the period in which the Bank can meet its cumulative cash outflows without providing a fund from the market. Liquidity life cycle is calculated according to various scenarios and simulated in line with possible scenarios in crisis situation and the results are reported to Risk Committee and Board of Directors.

Emergency Funding Plan (EMP) of the Bank regulates funding activities to be used in liquidity crisis periods specific to the Bank or in liquidity crisis at financial markets. EMP defines components triggering the crisis and early warning indicators which help to evaluate and manage the liquidity crisis and determine primary funding structure. EMP also defines actions of the Bank against cash and guarantee need. In addition to aforementioned issues, EMP determines duties and responsibilities in performing actions in a liquidity crisis included in risk management and emergency funding plan.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Liquidity Coverage Ratio

		Unweighted Amounts(*)		Weighted Amounts(*)	
Current Period - December 31, 2019		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				34,400,477	18,771,048
1.	High Quality Liquid Assets	34,400,477	18,771,048	34,400,477	18,771,048
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	77,257,406	40,168,545	6,967,418	4,016,855
3	Stable deposits	15,166,448	-	758,322	-
4	Less stable deposits	62,090,958	40,168,545	6,209,096	4,016,855
5	Unsecured Funding other than Retail and Small Business Customers Deposits	28,269,106	16,039,720	17,401,992	10,406,087
6	Operational deposits	749,482	114,334	187,371	28,584
7	Non-Operational Deposits	21,017,991	13,336,675	11,940,297	7,803,602
8	Other Unsecured Funding	6,501,633	2,588,711	5,274,324	2,573,901
9	Secured funding	-	-	77,702	77,702
10	Other Cash Outflows	27,051,006	18,854,927	27,051,006	18,854,927
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	27,051,006	18,854,927	27,051,006	18,854,927
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	34,312,602	918,327	1,715,630	45,916
15	Other irrevocable or conditionally revocable commitments	72,972,627	17,233,455	5,279,507	1,500,041
16	TOTAL CASH OUTFLOWS	-	-	58,493,255	34,901,528
CASH INFLOWS					
17	Secured Lending Transactions	2,637,365	-	-	-
18	Unsecured Lending Transactions	7,935,435	1,506,084	4,936,985	1,231,233
19	Other contractual cash inflows	25,236,020	22,949,894	25,236,020	22,949,894
20	TOTAL CASH INFLOWS	35,808,820	24,455,978	30,173,005	24,181,127
					Capped Amounts
21	TOTAL HIGH QUALITY LIQUID ASSETS			34,400,477	18,771,048
22	TOTAL NET CASH OUTFLOWS			28,320,250	10,793,333
23	LIQUIDITY COVERAGE RATIO (%)			121.47%	173.91%

(*) In current period unconsolidated Liquidity Coverage Ratio table, the arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratios are used.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

		Unweighted Amounts(*)		Weighted Amounts(*)	
Prior Period - December 31, 2018		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				29.060.194	17.511.509
1.	High Quality Liquid Assets	29.060.194	17.511.509	29.060.194	17.511.509
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	61,130,935	28,303,005	5,526,181	2,830,301
3	Stable deposits	11,738,259	-	586,913	-
4	Less stable deposits	49,392,676	28,303,005	4,939,268	2,830,301
5	Unsecured Funding other than Retail and Small Business Customers Deposits	27,588,944	17,541,902	17,378,712	11,523,524
6	Operational deposits	600,474	63,920	150,118	15,980
7	Non-Operational Deposits	18,965,246	13,228,604	10,667,926	7,269,484
8	Other Unsecured Funding	8,023,224	4,249,378	6,560,668	4,238,060
9	Secured funding	-	-	204,084	204,084
10	Other Cash Outflows	17,141,287	10,241,597	17,141,287	10,241,597
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	17,141,287	10,241,597	17,141,287	10,241,597
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	27,953,636	1,440,807	1,397,682	72,040
15	Other irrevocable or conditionally revocable commitments	61,870,927	16,103,045	4,550,867	1,400,233
16	TOTAL CASH OUTFLOWS	-	-	46,198,813	26,271,779
CASH INFLOWS					
17	Secured Lending Transactions	26,171	-	-	-
18	Unsecured Lending Transactions	7,615,321	1,540,189	4,618,141	1,372,589
19	Other contractual cash inflows	16,845,646	14,006,156	16,845,646	14,006,156
20	TOTAL CASH INFLOWS	24,487,138	15,546,345	21,463,787	15,378,745
					Capped Amounts
21	TOTAL HIGH QUALITY LIQUID ASSETS			29,060,194	17,511,509
22	TOTAL NET CASH OUTFLOWS			24,735,026	10,893,034
23	LIQUIDITY COVERAGE RATIO (%)			117.49%	160.76%

(*) In prior period unconsolidated Liquidity Coverage Ratio table, the arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratios are used.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of 2019 are explained in the table below. According to "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014.

	Maximum	Week	Minimum	Week	Average
TL+FC	133.61	04.10.2019	108.22	06.12.2019	122.0
FC	216.66	27.12.2019	126.72	29.11.2019	177.5

Liquidity coverage ratio is regulated by the BRSA to make sure that the Banks sustain high quality liquid asset stock to cover probable cash outflows in the short term.

All of Bank's high quality liquid assets are comprised of first quality liquid assets, most of which are CBT accounts and securities that are issued by the Turkish Treasury that have not been collateralized. Optional use of reserve levels and fluctuations in repo amount lead up to periodical variations in liquidity coverage ratio. Additionally syndication loans and large amount funds such as foreign bond issuances that have less than 1 month to maturity, lead up to short term fall in liquidity coverage ratios.

Funding sources of the Bank mainly consist of deposits which constitute 57% of total liabilities of the bank (December 31, 2018 - 55%) and also include repo, syndication, securitization, securities issued and other instruments including subordinated debts.

The Bank effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and 1-month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

Secured funding consists repo secured borrowing transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Bank are included in liquidity coverage ratio tables above.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Presentation of assets and liabilities according to their remaining maturities

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 Years	5 Years and Over	Unallocated[1]	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank[2]	10,596,472	8,154,069	-	-	-	-	(2,309)	18,748,232
Due from Banks[3]	459,453	400,126	-	-	-	-	(5,498)	854,081
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)[4]	24,564	333,346	761,659	1,931,703	3,180,200	689,788	-	6,921,260
Money Markets Placements[5]	-	3,040,962	-	-	-	-	-	3,040,962
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)[6]	189,797	5,214	976,768	1,488,958	6,573,245	4,469,301	-	13,703,283
Loans and Receivables	-	21,248,476	9,383,560	31,665,164	33,504,799	12,463,691	2,330,702	110,596,392
Financial Assets Measured at Amortized Cost[7]	-	212,796	822,610	1,084,300	8,213,208	5,848,388	(11,852)	16,169,450
Other Assets	-	4,691,127	-	-	1,308,747	-	5,646,977	11,646,851
Total Assets	**11,270,286**	**38,086,116**	**11,944,597**	**36,170,125**	**52,780,199**	**23,471,168**	**7,958,020**	**181,680,511**
Liabilities								
Bank Deposits	194,282	3,244,393	1,864,410	103,274	-	-	-	5,406,359
Other Deposits	25,368,275	56,711,063	14,379,041	3,507,554	253,342	149	-	100,219,424
Funds Borrowed	-	1,638,672	1,122,075	4,921,623	8,754,049	4,305,543	-	20,741,962
Money Market Borrowings	-	3,194,421	2,465,780	1,353,873	1,121,348	929,432	-	9,064,854
Securities Issued	-	1,427,775	2,238,188	406,078	9,013,933	-	-	13,085,974
Sundry Creditors	-	7,596,208	-	-	-	-	-	7,596,208
Other Liabilities[8]	-	2,533,171	355,718	894,634	2,733,966	1,281,968	17,766,273	25,565,730
Total Liabilities	**25,562,557**	**76,345,703**	**22,425,212**	**11,187,036**	**21,876,638**	**6,517,092**	**17,766,273**	**181,680,511**
Liquidity Excess / Gap	**(14,292,271)**	**(38,259,587)**	**(10,480,615)**	**24,983,089**	**30,903,561**	**16,954,076**	**(9,808,253)**	**-**
Net Off Balance Sheet Position[9]	**-**	**126,237**	**689,273**	**1,614,544**	**1,234,531**	**73,886**	**-**	**3,738,471**
Receivables from Financial Derivative Instruments	-	28,122,718	10,960,908	18,695,045	43,542,178	25,704,743	-	127,025,592
Liabilities from Derivatives	-	27,996,481	10,271,635	17,080,501	42,307,647	25,630,857	-	123,287,121
Non-cash Loans[10]	**-**	**1,444,446**	**3,429,954**	**10,412,022**	**5,527,961**	**574,047**	**7,128,674**	**28,517,104**
Prior Period								
Total Assets	8,817,854	33,974,652	10,605,719	29,096,357	46,430,332	22,078,291	6,412,530	157,415,735
Total Liabilities	15,682,079	60,121,919	22,466,715	19,880,642	16,424,887	7,327,964	15,511,529	157,415,735
Liqudity Gap	**(6,864,225)**	**(26,147,267)**	**(11,860,996)**	**9,215,715**	**30,005,445**	**14,750,327**	**(9,098,999)**	**-**
Net-Off Balance Sheet Position[9]	**-**	**(451,657)**	**916,705**	**2,068,254**	**2,418,444**	**31,040**	**-**	**4,982,786**
Receivables from Derivative Instruments	-	18,806,542	13,979,878	22,307,730	37,623,265	18,740,181	-	111,457,596
Liabilities from Derivative Instruments	-	19,258,199	13,063,173	20,239,476	35,204,821	18,709,141	-	106,474,810
Non-cash Loans[10]	**-**	**1,246,671**	**2,179,701**	**8,419,216**	**2,914,717**	**412,843**	**8,516,098**	**23,689,246**

(1) The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under this column. Unallocated other liabilities include shareholders' equity amounting to TL 16,685,059 (December 31, 2018 - TL 14,572,049) and unallocated provisions amounting to TL 875,641 (December 31, 2018 - TL 789,818)
(2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank includes expected loss provisions the amount of TL 2,309 (December 31, 2018 - TL 37,141).
(3) Banks include balance of expected loss provisions amounting to TL 5,498 (December 31, 2018 - TL 441).
(4) Financial Assets at Fair Value Through Profit/Loss include TL 6,586,311 (December 31, 2018 - TL 9,631,495) derivative financial assets used for hedging purposes.
(5) There is no balance at Receivables from Money Markets include the balance of expected loss provisions (December 31, 2018 - TL 5).
(6) Financial Assets at Fair Value Through Other Comprehensive Income include 1,359,842 (December 31, 2018 - TL 2,814,045) derivative financial assets used for hedging purposes.
(7) Financial assets measured at amortized cost include TL 11,852 (December 31, 2018 - TL 37,077) of expected loss provisions.
(8) Other Liabilities include Derivative Financial Assets amounting to TL 4,978,934 (December 31, 2018 - TL 6,338,405).
(9) Liquidity excess / (deficit) related to Derivative Financial Instruments constituting Net Off-Balance positions are included in Liquidity Excess / (Deficit) through valuations of related transactions to balance sheet.
(10) Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Analysis of financial liabilities by remaining contractual maturities

The table below shows the Bank's maturity distribution of certain financial liabilities other than derivatives. The tables below are prepared by considering the future cash flows expected on the earliest cash flow dates. The total interest that will be paid for these liabilities is included in the table below.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total	Carrying Amount
Bank Deposits	194,282	3,246,963	1,868,951	104,601	-	-	5,414,797	5,406,359
Other Deposits	25,368,275	56,722,858	14,395,382	3,599,000	279,039	181	100,364,735	100,219,424
Payables to Money Market	-	3,219,605	2,488,136	1,409,028	1,260,339	973,950	9,351,058	9,064,854
Funds from other Financial Institutions	-	1,644,340	1,140,613	4,990,327	8,859,897	4,324,269	20,959,446	20,741,962
Securities Issued	-	1,435,503	2,417,890	785,692	10,266,998	-	14,906,083	13,085,974
Noncash Loans(*)	7,128,674	1,444,447	3,429,954	10,412,022	5,527,961	574,046	28,517,104	28,517,104

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total	Carrying Amount
Bank Deposits	555,542	2,408,606	665,320	56,127	-	-	3,685,595	3,677,582
Other Deposits	15,126,537	45,998,380	16,481,335	6,839,246	179,722	243	84,625,463	83,412,871
Payables to Money Market	-	2,144,645	1,030,945	576,291	893,988	1,112,929	5,758,798	4,714,819
Funds from other Financial Institutions	-	2,658,993	1,775,852	7,702,160	7,095,015	7,349,602	26,581,622	22,982,347
Securities Issued	-	1,230,245	1,370,335	2,943,462	4,093,294	-	9,637,336	8,904,455
Noncash Loans(*)	8,516,098	1,246,671	2,179,701	8,419,216	2,914,717	412,843	23,689,246	23,689,246

(*) Amounts related to letters of guarantee represent maturities based on contract and amounts per these maturities and the amounts have the nature to be withdrawn on demand optionally.

The table below shows the remaining maturities of derivative financial assets and liabilities:

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward Contracts Buy(**)	2,621,269	1,096,527	2,056,001	903,894	-	6,677,691
Forward Contracts Sell(**)	(2,617,388)	(1,110,410)	(1,973,468)	(1,018,211)	-	(6,719,477)
Swap Contracts Buy(*)	25,149,800	8,896,943	14,338,786	42,204,173	25,704,743	116,294,445
Swap Contracts Sell(*)	(25,002,280)	(8,092,781)	(12,484,916)	(40,083,100)	(25,630,857)	(111,293,934)
Futures Buy	-	94,641	4,557	-	-	99,198
Futures Sell	-	(93,475)	(4,437)	-	-	(97,912)
Options Buy	2,594,100	1,120,796	2,455,702	434,110	-	6,604,708
Options Sell	(2,619,785)	(1,123,475)	(2,460,779)	(434,110)	-	(6,638,149)
Other	-	118,804	326,711	772,226	-	1,217,741
Total	**125,716**	**907,570**	**2,258,157**	**2,778,982**	**73,886**	**6,144,311**

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward Contracts Buy(**)	2,400,028	902,506	602,351	727,311	-	4,632,196
Forward Contracts Sell(**)	(2,359,326)	(903,603)	(589,513)	(819,265)	-	(4,671,707)
Swap Contracts Buy(*)	14,466,035	10,755,485	20,821,697	36,895,954	18,740,181	101,679,352
Swap Contracts Sell(*)	(14,755,574)	(9,827,367)	(18,805,913)	(33,675,335)	(18,709,141)	(95,773,330)
Futures Buy	-	-	118,507	-	-	118,507
Futures Sell	-	-	(118,507)	-	-	(118,507)
Options Buy	3,043,102	2,321,887	765,175	-	-	6,130,164
Options Sell	(3,245,783)	(2,226,985)	(725,544)	-	-	(6,198,312)
Other	-	105,218	-	710,222	-	815,440
Total	**(451,518)**	**1,127,141**	**2,068,253**	**3,838,887**	**31,040**	**6,613,803**

(*) This line also includes hedging purpose derivatives.
(**) This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VII. Information Regarding Leverage Ratio

Information in regards to the differences between current period and prior period leverage ratio

The Bank's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 7.37% (December 31, 2018 - 6.22%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

The table related to leverage ratio calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" published in Official Gazette dated November 5, 2013 and numbered 28812 is below:

	Book Value	
	Current Period(*)	Prior Period(*)
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit	171,361,772	145,032,426
(Assets deducted from capital stock)	470,352	414,129
Total risk amount related to Assets on Balance sheet	**170,891,420**	**144,618,297**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	8,793,072	14,012,279
Potential credit risk amount of derivative financial instruments and credit derivatives	268,312	1,399,021
Total risk amount related to derivative financial instruments and credit derivatives	**9,061,384**	**15,411,300**
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral kıymet veya emtia teminatlı finansman işlemlerinin risk tutarı	110,193	-
Risk amount sourcing from transactions mediated	2,245	-
Total risk amount related to financial transactions having security or commodity collateral	**112,438**	**-**
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	118,646,144	92,988,000
(Adjustment amount sourcing from multiplying to credit conversion rates)	30,571,236	26,202,861
Total risk amount related to off-balance sheet transactions	**88,074,908**	**66,785,139**
Capital and Total Risk		
Core Capital	19,678,486	14,112,759
Amount of total risk	268,140,150	226,814,736
Financial leverage ratio		
Financial leverage ratio	7.34%	6.22%

(*) Amounts stated in table shows the last quarter averages of related period.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VIII. Explanations Related to Presentation of Financial Assets and Liabilities at Their Fair Value

The fair value of the fixed rate loans is determined based on discounted cash flows using the current market interest rates. Book value of floating rate loans represent their fair value.

The fair value of financial assets measured at amortized cost are determined through market rates. If market rates cannot be spotted, market rates of securities with similar interest, maturity and other characteristics are used instead.

Projected fair value of demand deposit represent the amount to be paid on demand. Fair value of floating rate placements and overnight deposits represents the book value. The estimated fair value of the deposits with fixed rates is determined by calculating discounted cash flows by using the market interest rates used for other liabilities with similar quality and maturities.

The fair value of funds provided from other financial institutions, is determined based on discounted cash flows using the current market interest rates.

In the table below; the fair values and the carrying values of some of the financial assets and liabilities are presented. Book value represents the total of cost of subject asset and liabilities and accrued interest.

Current Period	Carrying Value	Fair Value
Financial Assets	**143,021,676**	**142,782,209**
Money Market Placements	3,040,962	3,040,962
Due from Banks	859,579	854,081
Fair Value through Other Comprehensive Income (FVOCI)	12,343,441	12,343,441
Financial Assets Measured at Amortized Cost	16,181,302	16,127,142
Loans Granted	110,596,392	110,416,583
Financial Liabilities	**156,114,782**	**155,870,674**
Bank Deposits	5,406,359	5,406,266
Other Deposits	100,219,424	100,170,401
Funds from Other Financial Institutions	20,741,962	20,702,769
Payables to Money Market	9,064,854	9,064,854
Securities Issued	13,085,974	12,930,175
Other Debts	7,596,209	7,596,209
Prior Period	**Carrying Value**	**Fair Value**
Financial Assets	**116,728,425**	**112,696,010**
Money Market Placements	102,070	102,065
Due from Banks	1,232,085	1,231,644
Loans and Receivables	8,444,055	8,444,055
Available for Sale Financial Assets	12,932,193	12,088,537
Securities Held to Maturity	94,018,022	90,829,709
Financial Liabilities	**132,874,159**	**132,014,521**
Bank Deposits	3,677,584	3,677,752
Other Deposits	83,412,869	83,433,674
Funds from Other Financial Institutions	22,982,347	22,310,043
Payables to Money Market	4,714,819	4,714,819
Securities Issued	8,904,455	8,696,148
Other Debts	9,182,085	9,182,085

In accordance with "TFRS 13, Fair Value Measurement" accounts represented at fair value in the face of financial statements are required to be leveled according to the observability of the data used for the calculation of fair value.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

The classification of fair value calculation is as follows.

a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);

b) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

c) Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).

In the table below, the fair value classification of the financial instruments that are recorded at fair value at the financial statements is presented:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets	**12,204,492**	**8,325,539**	**1,532,883**	**22,062,914**
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)(*)	248,111	-	86,838	334,949
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)(**)	11,955,009	380,758	-	12,335,767
Entities Under Common Control, Associates and Subsidiaries	-	-	1,446,045	1,446,045
Derivative Financial Assets	1,372	7,944,781	-	7,946,153
Financial Liabilities	**212**	**4,978,722**	**-**	**4,978,934**
Derivative Financial Liabilities	212	4,978,722	-	4,978,934

(*) The details of the balance are amounting to TL 86,838 under Financial Assets at Fair Value Through Profit or Loss, which is disclosed in Note 6.b.2 of Section Five.
(**) The fair value difference does not include share balance amounting to TL 7,674 which is included in financial assets at financial assets at cost and reflected to other comprehensive income.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets	**9,008,468**	**12,681,973**	**584,599**	**22,275,040**
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)(*)	28,450	-	110,032	138,482
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)(**)	8,200,014	239,129	-	8,439,143
Entities Under Common Control, Associates and Subsidiaries	777,308	-	474,567	1,251,875
Derivative Financial Assets	2,696	12,442,844	-	12,445,540
Financial Liabilities	**3,073**	**6,335,332**	**-**	**6,338,405**
Derivative Financial Liabilities	3,073	6,335,332	-	6,338,405

(*) The details of the balance are amounting to TL 110,032 under Financial Assets at Fair Value Through Profit or Loss, which is disclosed in Note 6.b.2 of Section Five.
(**) The fair value difference does not include share balance amounting to TL 4,912 which is included in financial assets at financial assets at cost and reflected to other comprehensive income.

Confirmation for fair value of financial assets under Level 3 is as below:

	Current Period	Prior Period
Opening Balance	**584,599**	**431,081**
Change in total gain/loss	371,188	28,486
Accounted in income statement	24,261	-
Accounted in other comprehensive income	346,927	28,486
Purchases and Transfers(*)	624,551	125,032
Disposals	-	-
Matured Loans(*)	-	-
Sales from Level 3	(47,455)	-
Closing Balance	**1,532,883**	**584,599**

(*) Changes made in the fair value measurement of the Subsidiary QNB Finans Finansal Kiralama A.Ş. and it started to be shown at level 3 in the current period.

IX. Explanations Related to Transactions Carried on Behalf of Others and Fiduciary Transactions

The Bank provides buying, selling and custody services and management and financial advisory services in the name of the third parties. The Bank does not involve in fiduciary activities.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations And Disclosures Related To Assets

1. a) Cash and balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	681,485	944,326	787,019	849,141
T.R. Central Bank	446,072	16,659,924	1,035,698	15,770,333
Other	-	18,734	-	69,251
Total	**1,127,557**	**17,622,984**	**1,822,717**	**16,688,725**

b) Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	446,072	8,505,856	1,035,698	4,950,681
Restricted Time Deposits	-	8,154,068	-	10,819,652
Total	**446,072**	**16,659,924**	**1,035,698**	**15,770,333**

As of December 31, 2019 TL 2,309 provision was provided for the account T.R. Central Bank (December 31, 2018 - TL 37,141).

Central Bank of the Republic of Turkey have changed in required reserves at December 28, 2019 and TL and FX required reserve ratio of banks' foreign currency indexed loans, with the exception of the loans granted to financial institutions, TL denominated cash loans on standard loans and close monitoring are associated with annual growth rates of the total.

Accordingly, excluding foreign currency indexed loans and loans granted to financial institutions, TL-based standard and cash loans in close monitoring will be calculated using the 3-month average values corrected by the Consumer Price Index according to the procedures and principles determined by the CBRT;

a) Annual loan growth rate is over 15%, and the adapted annual loan growth rate to be calculated by deducting all the annual change in 5 years and longer maturity loans and consumer loans and personal loans, which are longer than 2 years, from the share portion of the growth rate. Banks smaller than 15; and,

b) Annual loan growth rate is below 15%, and adapted annual loan growth rate, which will be calculated by deducting 50% of the annual change in external consumer loans and consumer credit cards of 5 years and longer term housing loans from the share of the growth rate, is greater than 5%. banks that are

Turkish lira required reserve ratios, 2% foreign currency deposit / participation fund (foreign banks in all maturity tranches excluding 1 year and over 1 year term deposits (excluding foreign banks deposits). And other liabilities with a maturity of more than 3 years (foreign banks deposits) It is stated that the following rates will be applied for the liabilities):

a) Demand, with notice, up to 1 month, up to 3 months, up to 6 months and up to 1 year 17%

b) 1 year and over 1 year term 13%

For banks that meet the above mentioned conditions in loan growth rates, the first required reserve following the calculation period will apply the six required reserve ratios specified above, starting from the establishment period. As of October 4, 2019, it is stated that the banks that meet the loan growth conditions will be paid 10% interest on TL required reserves, and 0% interest on banks outside.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

2. Further information on financial assets at fair value through profit/loss

a) Information on financial assets at fair value through profit/loss given as collateral or blocked

As of December 31, 2019 the amount of financial assets at fair value through profit/loss which were given as collateral or blocked is TL 6,227 (December 31, 2018 - TL 695).

b) Financial assets at fair value through profit/loss which subject to repurchase agreement

None (December 31, 2018 - None).

c) Positive differences related to derivative financial assets held for trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	65,165	-	138,487	-
Swap Transactions	2,705,538	889,149	4,750,898	400,289
Futures Transactions	-	-	-	2,576
Options	1,371	152,948	120	188,916
Other	-	-	-	-
Total	**2,772,074**	**1,042,097**	**4,889,505**	**591,781**

3. a) Information on banks accounts

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	400,733	5,806	200,550	755
Foreign	2	453.038	3	1,030,777
Foreign Head Offices and Branches	-	-	-	-
Total	**400,735**	**458,844**	**200,553**	**1,031,532**

As of December 31, 2019 amount of TL 5,498 provision provided for the Bank account (December 31, 2018 - TL 441).

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount(**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	133,118	225,873	23,958	37,842
USA and Canada	193,790	568,966	79,671	160,682
OECD Countries(*)	3,084	1,535	-	-
Off-shore Banking Regions	-	-	-	-
Other	19,419	35,882	-	-
Total	**349,411**	**832,256**	**103,629**	**198,524**

(*) Includes OECD countries other than the EU countries, USA and Canada.
(**) Includes blocked placements amounting to TL 103,629 at foreign banks (December 31, 2018 - TL 198,524) for the funds borrowed from foreign banks.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

4. Information on receivables from reverse repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	**3,040,962**	**-**	**100,070**	**-**
T.R Central Bank	-	-	-	-
Banks(*)	3,040,962	-	100,070	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organization	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	**-**	**-**	**-**	**-**
Central Banks	-	-	-	-
Banks	-	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Persons	-	-	-	-
Total	**3,040,962**	**-**	**100,070**	**-**

(*) As of December 31, 2019 provision provided for the account Receivables from Money Markets is none. (December 31, 2018 - TL 5)

5. Information on financial assets measured at fair value through other comprehensive income

a) Information on financial assets measured at fair value through other comprehensive income which are subject to repurchase agreements and given as collateral /blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral/ Blocked	307,921	533,272	66,853	654,173
Subject to repurchase agreements	257,608	5,217,454	92,213	2,722,377
Total	**565,529**	**5,750,726**	**159,066**	**3,376,550**

b) Information on financial assets at fair value through other comprehensive income

	Current Period	Prior Period
Debt securities	**12,315,104**	**8,742,018**
Quoted on a stock exchange(*)	12,315,104	8,742,018
Unquoted on a stock exchange	-	-
Share certificates	**189,904**	**118,277**
Quoted on a stock exchange	-	-
Unquoted on a stock exchange(**)	189,904	118,277
Impairment provision(-)(***)	**(161,567)**	**(416,240)**
Total	**12,343,441**	**8,444,055**

(*) The Eurobond Portfolio amounting to TL 2,788,968 (December 31, 2018 - TL 2,654,262) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as financial assets measured at fair value through other comprehensive income in order to be in line with balance sheet presentation.
(**) It includes 11,695 Type C Visa Inc. shares transferred to Main Partner Bank because of exchange of stock as a result of transferring of Visa Europe Ltd to Visa Inc.
(***) As of December 31, 2019 an amount of TL 1,958 provision was provided for financial assets measured at fair value through other comprehensive income account. (December 31, 2018 - TL 19,492)

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

6. Information related to loans

a) Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	3,192	37,126	1,755	16,572
Corporate Shareholders	3,192	37,126	1,755	16,572
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees(*)	127,384	-	85,872	-
Total	130,576	37,126	87,627	16,572

(*) Includes the advances given to the bank personnel.

b) Performing loans and loans under follow-up including restructured or rescheduled loans, and other receivables

b.1) Financial assets measured at amortized cost

		Loans under close monitoring		
			Restructured Loans	
Cash Loans(*)	Standard Loans	Loans Not Subject to restructuring	Loans with Revised Contract Terms	Refinance
Non-specialized Loans	98,578,213	4,432,134	539,791	7,147,798
Discount Notes	1,136,921	5,766	-	-
Export Loans	3,359,969	11,204	-	-
Import Loans	6,859	-	-	-
Loans Given to Financial Sector	1,457,759	-	-	-
Retail Loans	20,784,792	878,716	276,036	841,086
Credit Cards	14,835,816	962,320	-	788,448
Other	56,996,097	2,574,128	263,755	5,518,264
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	98,578,213	4,432,134	539,791	7,147,798

	Standard Loans	Close Monitoring Loans
Current Period		
Expected loss provisions fo 12 months	907,293	-
Significant increase at Credit Risk	-	1,524,953
Prior Period		
Expected loss provisions fo 12 months	1,062,828	-
Significant increase at Credit Risk	-	1,623,142

b.2) Loans measured at fair value through profit/loss

In the current period, the Bank is monitoring TL 86,838 loan under fair value measured through profit and loss in accordance with TFRS 9. (December 31, 2018 - TL 110,032).

c) Loans measured at amortized cost and other receivables according to their maturity structure

		Loans under close monitoring	
Cash Loans	Standard Loans	Loans Not Subject to restructuring	Loans with Restructured Loans
Short-term Loans	37,306,257	962,320	788,448
Medium and Long-term Loans	61,271,956	3,469,814	6,899,141
Total	98,578,213	4,432,134	7,687,589

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards

	Short Term	Medium and Long Term	Total
Consumer Loans - TL	**672,451**	**20,130,452**	**20,802,903**
Housing Loans	291	4,345,858	4,346,149
Automobile Loans	115	12,598	12,713
Personal Need Loans	672,045	15,771,996	16,444,041
Other	-	-	-
Consumer Loans - FC Indexed	**-**	**3,455**	**3,455**
Housing Loans	-	3,159	3,159
Automobile Loans	-	-	-
Personal Need Loans	-	296	296
Other	-	-	-
Consumer Loans - FC	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards - TL	**12,384,447**	**679,807**	**13,064,254**
Installment	4,736,499	612,775	5,349,274
Non- Installment	7,647,948	67,032	7,714,980
Individual Credit Cards - FC	**22,481**	**40**	**22,521**
Installment	-	-	-
Non- Installment	22,481	40	22,521
Personnel Loans-TL	**11,188**	**63,437**	**74,625**
Housing Loans	-	324	324
Automobile Loans	-	-	-
Personal Need Loans	11,188	63,113	74,301
Other	-	-	-
Personnel Loans - FC Indexed	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Loans - FC	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Credit Cards - TL	**47,140**	**413**	**47,553**
Installment	17,667	155	17,822
Non-Installment	29,473	258	29,731
Personnel Credit Cards - FC	**177**	**-**	**177**
Installment	-	-	-
Non-Installment	177	-	177
Overdraft Accounts - TL (Real Persons)	**1,800,222**	**99,425**	**1,899,647**
Overdraft Accounts - FC (Real Persons)	**-**	**-**	**-**
Total	**14,938,106**	**20,977,029**	**35,915,135**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

e) Information on commercial loans with installments and corporate credit cards

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility - TL	**265,112**	**16,927,804**	**17,192,916**
Real Estate Loans	-	382,550	382,550
Automobile Loans	1,101	122,875	123,976
Personal Need Loans	264,011	16,422,379	16,686,390
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	**-**	**600,964**	**600,964**
Real Estate Loans	-	11,200	11,200
Automobile Loans	-	26,625	26,625
Personal Need Loans	-	563,139	563,139
Other	-	-	-
Commercial Loans with Installment Facility - FC	**-**	**-**	**-**
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards - TL	**3,367,105**	**83,338**	**3,450,443**
Installment	970,351	62,331	1,032,682
Non-Installment	2,396,754	21,007	2,417,761
Corporate Credit Cards - FC	**1,633**	**3**	**1,636**
Installment	-	-	-
Non-Installment	1,633	3	1,636
Overdraft Accounts - TL (Legal Entities)	**1,055,458**	**8,101**	**1,063,559**
Overdraft Accounts - FC (Legal Entities)	**-**	**-**	**-**
Total	**4,689,308**	**17,620,210**	**22,309,518**

f) Allocation of loans by customers

	Current Period	Prior Period
Public	-	101,668
Private	110,697,936	95,193,208
Total	**110,697,936**	**95,294,876**

g) Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	109,998,461	94,768,174
Foreign Loans	699,475	526,702
Total	**110,697,936**	**95,294,876**

h) Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	1,015,749	548,148
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	**1,015,749**	**548,148**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

i) Specific provisions for loans (Stage III/Specific Provision)

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	1,093,928	738,748
Doubtful Loans and Other Receivables	892,639	608,313
Uncollectible Loans and Receivables	3,957,146	3,399,075
Total	**5,943,713**	**4,746,136**

j) Non-performing loans (NPLs) (Net)

j.1) Non-performing loans and other receivables restructured or rescheduled

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
Gross Amounts Before the Provisions	264	3,091	67,342
Restructured Loans	264	3,091	67,342
Prior Period			
Gross Amounts Before the Provisions	4,765	28,339	58,313
Restructured Loans	4,765	28,339	58,313

j.2) Movement of total non-performing loans

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Prior Period End Balance	**1,317,684**	**928,415**	**3,909,153**
Additions (+)	3,934,844	215,013	208,060
Transfers from Other Categories of Non-Performing Loans (+)	-	3,111,259	2,469,764
Transfers to Other Categories of Non-Performing Loans (-)	3,111,259	2,469,764	-
Collections (-)	226,895	347,556	735,057
Write-offs (-)	**-**	**-**	**10,728**
Debt Sales(*)	**-**	**-**	**918,518**
Corporate and Commercial Loans	-	-	338,286
Consumer Loans	-	-	237,624
Credit Cards	-	-	342,608
Others	-	-	-
Current Period End Balance	**1,914,374**	**1,437,367**	**4,922,674**
Provision (-)	1,093,928	892,639	3,957,146
Net Balances on Balance Sheet	**820,446**	**544,728**	**965,528**

(*) The Bank sold TL 959,700 of its non-performing loans portfolio for TL 88,200. TL 41,182 of the sold amount consists of the expenses of the portfolio sold in previous periods and collections made during the sales process.

j.3) Information on foreign currency non-performing loans and other receivables

None (December 31, 2018 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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j.4) Breakdown of non-performing loans according to their gross and net values

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	**820,446**	**544,728**	**965,528**
Loans to Real Persons and Legal Entities (Gross)	1,914,374	1,437,367	4,796,556
Provision (-)	1,093,928	892,639	3,831,028
Loans to Real Persons and Legal Entities (Net)	820,446	544,728	965,528
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	126,118
Provision (-)	-	-	126,118
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	**578,936**	**320,102**	**510,078**
Loans to Real Persons and Legal Entities (Gross)	1,317,684	928,415	3,876,032
Specific provision (-)	738,748	608,313	3,365,954
Loans to Real Persons and Legal Entities (Net)	578,936	320,102	510,078
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	33,121
Specific provision (-)	-	-	33,121
Other Loans and Receivables (Net)	-	-	-

	III. Group	IV. Group	V.Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)			
Interest Accruals and Valuation Differences	214,810	149,201	332,194
Provision (-)	137,580	96,472	250,993
Prior Period (Net)			
Interest Accruals and Valuation Differences	154,002	126,042	35,215
Provision (-)	94,342	77,214	21,573

k) Liquidation policies for uncollectible loans and other receivables

For the unrecoverable non-performing loans under legal follow-up, the loan quality, collateral quality, bona fide of the debtor and assessment of the emergency of legal follow-up are considered, before applying the best practice for unrecoverable non-performing loans under legal follow up. The Bank prefers to liquidate the risk through negotiations with the debtors. If this cannot be possible, then the Bank starts the legal procedures for the liquidation of the risk. Ongoing legal follow-up procedures do not prevent negotiations with the debtors. An agreement is made with the debtor at all stage of the negotiations for the liquidation of the risk.

l) Write-off policy

The Bank's general policy for write-offs of loans and receivables under follow-up is to write off taking over such loans and receivables that are proven to be uncollectible in legal follow-up process.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7. Information on financial assets measured at amortized cost

a) Information on financial assets measured at amortized cost subject to repurchase agreements and provided as collateral/blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	364,213	116,736	628,100	363,462
Subject to repurchase agreements	-	6,517,031	-	3,673,636
Total	**364,213**	**6,633,767**	**628,100**	**4,037,098**

b) Information on government debt securities measured at amortized cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	8,588,791	6,727,311	7,916,505	3,995,358
Treasury Bill	-	-	-	-
Other Debt Securities	-	300,872	-	288,169
Total	**8,588,791**	**7,028,183**	**7,916,505**	**4,283,527**

c)Information on investment securities measured at amortized cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Securities	8,588,791	7,592,511	7,916,505	5,015,688
Publicly-traded	8,588,791	7,592,511	7,916,505	5,015,688
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
Total	**8,588,791**	**7,592,511**	**7,916,505**	**5,015,688**

d) Movements of financial assets measured at amortized cost

	Current Period	Prior Period
Value at the beginning of the period(*)	**12,932,193**	**8,946,170**
Exchange differences on monetary assets	790,412	1,333,014
Acquisitions during the year	3,406,328	2,201,072
Disposals through sales and redemptions	(1,496,516)	(837,723)
Provision for losses (-)	-	-
Valuation effect	548,885	1,289,660
The sum of end of the period	**16,181,302**	**12,932,193**

As of December 31, 2019, a provision amounting to TL 11,852 is provided for the financial assets measured at amortized cost (December 31, 2018 - TL 37,077)

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

8. Investments in associates (Net)

8.1. Investments in associates

a) Information on the unconsolidated associates

Title	Address (City/ Country)	Bank's Share- If Different, Voting Rights (%)	Bank's Risk Group
Bankalararası Kart Merkezi (BKM)(*)	Istanbul/Turkey	9.23%	9.23%

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
147,868	93,468	65,949	4,027	-	28,503	8,630	-

(*) Current amounts stated in table are from December 31, 2019 and prior period profit & loss amounts are taken from the financials of December 31, 2018.

b) Information on the consolidated associates: None (December 31, 2018 - None).

8.2. Movement schedule for consolidated associates:

	Current Period	Prior Period
Balance at the Beginning of Period	5,982	3,766
Movements During the Period	-	2,216
Purchases	-	-
Bonus Shares Received	-	2,216
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	5,982	5,982
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

8.3. Sectoral information on investments and associates, and the related carrying amounts

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	5,982	5,982
Total	**5,982**	**5,982**

8.4. Quoted associates None (December 31, 2018 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

8.5. Valuation methods of investments in associates

	Current Period	Prior Period
Valued at Cost	5,982	5,982
Valued at Fair Value	-	-
Valued at Equity Method	-	-
Total	**5,982**	**5,982**

9. Investments in subsidiaries (Net)

a) Information on the unconsolidated subsidiaries

	Title	Address (City/ Country)	Bank's Share-If different, Voting Rights (%)	Bank' Risk Group Share (%)
1.	Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	İstanbul/Turkey	99.91	99.99
2.	EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	İstanbul/Turkey	100.00	100.00

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	56,084	13,560	23,576	-	-	(1,457)	(4,919)	-
2.	23,797	11,430	4,990	2,216	-	5,403	3,250	-

b) Information on the consolidated subsidiaries

b.1) Information on the consolidated subsidiaries

	Subsidiary	Address (City/Country)	Bank's Share - If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	QNB Finans Yatırım Menkul Değerler A.Ş	Istanbul/Turkey	99.80	100.00
2.	QNB Finans Finansal Kiralama A.Ş.	Istanbul/Turkey	99.40	99.40
3.	Hemenal Finansman A.Ş.	Istanbul/Turkey	100.00	100.00
4.	QNB Finans Portföy Yönetimi A.Ş	Istanbul/Turkey	0.03	100.00
5.	QNB Finans Faktoring Hizmetleri A.Ş.	Istanbul/Turkey	99.99	100.00
6.	QNB Finans Varlık Kiralama Şirketi A.Ş.	Istanbul/Turkey	-	100.00

Information on subsidiaries in the order presented in the table above

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/ Loss	Prior Period Profit/ Loss	Company's Fair Value(*)
1.	680,506	249,602	9,829	136,991	1,532	75,146	45,781	262,353
2.	5,888,176	897,886	9,399	540,397	-	90,966	82,447	624,551
3.	39,919	17,465	718	13,327	-	(11,558)	(20,773)	-
4.	18,075	12,801	275	495	-	3,068	(2,171)	-
5.	1,701,441	170,665	12,482	254,556	-	43,808	37,795	266,769
6.	207	200	-	-	-	-	-	-

(*) The fair value measurement method of the Subsidiary QNB Finans Finansal Kiralama A.Ş. has been amended, and measurement has been made on data not based on market data as of the balance sheet date.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

b.2) Movement schedule for consolidated subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	**1,103,202**	**724,921**
Movements during the period	**108,866**	**378,281**
Purchases(*)	-	15,000
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Increase	108,866	363,281
Impairment Provision	-	-
Balance at the End of the Period	**1,212,068**	**1,103,202**
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

(*) In the prior period, QNB Finans Faktoring A.Ş. has raised its capital by TL 15,000 through paid capital increase, the entire amount was paid by the Bank.

b.3) Sectoral information on consolidated financial subsidiaries and the related carrying amounts

	Current Period	Prior Period
Factoring Companies	266,769	105,614
Leasing Companies	624,551	777,308
Finance Companies	58,395	58,395
Other Subsidiaries	262,353	161,885
Total	**1,212,068**	**1,103,202**

b.4) Subsidiaries quoted on stock exchange

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	624,551(*)	777,308
Quoted on International Stock Exchanges	-	-
Total	**624,551**	**777,308**

(*) Fair value measurement of QNB Finans Leasing was changed and at current period begun start to recognize at level 3.

b.5) Information on shareholders' equity of the significant subsidiaries

The Bank does not have any significant subsidiaries.

10. Information on joint ventures

	Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank' Risk Group Share (%)
1.	Cigna Finans Emeklilik ve Hayat A.Ş.	İstanbul/Turkey	49.00	49.00
2.	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	İstanbul/Turkey	33.33	33.33

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1. (*)	1,667,524	240,074	25,968	-	-	154,255	103,384	233,977
2.	131,954	86,601	47,090	-	-	33,356	15,064	-

(*) Cigna Finans Emeklilik ve Hayat A.Ş., is accounted for at fair value as per Communique on Bank's unconsolidated Turkish Financial Reporting Statement.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

11. Information on lease receivables (Net) None (December 31, 2018 - None).

12. Information on the hedging derivative financial assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge(*)	2,693,288	78,852	4,117,133	33,076
Cash Flow Hedge(**)	1,314,595	45,247	2,702,865	111,180
Foreign Net Investment Hedges	-	-	-	-
Total	**4,007,883**	**124,099**	**6,819,998**	**144,256**

(*) Derivative financial instruments held for fair value hedge consist of swaps. As of December 31, 2019, TL 1,927 of this amount is related to marketable securities (December 31, 2018 - TL 31,027), TL 2,390 of borrowings (December 31, 2018 - TL 2,049), TL 2,693,288 of loans (December 31, 2018 - TL 4,117,133), TL 74,535 of securities issued (December 31, 2018 - None) represents the fair value of derivative financial instruments used in hedging.
(**) Represents the fair value of derivative financial instruments for cash flow hedge of deposits and floating interest borrowings.

13. Explanations regarding the tangible assets

Prior Year End	Land and Buildings	Operational Fixed Assets Under Finance Lease	Vehicles	Other Tangible Fixed Assets	Total
Cost(**)	2,848,480	288,260	43,710	1,548,826	4,729,276
Accumulated Depreciation (-)	61,317	243,443	1,869	1,086,786	1,393,415
Net Book Value	**2,787,163**	**44,817**	**41,841**	**462,040**	**3,335,861**
Current Year End					
Cost at the Beginning of the Period	**2,848,480**	**288,260**	**43,710**	**1,548,826**	**4,729,276**
Additions(*)	200,236	333	19,582	221,170	441,321
Disposals (-)	1,869	-	171	16,249	18,289
Impairment (-) / (increase)	(27,979)	-	-	-	(27,979)
Current Period Cost	**3,018,868**	**288,593**	**63,121**	**1,753,747**	**5,124,329**
Accumulated Depreciation at the Beginning of the Period	**61,317**	**243,443**	**1,869**	**1,086,786**	**1,393,415**
Disposals (-)	1	-	171	15,742	15,914
Depreciation Amount	199,372	5,708	29,061	136,338	370,479
Current Period Accumulated Depreciation (-)	**260,688**	**249,151**	**30,759**	**1,207,382**	**1,747,980**
Net Book Value-end of the Period	**2,758,180**	**39,442**	**32,362**	**546,365**	**3,376,349**

(*) As stated in footnote in Section III- .4, fair value exchange difference income amortized at an amount of TL 27,685 belonging to immovable property subjected to fair value hedge accounting by the Bank is shown on "Disposals" line in Property, Plant and Equipment movement statement.
(**) TFRS 16 Opening balances (TL 432,515 Real Estate and TL 41,425 Vehicles) are shown in the cost line.

a) If impairment on individual asset recorded or reversed in the current period is material for the overall financial statements:

Events and conditions for recording or reversing impairment and amount of recorded or reversed impairment in the financial statements:

The fair values of the buildings are determined by the licensed expertise companies and as a result of the changes in the fair value of these buildings, the impairment loss reversal of TL 294 has been booked (December 31, 2018 - TL 402 impairment loss).

b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially effecting the overall financial statements, and the reason and conditions for this: None (December 31, 2018 - None).

c) Pledges, mortgages and other restrictions (if any) on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets:
None (December 31, 2018 - None).

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14. Explanations on intangible assets

	Rights	Goodwill	Total
Prior Period End			
Cost	1,172,403	-	1,172,403
Accumulated Amortization (-)	775,224	-	775,224
Net Book Value	**397,179**	**-**	**397,179**
Current Period End			
Cost at the Beginning of the Period	**1,172,403**	**-**	**1,172,403**
Additions	169,921	-	169,921
Disposals (-)	-	-	-
Impairment (-) / (increase)	-	-	-
Current Period Cost	**1,342,324**	**-**	**1,342,324**
Accumulated Amortization at the Beginning of the Period	**775,224**	**-**	**775,224**
Disposals (-)	-	-	-
Amortization Charge (-)	128,820	-	128,820
Current Period Accumulated Amortization (-)	**904,044**	**-**	**904,044**
Net Book Value-End of the Period	**438,280**	**-**	**438,280**

a) Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements:
None (December 31, 2018 - None).

a) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition:
None (December 31, 2018 - None).

b) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition:
None (December 31, 2018 - None).

c) The book value of intangible fixed assets that are pledged or restricted for use:
None (December 31, 2018 - None).

d) Amount of purchase commitments for intangible fixed assets:
None (December 31, 2018 - None).

e) Information on revalued intangible assets according to their types:
None (December 31, 2018 - None).

f) Amount of total research and development expenses recorded in income statement within the period if any:

Amount of total research expenses recorded in income statement within the period is TL 11,629 (December 31, 2018 - TL 11,812).

g) Positive or negative consolidation goodwill on entity basis:
None (December 31, 2018 - None).

h) Information on goodwill:
None (December 31, 2018 - None).

j) Movements on goodwill in the current period:
None (December 31, 2018 - None).

15. Information on assets held for sale and discontinued operations

As of December 31, 2019 there is no tangible asset held for sale (December 31, 2018 - None).

16. Information on tax asset

As of December 31, 2019, the Bank has TL 348,688 deferred tax asset calculated under the related regulations.

Deferred tax assets and liabilities are presented in the financial statements by netting off according to TAS 12. As of December 31, 2019, the Bank has deferred tax assets amounting to TL 962,057 and deferred tax liability amounting to TL 613,369, which arise between the carrying amount of the assets and liabilities in the balance sheet and the tax bases determined in accordance with tax legislation and calculated over the amounts to be taken into account in the calculation of financial profit / the tax liability is netted and recorded in the records. Deferred tax is offset against deferred tax assets or liabilities, if the differences between the carrying amount and the fair value of the related assets are related to the equity account group. The deferred tax asset amounting to TL 220,543 has been netted under equity (December 31, 2018 - TL 38,770 deferred tax asset).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Provision for Employee Rights	529,565	426,856	116,504	93,908
Difference Between the Book Value of Financial Assets and Tax Base	663,646	2,334,124	146,002	499,611
Other	3,179,775	3,807,650	699,551	837,683
Deferred Tax Assets			**962,057**	**1,431,202**
Difference Between the Book Value Financial Assets and Tax Base	(277,655)	(256,498)	(61,084)	(56,429)
Difference Between the Book Value of Financial Assets and Tax Base	(1,746,251)	(3,244,933)	(384,175)	(707,221)
Other	(764,133)	(660,313)	(168,110)	(145,269)
Deferred Tax Liabilities			**(613,369)**	**(908,919)**
Deferred Tax Assets/(Liabilities) (Net)			**348,688**	**522,283**

	Current Period 01.01-31.12.2019	Prior Period 01.01-31.12.2018
Deferred Tax as of January 1 Active/ (Passive) - Net	522,283	421,384
Deferred Tax (Loss) / Gain	(394,138)	62,129
Deferred Tax that is Realized Under Shareholder's Equity	220,543	38,770
Deferred Tax Active/ (Passive) (Net)	**348,688**	**522,283**

17. Information on assets held for sale and discontinued operations

	Current Period	Prior Period
Opening Balance Net Book Value	**-**	**-**
Additions(*)	47,455	-
Impairment (-)	47,455	-
Closing Net Book Value	**-**	**-**

(*) Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 1.19% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operation.

18. Information on other assets

18.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Collateral Given for Derivative Transactions	3,148,281	2,149,355
Assets Held for Resale (Net)	1,308,747	879,983
Other Prepaid Expenses	673,809	576,894
Miscellaneous Receivables	506,612	714,694
Cheques Receivables from Other Banks	296,615	296,685
Prepaid rent expenses	42,170	15,608
Prepaid Agency Commissions	7,790	7,498
Advances Given	105	44,788
Other	6,532	10,950
Total	**5,990,661**	**4,696,455**

As of December 31, 2019, the Bank has provided provisions for other assets to TL 9,213 (December 31, 2018 - TL 2,008).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

18.2. If other assets exceed 10% of total assets excluding the off-balance sheet items, the name and the amount of the subaccounts which create at least 20% of them are:

Details of the other assets are described above in the 16.1 section of explanations and disclosures related to assets.

19. Accrued interest and income

The details of accrued interest and income allocated to the related items on the assets side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Instruments	6,779,957	1,166,196	11,709,503	736,037
Loans	3,289,333	477,119	2,529,745	364,154
Financial Assets at Fair Value Through Other Comprehensive Income	258,678	89,025	101,449	(331,209)
Financial Assets measured at amortized cost	175,593	112,638	942,576	69,946
Central Bank of Turkey	5,441	-	60,220	-
Financial Assets at Fair Value Through Profit or Loss	1,648	347	136	(7)
Banks	1,089	-	279	-
Other Accruals	2,544	1,814	1,001	7,023
Total	**10,514,283**	**1,847,139**	**15,344,909**	**845,944**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

II. Explanations And Disclosures Related To Liabilities

1.1. Information on maturity structure of deposits

Current Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months l	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	4,749,725	-	8,337,031	18,244,106	214,359	247,901	1,113,219	910	32,907,251
Foreign Currency	13,163,632	-	5,467,902	24,282,951	3,533,737	2,032,562	1,474,559	2,998	49,958,341
Residents in Turkey	12,648,241	-	5,400,228	23,964,674	3,492,160	1,913,436	1,106,457	2,998	48,528,194
Residents Abroad	515,391	-	67,674	318,277	41,577	119,126	368,102	-	1,430,147
Public Sector Deposits	403,375	-	2,296	9,734	569	19	-	-	415,993
Commercial Deposits	3,470,806	-	4,537,787	4,486,426	82,770	35,395	66,801	-	12,679,985
Other Ins, Deposits	63,232	-	31,454	418,746	1,441	40,772	1,847	-	557,492
Precious Metal Deposits	3,517,505	-	1,068	7,602	1,192	2,780	170,215	-	3,700,362
Bank Deposits	194,282	-	3,244,393	1,864,410	74,941	28,333	-	-	5,406,359
T.R Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	5,128	-	-	-	-	-	-	-	5,128
Foreign Banks	183,471	-	3,244,393	1,864,410	74,941	28,333	-	-	5,395,548
Participation Banks	5,683	-	-	-	-	-	-	-	5,683
Other	-	-	-	-	-	-	-	-	-
Total	25,562,557	-	21,621,931	49,313,975	3,909,009	2,387,762	2,826,641	3,908	105,625,783

Prior Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months l	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	2,951,929	-	4,425,049	16,913,430	4,014,224	1,658,762	2,408,105	1,782	32,373,281
Foreign Currency	7,997,652	-	2,584,447	22,134,039	1,625,763	1,394,003	1,152,066	-	36,887,970
Residents in Turkey	7,753,048	-	2,572,021	21,580,333	1,545,330	1,328,027	886,348	-	35,665,107
Residents Abroad	244,604	-	12,426	553,706	80,433	65,976	265,718	-	1,222,863
Public Sector Deposits	313,443	-	472	5,062	346	-	148	-	319,471
Commercial Deposits	2,088,318	-	2,802,222	4,459,722	1,177,734	218,963	480,505	-	11,227,464
Other Ins, Deposits	50,544	-	39,436	597,919	27,309	18,487	8,473	-	742,168
Precious Metal Deposits	1,724,651	-	-	43,459	1,525	10,188	82,694	-	1,862,517
Bank Deposits	555,542	-	272,551	2,007,939	802,759	37,747	1,044	-	3,677,582
T.R Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	21,312	-	194,669	-	-	6,187	-	-	222,168
Foreign Banks	45,049	-	77,882	2,007,939	802,759	31,560	1,044	-	2,966,233
Participation Banks	489,181	-	-	-	-	-	-	-	489,181
Other	-	-	-	-	-	-	-	-	-
Total	15,682,079	-	10,124,177	46,161,570	7,649,660	3,338,150	4,133,035	1,782	87,090,453

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

1.1. Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit

	Covered by Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	18,451,527	14,252,095	14,447,019	17,151,063
Foreign Currency Savings Deposits	10,426,031	5,146,914	28,403,256	21,042,426
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	**28,877,558**	**19,399,009**	**42,850,275**	**38,193,489**

1.2. Savings deposits in Turkey are not covered under insurance in another country since the headquarter of the Bank is not located abroad.

1.3. Savings deposits which are not under the guarantee of saving deposit insurance fund

	Current Period	Prior Period
Deposits and accounts in branches abroad	25,886	14,541
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	149,317	71,157
Deposits obtained through illegal acts defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated 26, 2004	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	**175,203**	**85,698**

2. Information on trading derivative financial liabilities

a) Negative differences table for derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	110,238	-	132,707	-
Swaps	2,570,815	903,344	5,162,227	292,532
Futures	-	-	-	2,596
Options	211	34,565	477	141,101
Other	-	-	-	-
Total	**2,681,264**	**937,909**	**5,295,411**	**436,229**

3. Information on funds borrowed

a) Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Bank and Institutions	380,249	216,059	138,385	332,637
Foreign Bank, Institutions and Funds	-	14,713,101	-	17,695,227
Total	**380,249**	**14,929,160**	**138,385**	**18,027,864**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	380,249	1,578,044	138,385	3,781,300
Medium and Long-Term	-	13,351,116	-	14,246,564
Total	**380,249**	**14,929,160**	**138,385**	**18,027,864**

The Bank's fund sources include deposits, funds borrowed, securities issued and money market borrowings. Deposit is the most significant fund source of the Bank and does not present any risk concentration with its consistent structure extended to a wide base. Funds borrowed mainly consist of funds provided by foreign financial institutions which have different characteristics and maturity-interest structure such as syndication, securitization, and post-financing. There isn't risk concentration on the fund sources of the Bank.

c) Additional information on concentrations of the Bank's liabilities

As of December 31, 2019, the Bank's liabilities comprise; 58% deposits (December 31, 2018 - 55%), 8% funds borrowed (December 31, 2018 - 15%), 7% issued bonds (December 31, 2018 - 6%) and 5% Money Market Debts (December 31, 2018 - 3%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	**255,279**	**-**	**90,924**	**-**
Financial institutions and organizations	232,383	-	72,397	-
Other institutions and organizations	11,123	-	9,213	-
Real persons	11,773	-	9,314	-
From foreign transactions	**2,393**	**8,797,038**	**1,349**	**4,622,546**
Financial institutions and organizations	-	8,797,038	-	4,622,546
Other institutions and organizations	2,393	-	1,349	-
Real persons	-	-	-	-
Total	**257,672**	**8,797,038**	**92,273**	**4,622,546**

5. Information on securities issued (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	3,954,629	116,648	2,206,779	388,754
Bills	-	9,014,697	-	6,308,922
Total	**3,954,629**	**9,131,345**	**2,206,779**	**6,697,676**

The Bank has a government bond issue program (Global Medium Term Note Programme) amounting to USD 5 Billion.

6.If other liabilities account exceeds 10% of total liabilities excluding the off-balance sheet items, information given about components of other liabilities account that exceeds 20% of the individual liability item in the unconsolidated balance sheet

Other liabilities do not exceed 10% of total liabilities excluding the off-balance sheet items (December 31, 2018 - None).

7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

Interest rate and cash flow of the Bank are the main criteria taken into consideration in determining payment plans of the leasing contracts.

7.1. Changes in agreements and further commitments arising

No changes have been made to the leasing agreements in the current period (December 31, 2018 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7.2. Financial Lease Payables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	12,827	9,373	15,002	10,136
Between 1-4 years	9,035	6,604	21,443	14,487
More than 4 years	-	-	-	-
Total	**21,862**	**15,977**	**36,445**	**24,623**

7.3. Information on operational lease

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	29,388	25,177	-	-
1-4 Years	474,585	406,576	-	-
More than 4 years	-	-	-	-
Total	**503,973**	**431,753**	**-**	**-**

7.4. Information on operational lease

The Bank records lease payments made in accordance with its operating lease agreements during the lease period, in equal amounts. The bank makes operating lease agreements for some branches and ATM machines. The lease agreements are amortized during the lease period by measuring the lease obligation based on the present value of the lease payments (lease obligation) that has not been paid at that time (the lease obligation) as well as the relevant usage right as of the same date. Lease payments are discounted using this rate if the implicit interest rate in the lease can be easily determined. If the tenant cannot easily determine this rate, he uses the alternative borrowing interest rate. The tenant separately records the interest expense on the rental obligation and the depreciation expense of the right to use asset.

7.5. Information on “Sale -and- lease back” agreements

The Bank does not have any sale-and-lease back transactions in the current period (December 31, 2018 - None).

8. Information on liabilities arising from hedging purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge(*)	285,204	355,077	155,054	215,663
Cash Flow Hedge(**)	487,387	232,093	159,675	76,373
Net Investment Hedge	-	-	-	-
Total	**772,591**	**587,170**	**314,729**	**292,036**

(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2019, TL 285,204 from loans (December 31, 2018 - TL 181,259), TL 355,077 (December 31, 2018 - TL 181,279) from securities, represents the fair value of the derivative financial instruments used in the fair value hedging transaction. There is no fair value of derivative financial instruments used in fair value hedge of securities issued in the current period (December 31, 2018 - TL 8,179).
(**) Represents the fair value of derivative financial instruments for cash flow hedges of deposits and floating rate borrowings.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

9. Information on provisions

9.1. Provision for currency exchange gain/loss on foreign currency indexed loans

	Current	Prior Period
Foreign Exchange Provision for Foreign Currency Indexed Loans(*)	-	-

(*) The foreign exchange provision for foreign currency indexed loans netted against "Loans and Receivables" in asset.

9.2. Specific provisions for non-cash loans that are not indemnified and converted into cash

	Current Period	Prior Period
Stage 1	92,437	74,422
Stage 2	17,471	16,431
Stage 3	45,614	50,116
Total	**155,522**	**140,969**

9.3. Information on employee termination benefits and unused vacation accrual

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in TAS 19 and reflected these accompanying financial statements.

As of December 31, 2019, TL 230,438 (December 31, 2018 - TL 173,924) reserve for employee termination benefits was provided in the accompanying financial statements.

As of December 31, 2019, the Bank accrued TL 48,707 (December 31, 2018 - TL 44,501) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of December 31, 2019 TL 250,420 (December 31, 2018 - TL 208,431) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

9.3.1 Movement of employee termination benefits

	Current Period 01.01-31.12.2019	Prior Period 01.01-31.12.2018
As of January 1	173,924	175,627
Service Cost	21,755	23,284
Interest Cost	27,469	20,054
Settlement / curtailment / termination loss	9,813	7,295
Actuarial Difference	28,840	(19,408)
Paid during the period	(31,363)	(32,928)
Total	**230,438**	**173,924**

9.4. Information on other provisions

Other provisions of the balance sheet consist of lawsuits against the Bank and provisions for tax litigation.

9.4.1 Information on provisions for possible risks

Apart from the information provided in 9.3, the other provisions are given below as follows:

	Current Period	Prior Period
Provision for Promotion Expenses of Credit Cards	-	10,982
Other Provisions	190,554	211,011
Total	**190,554**	**221,993**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

10. Taxation

10.1. Current taxes

10.1.1. Current tax liability

As of December 31, 2019, the Bank has TL 205,582 current tax liability (December 31, 2018 - TL 149,662). As of December 31, 2019, the Bank has no prepaid tax (December 31, 2018 - None).

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	205,582	149,662
Taxation on Securities Income	84,849	70,842
Banking and Insurance Transaction Tax (BITT)	93,665	100,593
Taxation on Real Estates Income	2,591	2,349
Other	34,904	25,882
Total	**421,591**	**349,328**

The “Corporate Taxes Payable” balance is presented in the “Current Tax Liability” account and other taxes are presented in the “Other Liabilities” account in the accompanying unconsolidated financial statements.

10.1.3. Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	11,685	9,559
Social Security Premiums - Employer Share	12,914	10,358
Unemployment Insurance - Employee Share	820	672
Unemployment Insurance - Employer Share	1,640	1,344
Total	**27,059**	**21,933**

11. Information on payables related to assets held for sale

None (December 31, 2018 - None).

12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
To be included in the calculation of additional capital	-	**3,120,203**	-	-
Subordinated Loans	-	3,120,203	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	-	**2,312,350**	-	**4,816,098**
Subordinated loans	-	2,312,350	-	4,816,098
Subordinated debt instruments	-	-	-	-
Total	-	**5,432,553**	-	**4,816,098**

On April 1, 2019, a subordinated loan amounting to USD 125 million was converted into Basel III complaint, and hence started to be included in Tier 2 capital.

On June 30, 2019, subordinated loan amounting to USD 525 million was converted into AT1 facility, and hence started to be included in Additional Tier 1 capital.

13. Information on shareholder’s equity

13.1. Paid-in capital

	Current Period	Prior Period
Common Stock	3,350,000	3,350,000
Preferred Stock	-	-

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

13.2. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital

Capital System	Paid-in Capital	Ceiling
Registered Capital System	3,350,000	12,000,000

13.3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period

None (December 31, 2018 - None).

13.4. Information on share capital increases from revaluation funds

None (December 31, 2018 - None).

13.5. Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments

The Bank does not have any capital commitments, all of the capital is fully paid.

13.6. Prior periods' indicators related with the Bank's income, profit and liquidity and the possible effects of the uncertainties in these indicators on the Bank's equity

None (December 31, 2018 - None).

13.7. Information on the privileges given to stocks representing the capital

None (December 31, 2018 - None).

14. Common stock issue premiums, shares and equity instruments

	Current Period	Prior Period
Number of Stocks (Thousands)	33,500,000	33,500,000
Preferred Capital Stock	-	-
Common Stock Issue Premiums(*)	714	714
Common Stock Withdrawal Profits	-	-
Other Capital Instruments	-	-

(*) Due to the Bank's capital increase the prior periods, common stock issue premium accounted amounted TL 714.

15. Securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control	**942,899**	**-**	**748,729**	**-**
Valuation Difference	942,899	-	748,729	-
Foreign Exchange Rate Difference	-	-	-	-
Securities Measured at Fair Value Through Other Comprehensive Income (FVOCI)	**210,214**	**(381,200)**	**80,775**	**(534,108)**
Valuation Difference	210,214	(381,200)	80,775	(534,108)
Foreign Exchange Rate Difference	-	-	-	-
Total	**1,153,113**	**(381,200)**	**829,504**	**(534,108)**

16. Accrued interest and expenses

The details of accrued interest and expenses allocated to the related items on the liability side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Liabilities	3,453,855	1,525,079	5,610,140	728,265
Deposits	234,755	76,634	643,659	86,485
Securities Issued	2,100	188,376	-	52,478
Funds Borrowed	7,801	107,553	2,042	171,001
Money Market Borrowings	74	55,717	173	23,636
Other Accruals	175,722	159,239	140,510	149,556
Total	**3,874,307**	**2,112,598**	**6,396,524**	**1,211,421**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

III. Explanations And Disclosures Related To Off-Balance Sheet Items

1. Information related to off-balance sheet contingencies

1.1 Type and amount of irrevocable commitments

	Current Period	Prior Period
Credit Cards Limit Commitments	28,781,240	22,362,300
Commitment For Use Guaranteed Credit Allocation	14,309,950	10,852,185
Forward, Asset Purchase Commitments	5,330,542	2,205,109
Payment Commitments for Cheques	2,377,515	2,181,264
Other Irrevocable Commitments	2,045,048	1,188,454
Commitments for Promotions Related with Credit Cards and Banking Activities Prom. Uyg. Taah	71,447	29,958
Tax and Fund Liabilities due to Export Commitments	29,197	28,728
Total	**52,944,939**	**38,847,998**

1.2. Type and amount of possible losses from off-balance sheet items

Specific provision is provided for the non-cash loans amounting to TL 155,522 (December 31, 2018 - TL 140,969) followed in the off-balance sheet accounts that are not indemnified and liquidated yet.

1.3. Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Bank Loans	5,822,343	4,476,254
Letters of Credit	2,667,496	1,727,806
Total	**8,489,839**	**6,204,060**

1.4. Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Provisional Letters of Guarantee	9,374,933	7,374,286
Final Letters of Guarantee	2,421,977	1,422,077
Advance Letters of Guarantee	990,557	679,218
Letters of Guarantee Given to Customs Offices	486,170	407,385
Other Letters of Guarantee	6,753,628	7,602,220
Total	**20,027,265**	**17,485,186**

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	2,009,076	3,913,293
Less Than or Equal to One Year with Original Maturity	341,272	1,305,237
More Than One Year with Original Maturity	1,667,804	2,608,056
Other Non-Cash Loans	26,508,028	19,775,953
Total	**28,517,104**	**23,689,246**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

3. Information on risk concentration in sector terms in non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	**37,497**	**0.37**	**69,559**	**0.38**	**28,886**	**0.33**	**40,184**	**0.27**
Farming and Raising Livestock	32,555	0.32	9,636	0.05	28,886	0.33	22,864	0.15
Forestry	3,919	0.04	-	-	-	-	-	-
Fishing	1,023	0.01	59,923	0.33	-	-	17,320	0.12
Manufacturing	**1,645,765**	**16.03**	**8,248,440**	**45.21**	**2,318,397**	**26.51**	**7,534,257**	**50.42**
Mining and Quarrying	73,698	0.72	39,774	0.22	14,211	0.16	25,627	0.17
Production	1,429,199	13.92	8,147,353	44.65	2,156,385	24.66	6,766,518	45.28
Electricity, gas and water	142,868	1.39	61,313	0.34	147,801	1.69	742,112	4.97
Construction	**3,132,469**	**30.50**	**2,776,877**	**15.22**	**2,953,023**	**33.77**	**1,791,908**	**11.99**
Services	**5,271,352**	**51.33**	**7,068,110**	**38.73**	**2,718,719**	**31.09**	**5,483,620**	**36.69**
Wholesale and Retail Trade	3,305,446	32.18	2,917,959	15.99	932,803	10.67	1,252,602	8.38
Hotel, Food and Beverage Services	150,928	1.47	661,151	3.62	109,159	1.25	687,370	4.60
Transportation&Communication	411,693	4.01	901,782	4.94	307,762	3.52	1,087,830	7.28
Financial Institutions	1,014,605	9.88	2,028,298	11.12	1,031,711	11.80	1,619,277	10.84
Real Estate and Renting Services	13,138	0.13	665	-	-	-	236	-
Self Employment Services	213,365	2.08	98,682	0.54	96,221	1.10	24,265	0.16
Educational Services	7,721	0.08	13,334	0.07	5,832	0.07	6,028	0.04
Health and Social Services	154,456	1.50	446,239	2.45	235,231	2.68	806,012	5.39
Other	**183,249**	**1.77**	**83,786**	**0.46**	**725,792**	**8.30**	**94,460**	**0.63**
Total	**10,270,332**	**100.00**	**18,246,772**	**100.00**	**8,744,817**	**100.00**	**14,944,429**	**100.00**

4. Information on non-cash loans classified in first and second groups

	I. Group		II. Group	
Current Period(*)	**TL**	**FC**	**TL**	**FC**
Letters of Guarantee	9,971,815	9,792,164	162,338	55,334
Bills of Exchange and Acceptances	22,742	5,782,178	-	17,423
Letters of Credit	67,823	2,563,908	-	35,765
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**10,062,380**	**18,138,250**	**162,338**	**108,522**

(*) Does not include non-cash loans amounting to TL 45,614, for which special provision is provided, but which are not indemnified and not liquidated yet.

	I. Group		II. Group	
Prior Period(*)	**TL**	**FC**	**TL**	**FC**
Letters of Guarantee	8,514,934	8,715,903	163,828	40,405
Bills of Exchange and Acceptances	15,820	4,455,338	-	5,096
Letters of Credit	119	1,723,573	-	4,114
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**8,530,873**	**14,894,814**	**163,828**	**49,615**

(*) Specific provision for non-cash loans that are not compensated and non converted into cash but recorded as provisions in the off-balance sheet accounts and the expected loss provisions for non-cash loans amounting to TL 50,116 are excluded.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

5. Information on derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	**115,303,643**	**110,799,329**
Forward transactions(*)	13,397,168	9,303,903
Swap transactions	88,466,508	88,929,936
Futures transactions	197,110	237,014
Option transactions	13,242,857	12,328,476
Interest Related Derivative Transactions (II)	**58,871,980**	**41,650,654**
Forward rate transactions	-	-
Interest rate swap transactions	58,871,980	41,650,654
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	**1,217,741**	**815,440**
A. Total Trading Derivative Transactions (I+II+III)	**175,393,364**	**153,265,423**
Types of hedging transactions		
Fair value hedges	31,148,040	26,613,394
Cash flow hedges	49,101,851	40,258,698
Net investment hedges	-	-
B. Total Hedging Related Derivatives	**80,249,891**	**66,872,092**
Total Derivative Transactions (A+B)	**255,643,255**	**220,137,515**

(*) This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

As of December 31, 2019, breakdown of the Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

Current Period	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
TL	3,137,983	1,025,633	8,817,491	32,919,897	1,385,083	4,320,320	99,198	-	-
USD	1,386,439	4,949,705	86,440,853	50,819,911	4,580,793	1,983,433	-	97,912	1,217,741
EURO	1,716,257	475,852	16,495,263	27,499,905	625,884	287,800	-	-	-
Other	437,012	268,287	4,540,838	54,221	12,948	46,596	-	-	-
Total	**6,677,691**	**6,719,477**	**116,294,445**	**111,293,934**	**6,604,708**	**6,638,149**	**99,198**	**97,912**	**1,217,741**

(*) This column also includes hedging purpose derivatives.
(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

Prior Period	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
TL	1,586,500	1,358,560	16,605,615	33,081,920	2,341,029	3,164,010	-	-	-
USD	1,319,717	2,532,488	68,229,044	41,827,300	2,748,095	2,370,999	118,507	118,507	815,440
EURO	1,690,980	733,850	14,489,926	20,839,757	1,009,924	575,077	-	-	-
Other	34,999	46,809	2,354,767	24,353	31,116	88,226	-	-	-
Total	**4,632,196**	**4,671,707**	**101,679,352**	**95,773,330**	**6,130,164**	**6,198,312**	**118,507**	**118,507**	**815,440**

(*) This column also includes hedging purpose derivatives.
(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

5.1. Fair value hedge accounting

a) Loans

The Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the mortgage loans amounting to TL 8,122,097 (December 31, 2018 - TL 6,055,337) were subject to hedge accounting by swaps with a nominal of TL 6,608,353 (December 31, 2018 - TL 6,922,598). On December 31, 2019 the net market valuation difference loss amounting to TL 55,574 (December 31, 2018 - TL 1,576) due to the loss from loans amounting to TL 919,613 (December 31, 2018 - TL 173,326 loss) and gain from swaps amounting to TL 864,039 (December 31, 2018 - TL 171,750 gain) is accounted for under “gains / (loss) from financial derivatives transactions” line in the accompanying financial statements.

In the current period, the Bank terminated its hedging accounting for the project finance loan at June 30, 2019 , which it had used in foreign currencies in the previous periods for the purpose of hedging fair value risk. Accordingly, fair value difference income amounting to TL 26,339 is recognized in the loans item of the balance sheet and the fair value difference amount is amortized over the maturity of the loan subject to hedging.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 136,590 (December 31, 2018 - TL 51,313) related to the loans that are ineffective for hedge accounting under “gains / (losses) from financial derivatives transactions” as gain during the current period.

b) Financial Assets Measured at Fair Value through Other Comprehensive Income (Financial Assets Available for Sale)

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Bank using swaps as hedging instruments. As of the balance sheet date; Eurobonds with a nominal of USD 373,663 million and EUR 49.8 million (December 31, 2018 - USD 404.7 million and EUR 75.4 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On December 31, 2019, the net market valuation difference gain amounting to TL 12, due to loss from Eurobonds amounting to TL 215,945 (December 31, 2018 - TL 6,814 loss) and loss from swaps amounting to TL 215,250 (December 31, 2018 - TL 6,826 gain) is accounted for under “gains / (losses) from financial derivatives transactions” line in the accompanying financial statements.

The Bank does not apply fair value hedge on TL government bonds in the current period. (As of December 31, 2018 - None).

c) Bonds issued

The Bank applies fair value hedge accounting to hedge against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 780 million (December 31, 2018 - USD 283 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of December 31, 2019, TL 38 (December 31, 2018 - TL 179) net fair valuation difference gain, net of TL 69,763 (December 31, 2018 - TL 1,142 gain) gain from issued bonds and TL 69,801 (December 31, 2018 - TL 1,321 loss) gain from swaps, has been recorded under “Gains / (losses) from financial derivatives transactions” on accompanying financial statements.

d) Borrowings

The Bank implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate foreign exchange credits used. Credit at an amount of EUR 30 million (December 31, 2018 - EUR 30 million) is subjected to hedge accounting with a swap having the same amount. A net mark to market difference loss at an amount of TL 10 (December 31, 2018 - TL 11 loss) sourcing from Credit at an amount of TL 324 (December 31, 2018 - TL 1,239 loss) loss and TL 314 (December 31, 2018 - TL 1,228 gain) gain from swaps is recognized under “Gains/losses from Derivative Financial Transactions”.

5.2 Cash flow hedge accounting

a) Variable Rate Loans

The Bank is subject to cash flow risk protection accounting through interest rate swaps in order to protect a certain portion of its long-term variable rate loans from changes in market interest rates. At each balance sheet date, the Bank conducts efficiency tests for hedging accounting, and the active parts are accounted in “hedging funds” under equity in the financial statements as defined in TAS 39, while the amount related to the inactive part is associated with the income statement. As of the balance sheet date, swaps with a nominal amount of USD 875 million (December 31, 2018 - None) have been subject to hedging accounting as hedging instruments. As a result of the said hedging accounting, fair value income before tax of TL 20,790 (December 31, 2018 - None) was accounted under equity in the current period.

b) Deposit

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity until 3 month, the Bank implements cash flow hedge accounting with interest rate swaps. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 1,600,000 are subject to hedge accounting as hedging instruments (December 31, 2018 - TL 2,150,000). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TL 243,972 are accounted for under equity during the current period (December 31, 2018 - TL 37,446 gain). The gain amounting to TL 182 (December 31, 2018 - TL 795 gain) relating to the ineffective portion is accounted for at the income statement.

As of the balance sheet date, swaps with a nominal amount of USD 2,529 million (December 31, 2018 - USD 2,519 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 104 million (December 31, 2018 - EUR 289 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value gain before taxes amounting to TL 790,817 are accounted for under equity during the current period (December 31, 2018 - TL 181,006 gain). The income amounting to TL 1,525 (December 31, 2018 - TL 1,302 gain) relating to the ineffective portion is accounted for at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness. In the current period there is income TL 20,045 transferred amount from equity to income statement due to ineffectiveness or matured swaps. (December 31, 2018 - TL 1,3272,969 loss).

c) Floating Rate Liabilities

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge its subordinated loans which have floating interest payment. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to USD 485 million are subject to hedge accounting as hedging instruments (December 31, 2018 - USD 810 million). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TL 94,034 are accounted for under equity during the current period (December 31, 2018 - 6,909 loss). Regarding the ineffective portion amounting to TL 390 loss, has been associated with the income statement.

On the other hand; Accounting application is terminated when cash flow hedge accounting is not effectively maintained as defined in TAS 39. The effective amounts classified under equity due to hedge accounting are reclassified into profit or loss as the reclassification adjustments during periods or periods when the estimated cash flows subject to hedging in case of deterioration of the event affect profit or loss (such as the periods when interest income or expense is accounted for). In this context; In the current year, the Bank ended the hedge accounting practice of the USD 325 million subordinated loan it used for the purpose of hedging cash flow due to the change in the contract conditions. Due to hedge accounting practices terminated in the current year, a loss amounting to TL 4,568 (December 31, 2018 - None) was transferred from the equity to the income statement.

The measurements as of December 31, 2019, hedge of cash flow transactions stated above are determined as effective.

6. Credit derivatives and risk exposures on credit derivatives

As of December 31, 2019, the Bank has no commitments "Credit Linked Notes" (As of December 31, 2018 - None).

As of December 31, 2019, "Other Derivative Financial Instruments" with nominal amount of USD 205,000,000 (December 31, 2018 - USD 155,000,000) are included in Bank's "Swap Interest Sell Transactions." In aforementioned transaction, the Bank is the seller of the protection for USD 205,000,000.

7. Information on contingent liabilities and assets

The Bank has recorded a provision of TL 106,152 (December 31, 2018 - TL 117,185) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account. Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

8. Information on the services in the name and account of third parties

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

9. Information on the Bank's rating by international rating institutions

MOODY'S June 2019		Fitch November 2019		CI August 2019	
Long-Term FC Deposit Rating	B3	Long -Term FC IDR	B+	Long-Term Foreign Curr.	BB-
Long-Term LC Deposit Rating	B1	Short-Term FC IDR	B	Short-Term Foreign Curr.	B
Short-Term FC Deposit Rating	NP	Long-Term LC IDR	BB-	FC Appearance	Negative
Short-Term LC Deposit Rating	NP	Short-Term LC IDR	B	Core Financial Strength	bb-
Baseline Credit Rating	b3	Long-Term National Rating	AA(tur)	Financial Strength Appearance	Negative
Adjusted Baseline Credit Rating	b1	Appearance	Negative	Support Level	High
Appearance	Negative	Long-Term Senior Unsecured Debt	B+		
Long-term FC Senior Unsecured Debt / Issuer Rating	B1	Support Rating	4		
Long-term LC Senior Unsecured Debt / Issuer Rating	B1	Viability Rating	b+		

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

IV. Explanations And Disclosures Related To The Income Statement

1. a) Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	6,327,616	304,902	5,369,153	115,446
Medium and Long-Term Loans	6,871,108	1,726,087	6,359,155	1,443,979
Non-Performing Loans	74,324	-	101,211	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total(*)	**13,273,048**	**2,030,989**	**11,829,519**	**1,559,425**

(*) Includes fee and commission income related to cash loans.

b) Information on interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank(*)	-	-	-	-
Domestic Banks	154,632	257	157,311	419
Foreign Banks	2,080	78,168	3,147	40,231
Foreign Headquarters and Branches	-	-	-	-
Total	**156,712**	**78,425**	**160,458**	**40,650**

(*) The interest income on Required Reserve amounting TL 190,664 is not included into interest income on Banks (December 31, 2018 - TL 200,684).

c) Information on interest income from securities portfolio

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	10,374	873
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	808,182	279,856
Financial Assets Measured at Amortized Cost	981,116	337,801
Total	**1,799,672**	**618,530**

	Prior Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	1,733	423
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	643,608	177,000
Financial Assets Measured at Amortized Cost	1,474,184	254,652
Total	**2,119,525**	**432,075**

As stated in Section Three disclosure VII.2, the Bank has inflation indexed (CPI) government bonds in its financial assets measured at fair value through other comprehensive income (FVOCI) and financial assets measured at amortized Cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The Bank determines the estimated inflation rates used for valuation of securities in line with this. The estimated inflation rate used is updated during the year when necessary. The estimated inflation rate used in the valuation of these securities has been updated according to the inflation rate of 8.55% as of December 31, 2019.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

d) Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	119,184	33,373

2. a) Information on interest expense related to funds borrowed(*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	34,528	1,177,856	11,050	1,042,608
T.R. Central Bank	-	-	-	-
Domestic Banks	30,715	9,403	9,020	7,137
Foreign Banks	3,813	1,168,453	2,030	1,035,471
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	**34,528**	**1,177,856**	**11,050**	**1,042,608**

(*) Includes fee and commission expenses related to cash loans.

b) Information on interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	21,438	6,920

c)Information on interest expense paid to securities issued

As of December 31, 2019 interest paid to securities issued is TL 1,268,228 (December 31, 2018 - TL 808,179).

d) Information on maturity structure of interest expenses on deposits (Current Period)

		Time Deposits						
Account	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	26,051	126	-	-	-	-	26,177
Saving Deposits	42	971,834	3,075,716	214,628	188,647	467,416	-	4,918,283
Public Sector Deposits	-	107	744	124	9	11	-	995
Commercial Deposits	617	796,185	889,521	84,479	30,566	45,345	-	1,846,713
Other Deposits	-	14,002	119,716	3,911	2,848	1,840	-	142,317
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**659**	**1,808,179**	**4,085,823**	**303,142**	**222,070**	**514,612**	**-**	**6,934,485**
Foreign Currency								
Deposits	3	65,112	573,710	68,374	49,401	34,811	-	791,411
Bank Deposits	574	67,990	40,397	1,615	614	-	-	111,190
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1,160	-	-	-	-	-	1,160
Total	**577**	**134,262**	**614,107**	**69,989**	**50,015**	**34,811**	**-**	**903,761**
Grand Total	**1,236**	**1,942,441**	**4,699,930**	**373,131**	**272,085**	**549,423**	**-**	**7,838,246**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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d) Information on maturity structure of interest expense on deposits (Prior Period)

Account	Demand Deposits	Time Deposit Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	39,264	382	839	1,677	-	-	42,162
Saving Deposits	4	535,272	2,984,296	233,837	109,986	188,609	-	4,052,004
Public Sector Deposits	-	493	1,687	113	15	13	-	2,321
Commercial Deposits	156	476,465	542,771	61,017	57,086	91,675	-	1,229,170
Other Deposits	-	7,084	47,884	3,449	2,394	341	-	61,152
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**160**	**1,058,578**	**3,577,020**	**299,255**	**171,158**	**280,638**	**-**	**5,386,809**
Foreign Currency								
Deposits	3	53,044	812,914	51,152	52,114	27,161	-	996,388
Bank Deposits	326	71,865	20,545	970	515	-	-	94,221
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1,635	-	-	-	-	-	1,635
Total	**329**	**126,544**	**833,459**	**52,122**	**52,629**	**27,161**	**-**	**1,092,244**
Grand Total	**489**	**1,185,122**	**4,410,479**	**351,377**	**223,787**	**307,799**	**-**	**6,479,053**

e) Information on interest expense on repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on Repurchase Agreements(*)	150,765	199,000	207,119	145,294

(*) Disclosed in “Interest on Money Market Transactions”.

f) Information on finance lease expenses

	Current Period	Prior Period
Finance Lease Expenses	67,865	1,200

g) Information on interest expense on factoring payables

None (December 31, 2018 - None).

3. Information on dividend income

	Current Period	Prior Period
Financial Derivative Assets at Fair Value through Profit/Loss (FVTPL)	-	-
From Financial Assets at Fair Value through Profit and Loss	-	-
From Financial Assets at Fair Value through Other Comprehensive Income	-	-
Other	51,187	52,196
Total	**51,187**	**52,196**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

4. Information on trading income/loss

	Current Period	Prior Period
Trading Income	**11,938,319**	**19,235,990**
Gains on Capital Market Operations	121,641	43,910
Derivative Financial Instruments	9,289,084	12,455,883
Foreign Exchange Gains	2,527,594	6,736,197
Trading Loss (-)	**13,454,771**	**20,641,750**
Losses on Capital Market Operations	71,242	30,358
Losses on Derivative Financial Instruments	10,706,523	11,929,880
Foreign Exchange Losses	2,677,006	8,681,512
Net Trading Income/Loss	**(1,516,452)**	**(1,405,760)**

5. Information on other operating income

The Bank recorded the current year collections from loans written off in the previous period, portfolio management fees and expense accrual cancelations in “Other Operating Income” account.

6. Provision for losses

	Current Period	Prior Period
Expected Credit Loss	**1,837,123**	**2,088,882**
12 month expected credit loss (stage 1)	(203,335)	90,776
Significant increase in credit risk (stage 2)	(72,400)	632,661
Non-performing loans (stage 3)	2,112,858	1,365,445
Marketable Securities Impairment Expense	**(17,533)**	**8,369**
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	(17,533)	8,369
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	**47,455**	**-**
Investments in Associates	47,455	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	**26,748**	**114,352**
Total	**1,893,793**	**2,211,603**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7. Information on other operating expenses

	Current Period	Prior Period
Reserve for Employee Termination Benefits	27,674	17,705
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	402
Depreciation Expenses of Fixed Assets	370,479	135,606
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	128,820	117,839
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Resale	-	-
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	1,151,108	1,136,751
Operational Leasing Expenses	4,811	236,400
Maintenance Expenses	245,729	180,178
Advertisement Expenses	111,000	94,029
Other Expenses	789,568	626,144
Loss on Sales of Assets	491	138
Other(**)	504,897	447,588
Total	**2,183,469**	**1,856,029**

(*) Includes "Personnel Expenses" that not exist in the income statement "Other Operating Expenses" line.
(**) Comprising repayments amounting to TL 5,806 (December 31, 2018 - TL 8,915) in respect of Consumer Arbitration Committee and courts' decision, which was fees and commissions recognized in previous year as income.

8. Information on profit/loss from continued and discontinued operations before taxes

For the period ended December 31, 2019, net interest income in regards to continued operations of TL 7,582,221 (December 31, 2018 - TL 7,683,373), net fees and commission income of TL 2,691,464 (December 31, 2018 - TL 2,139,885) and other operating income of TL 137,288 (December, 2018 - TL 64,077) constitute an important part of the income.

9. Explanations on tax provision for continued and discontinued operations

9.1. Current period taxation benefit or charge and deferred tax benefit or charge

As of December 31, 2019, the Bank has recorded tax charge TL 163,465 (December 31, 2018 -

TL 711,041) and a deferred tax income of TL 394,138 (December 31, 2018 - TL 62,129 deferred tax income) from its continuing operations.

9.2. Explanations on operating profit/loss after taxes

None (December 31, 2018 - None).

10. Explanations on net profit/ (loss) from continued and discontinued operations

Net profit of the Bank from continued operations is TL 2,622,157 (December 31, 2018 - TL 2,409,829).

11. Explanations on net income/loss for the period

11.1. The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period

None (December 31, 2018 - None).

11.2. Effect of changes in accounting estimates on income statement for the current and for subsequent periods.

None.

11.3. There is no profit or loss attributable to minority shares.

11.4. There are no changes in the nature and amount of accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.

12. Information on the components of other items in the income statement exceeding 10% of the total, or items that comprise at least 20% of the income statement

Fees and commissions from credit cards, transfers and insurance intermediaries are recorded in the "Others" line under "Fees and Commissions Received" account, while fees and commissions given to credit cards are recorded in the "Others" line under "Fees and Commissions Paid" account by the Bank.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

V. Explanations And Disclosures Related To Statement Of Changes In Shareholder's Equity

1. Changes resulting from valuation of financial assets measured at fair value through other comprehensive income

Net increase of TL 282,347 (December 31, 2018 - TL 223,758 net decrease) after tax effect resulting from valuation of at financial assets measured at fair value through other comprehensive income is included in "accumulated other comprehensive income or loss reclassified through profit or loss" account under shareholders' equity.

2. Explanations on foreign exchange differences

None.

3. Explanations on dividend

3.1. Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2018 profit as stated below at the Ordinary General Assembly held on March 28, 2019.

2018 profit distribution table:	
Current Year Profit	**2,409,829**
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	(85,130)
B - The First Dividend for Shareholders(*)	-
C - Profit from Disposal of Associates	-
D - II, Legal Reserves	-
E - Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(2,324,699)

(*) Distributed as cash bonus to shareholders

3.2. Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date (December 31, 2018 - Profit distribution for 2018 is detailed in footnote 3.1).

3.3. Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained Earnings	85,130	80,172

4. Information on issuance of share certificates

4.1. The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (December 31, 2018 - None).

5. Information on the other capital increase items in the statement of changes in shareholders' equity

There was no capital increase in 2019 (2018 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

VI. Explanations And Disclosures Related To Cash Flows Statement

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

“Other items” amounting to TL 2,322,912 (December 31, 2018 - 3,380,789) in “Operating profit before changes in operating assets and liabilities” consist of commissions paid amounting to TL 695,764 (December 31, 2018 - TL 547,142), net trading income/loss by TL 5,719,001 (December 31, 2018 - TL 1,558,471 net trading income/loss) and other operating expenses amounting to TL 2,700,325 (December 31, 2018 - TL 1,275,177).

“Other items” in changes in operating assets amounting to TL 1,437,206 (December 31, 2018 - TL 3,726,562) consist of the increase in collaterals given by TL 976,455 (December 31, 2018 - TL 1,769,189 decrease) and the decrease in other assets by TL 460,751 (December 31, 2018 - TL 1,957,373).

“Other items” in changes in operating liabilities amounting to TL 1,032,744 (December 31, 2018 - TL 3,914,640) consist of the decrease in money market borrowings by TL 4,318,053 (December 31, 2018 - TL 1,780,605), the increase in sundry debtors and other liabilities by TL 2,582,308 (December 31, 2018 - TL 5,929,429 increase) and the decrease in other capital reserves by TL 702,998 (December 31, 2018 - TL 234,182).

“Other items” in changes in net cash provided from banking operations amounting to TL 169,921 (December 31, 2018 - TL 185,921) includes the increase in intangible assets.

Effect of change in foreign currency on cash and cash equivalents is calculated as the difference between monthly average balances converted to TL using the currency rate at the beginning and at the end of the period and is TL 356,419 (December 31, 2018 - TL 40,687) as of December 31, 2019.

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	Prior Period December 31, 2018
Cash	**1,705,411**
Cash in TL	787,019
Cash in Foreign Currencies	849,141
Other	69,251
Cash Equivalents	**7,061,654**
Balances with the T.R. Central Bank	5,986,379
Banks	1,033,561
Money Market Placements	102,180
Less: Placements with Banks with Maturities Longer than 3 Months	(60,389)
Less: Accruals	(77)
Cash and Cash Equivalents	**8,767,065**

3. Information regarding the balances of cash and cash equivalents at the end of the period

	Current Period December 31, 2019
Cash	**1,644,545**
Cash in TL	681,485
Cash in Foreign Currencies	944,326
Other	18,734
Cash Equivalents	**12,743,347**
Balances with the T.R. Central Bank	8,951,928
Banks	755,951
Money Market Placements	3,041,480
Less: Placements with Banks with Maturities Longer than 3 Months	(6,012)
Less: Accruals	-
Cash and Cash Equivalents	**14,387,892**

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL 103,628 (December 31, 2018 - TL 198,524) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the Bank’s potential borrowings that can be used for ordinary operations or capital commitment

None.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

VII. Explanations And Disclosures Related To The Bank's Risk Group

1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period

1.1. As of December 31, 2019, the Bank's risk group has deposits, cash and non-cash loans at the Bank amounting to TL 333,718 (December 31, 2018 - TL 423,344) deposit and TL 1,018,962 (December 31, 2018 - TL 549,999) cash loans and TL 56,511 (December 31, 2018 - TL 37,470) non-cash loans respectively.

Current Period

Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	548,148	12,011	1,755	16,572	96	8,887
Balance at the End of the Period	1,015,749	13,860	3,192	37,126	21	5,524
Interest and Commission Income	119,184	150	-	5	8	64

Prior Period

Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	330,935	7,166	613	-	146	6,441
Balance at the End of the Period	548,148	12,011	1,755	16,572	96	8,887
Interest and Commission Income(***)	33,373	142	26	37	32	64

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the loans given to the Bank's indirect subsidiaries.
(***) Prior Period Balance Represents December 31, 2018 balance

1.2. Information on deposits held by the Bank's risk group

Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	264,237	98,120	-	-	159,107	172,990
Balance at the End of the Period	125,530	264,237	-	-	208,189	159,107
Interest on deposits(***)	21,438	6,920	-	-	21,281	21,266

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the derivative transactions between the Bank's indirect subsidiaries.
(***) Prior Period Balance Represents December 31, 2018 balance.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

1.3. Information on forward and option agreements and similar agreements made with the Bank's risk group

Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	1,569,213	470,862	-	1,046	-	-
End of the Period	1,470,504	1,569,213	-	-	-	-
Total Income/Loss(***)	(102,810)	33,745	(191)	15	147	-
Transactions for Hedging Purposes						
Beginning of the Period	1,100,854	-	-	-	-	-
End of the Period	1,231,126	1,100,854	-	-	-	-
Total Income/Loss(***)	41,178	39,570	-	-	-	-

(*) As described in the Article 49 of Banking Law No 5411.
(**) Includes the derivative transactions between the Bank's indirect subsidiaries.
(***) Prior Period Balance Represents December 31, 2018 balance.

1.4. Information on benefits provided to top management

As of December 31, 2019, the total amount of remuneration and bonuses paid to top management of the Bank is TL 117,794 (December 31, 2018 - TL 90,436).

2. Disclosures of transactions with the Bank's risk group

2.1. Relations with entities in the risk group of / or controlled by the Bank regardless of the nature of relationship among the parties

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

2.2 In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other

As of December 31, 2019, cash loans of the risk group represented 0.9% of the Bank's total cash loans (December 31, 2018 - 0.5%), the deposits represented 0.3% of the Bank's total deposits (December 31, 2018 - 0.5%) and derivative transactions represented 0.6% of the Bank's total derivative transactions (December 31, 2018 - 0.7%).

2.3. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts

The Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş. As of December 31, 2019, the Bank has net finance lease payables to QNB Finans Finansal Kiralama A.Ş. amounting to TL 15,977 (December 31, 2018 - TL 24,623) relating with finance lease agreements.

The Bank has signed an agreement with Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Bank participated 33.33% shareholding, provides cash transfer services to the Bank.

Information about the Bank's subordinated loans is explained under Section 5, Part II. footnote 12. The Bank provides agency services to Cigna Finans Emeklilik ve Hayat A.Ş., which is a jointly controlled entity with 49.00% shares held by the Bank.

VIII. Explanations on the Bank's Domestic, Foreign and Off-Shore Banking Branches and Foreign Representatives

1. Information relating to the bank's domestic and foreign branch and representatives

	Number	Employees			
Domestic Branch	524	12,079			
			Country		
Foreign Representation	-	-	-		
				Total Assets	Capital
Foreign Branch	1	8	1- Bahrain	18,677,412	-
Off-shore Banking and Region Branches	-	-	-	-	-

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations Related to the Bank's Operations

1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements

The issuances of the Bank after the balance sheet date are as follows:

Date	Currency	Nominal	Interest Rate (%)	Due Date
02.01.2020	TL	77,145	10.71	89
03.01.2020	TL	99,035	Variable	371
10.01.2020	TL	71,340	Variable	182
13.01.2020	TL	32,089	10.42	65
14.01.2020	TL	27,194	10.49	64
15.01.2020	TL	98,400	10.49	64
16.01.2020	TL	50,075	10.45	62
17.01.2020	TL	213,380	10.45	84
21.01.2020	TL	62,200	10.11	54
22.01.2020	TL	83,301	10.27	62
23.01.2020	TL	20,700	10.04	69
24.01.2020	TL	316,000	10.07	84
29.01.2020	TL	71,710	10.23	69

2. Information about effects of significant changes in foreign exchange rates after balance sheet date that would affect decision making process of users and foreign operations of the Bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

During the acquisition of the shares of JCR Eurasia Rating Corporation (JCR) from its founding partners, the Bank participated in the capital with a 2.86% share acquisition. JCR was registered as of January 22, 2020 in accordance with the Turkish Commercial Code.

SECTION SEVEN

INDEPENDENT AUDITOR'S REPORT

I. Explanations on the Independent Auditor's Report

The unconsolidated financial statements for the period ended December 31, 2019 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited). The auditor's report dated January 30, 2020 is presented preceding the unconsolidated financial statements.

II. Explanations and Notes Prepared by Independent Auditors

None (December 31, 2018 - None).

QNB FİNANSBANK ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S AUDIT REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2019

(Convenience translation of unconsolidated financial statements and independent auditor's audit report originally issued in Turkish, See Note I. of Section three)

To the General Assembly of QNB Finansbank Anonim Şirketi

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of QNB Finansbank A.Ş (the Bank), which comprise the statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of QNB Finansbank A.Ş. as at December 31, 2019 and consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no. 26333 dated November 1, 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations.

Basis for Opinion

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated April 2, 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter is addressed in our audit
Recognition of impairment on financial assets within the scope of TFRS 9 "Financial Instruments" Standard and related significant disclosures	
As presented in Section 3 disclosure VIII and Section 5, as the Group recognizes expected credit losses of financial assets in accordance with TFRS 9. We considered the impairment of financial assets as a key audit matter since: • Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements; • There are complex and comprehensive requirements of TFRS 9; • The classification of the financial assets is based on the Group's business model and characteristics of the contractual cash flows in accordance with TFRS 9 and the Group uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments; • Policies implemented by the Group management include compliance risk to the regulations and other practices; • Structured processes of TFRS 9 are advanced and complex; • Judgements and estimates used in expected credit loss calculation are complex and comprehensive; and • Disclosure requirements of TFRS 9 are comprehensive and complex.	Our audit procedures included among others include: • Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Group's past experience, local and global practices; • Reviewing and testing of structured processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists; • Evaluating the reasonableness of management's key judgements, estimates and data sources used in expected credit loss calculations considering the standard requirements, sectorial, local and global practices; • Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Group's Business model; • Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and group's past performance. Evaluating the alignment of those forward looking parameters to Group's internal processes where applicable; • Assessing the completeness and the accuracy of the data used for expected credit loss calculation; • Testing the mathematical accuracy of expected credit loss calculation on sample basis; • Evaluating the judgments and estimates used for the individually assessed financial assets; and • Evaluating the accuracy and the necessity of post-model adjustments

Hedge Accounting

As explained in Section 5 Note I.12 and II.8, the Group enters into hedging transactions and applies hedge accounting in order to manage the interest rate and foreign currency rate risks. The Group uses derivative financial instruments and other hedging relationships to hedge its financial risks such as loans and receivables, financial assets measured at fair value through other comprehensive income , lease receivables, deposits, securities issued and borrowings. Hedge accounting is considered to be 'key audit matter' due to the potential risks on eligibility of hedge relationship in accordance with TAS 39 'Financial Instruments: Recognition and Measurement', effectiveness of the tests, fair value calculation of financial instruments, documentation and termination of hedge relationship including the effect of termination on the carrying amount of assets.	In addition to general audit procedures our audit procedures include the re-calculation of fair values of derivative financial instruments, assessment of the financial risk components, documentation of all hedging relationships, examination of the effectiveness tests, the review of hedge accounting records, evaluating the appropriateness of the carrying amount of the asset in accordance with the relevant standards in case of a termination.

Valuation of Derivative Financial Instruments

Foreign currency forward transactions, currency and interest rate swap transactions, money options, money futures transactions and all other derivative financial instruments are recorded at fair value on the balance sheet and their fair values are subject to continuous revaluation. Details of the related amounts are explained in Section 5 Note I.2.b and Note II.2. The fair value of derivative financial instruments is determined by selecting the most appropriate market data and applying valuation techniques for certain products. Due to the assumptions, estimates and subjectivity used in these applications, derivative financial instruments are considered as a key audit matter by us.	In addition to our auditing procedures, include reviewing the fair valuation policies as determined by the Group Management, checking the fair value calculations of the derivative financial instruments chosen by the sample as valuation experts, evaluating the assumptions and estimates used, operational evaluation and testing.
	• Evaluating the accuracy and the necessity of the post-model adjustments • Auditing of TFRS 9 disclosures

Responsibilities of Management and Directors for the Consolidated Financial Statements

Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.);

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Parent Bank's bookkeeping activities and consolidated financial statements for the period January 1 - December 31, 2019 are not in compliance with the laws and provisions of the Bank's articles of association in relation to financial reporting;

2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Hatice Dilek Çilingir Köstem.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited

Hatice Dilek Çilingir Köstem, SMMM

Partner

January 30, 2020

İstanbul, Türkiye

QNB FİNANSBANK ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S AUDIT REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2019

(Convenience translation of unconsolidated financial statements and independent auditor's audit report originally issued in Turkish, See Note I. of Section three)

The Parent Bank's;

Address of the Head Office: Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL

Phone number : (0 212) 318 50 00

Facsimile number: (0 212) 318 56 48

Web page: www.qnbfinansbank.com

E-mail address: investor.relations@qnbfinansbank.com

The consolidated financial report for the year ended December 31, 2019, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- General Information About The Parent Bank
- Consolidated Financial Statements Of The Parent Bank
- Explanations On The Accounting Policies Of The Parent Bank
- Information On Consolidated Financial Structure And Risk Management Of The Group
- Footnotes And Explanations On Consolidated Financial Statements
- Other Explanations
- Independent Audit Report

Within the context of this financial report for the year ended, the consolidated subsidiaries, entities under common control and structured entities are as follows. There are no associates included in the consolidation.

Subsidiaries

1. QNB Finans Finansal Kiralama Anonim Şirketi
2. QNB Finans Yatırım Menkul Değerler Anonim Şirketi
3. QNB Finans Portföy Yönetimi Anonim Şirketi
4. QNB Finans Faktoring Anonim Şirketi
5. Hemenal Finansman Anonim Şirketi
6. QNB Finans Varlık Kiralama Şirketi A.Ş

Entities Under Common Control (Joint Ventures)

1. Cigna Finans Emeklilik ve Hayat Anonim Şirketi

Structured Entities

1. Bosphorus Financial Services Limited
2. İstanbul Bond Company S.A.

The consolidated financial statements and related disclosures and footnotes for the year ended December 31, 2019, are prepared in accordance with the Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying consolidated financial statements are presented in **thousands of Turkish Lira (TL).**

Ömer A. Aras
Yönetim Kurulu
Başkanı

Ali Teoman Kerman
Yönetim Kurulu Üyesi ve
Denetim Komitesi Başkanı

Ramzi T.A. Mari
Yönetim Kurulu Üyesi ve
Denetim Komitesi Üyesi

Noor Mohd J. A. Al-Naimi
Yönetim Kurulu Üyesi ve
Denetim Komitesi Üyesi

Durmuş Ali Kuzu
Yönetim Kurulu Üyesi ve
Denetim Komitesi Üyesi

Temel Güzeloğlu
Genel Müdür ve
Yönetim Kurulu Üyesi

Adnan Menderes Yayla
Mali Kontrol ve Planlamadan Sorumlu
Genel Müdür Yardımcısı

Ercan Sakarya
Finansal, Yasal Raporlama ve
Hazine Kontrol Direktörü

Information related to the responsible personnel to whom the questions about the financial statements can be communicated:

Name - Surname/Title: Elif Akan / Financial Reporting Manager

Phone Number: (0 212) 318 57 80

Facsimile Number: (0 212) 318 55 78

Introduction

About QNB Finansbank

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Risk Management

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SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

I. Explanatory Note on the Establishment Date, Nature of Activities and History of the Parent Bank

QNB Finansbank Anonim Şirketi (The Parent Bank and/or the Bank) was incorporated in Istanbul on September 23, 1987. The Parent Bank's shares have been listed on the Borsa Istanbul ("BIST") formerly known as Istanbul Stock Exchange ("ISE") since the first public offering on 1990.

II. Information About the Parent Bank's Shareholding Structure, Shareholders Who Individually or Jointly Have the Power to Control the Management and Audit Directly or Indirectly, Changes Regarding These Subjects During the Year, If Any, and Information About the Controlling Group of the Parent Bank

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the Parent Bank in previous periods, and Qatar National Bank ("QNB") regarding the direct or indirect sales of NBG's shares, owned by affiliates and current associations of the Parent Bank, at the rate of 99.81% to QNB at a price of EUR 2,750 million as of December 21, 2015. On April 7, 2016, BRSA permitted to transfer shares at ratios of 82.23%, 7.90%, 9.68% owned by National Bank of Greece S.A., NBGI Holdings B.V. and NBG Finance (Dollar) PLC respectively in the capital of the Bank to Qatar National Bank S.A.Q. in the framework of paragraph 1 of article 18 of Banking Law and dropping direct share of National Bank of Greece S.A. to 0% through the aforementioned share transfer. Necessary permissions related to share transfer have been completed on May 4, 2016 before the Competition Authority while permission transactions regarding direct/indirect share ownership which shall realize in related affiliates of the Bank (QNB Finans Yatırım Menkul Değerler A.Ş., QNB Finans Portföy Yönetimi A.Ş., QNB Finans Finansal Kiralama A.Ş. and Cigna Finans Emeklilik ve Hayat A.Ş.) before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016.

The Parent Bank has decided to change the logo and the name of the company within the scope of the main shareholder change and brand strategies the new logo and the company name of the Parent Bank has started to be used as "QNB FİNANSBANK" as of October 20, 2016. According to the decision dated January 17, 2018 which was taken by the General Assembly The Parent Bank's trade name is changed from "FİNANS BANK A.Ş" to "QNB FİNANSBANK A.Ş" as of January 19, 2018.

99.88% of shares of Parent Bank are controlled by Qatar National Bank as of December 31, 2019 and remaining 0.12% of related shares are public shares.

50% of QNB shares, which is the first commercial bank of Qatar founded in 1964 and has been traded at Qatar Stock Exchange since 1997, are owned by Qatar Investment Authority while 50% of related shares are public shares. QNB is operating over 30 countries mainly in Middle East and North Africa Regions as well as being the biggest bank of Qatar. Also with respect to total assets, total credits and total deposits QNB is the biggest bank of Middle East and North Africa.

III. Information about the Chairman and Members of Board of Directors, Members of Audit Committee, Managing Director and Executive Vice Presidents; Any Changes, and the Information about the Parent Bank Shares They Hold and Their Responsibilities

Name	Title	Date of Appointment	Education
Dr. Ömer A. Aras	Chairman	April 16, 2010	Phd
Sinan Şahinbaş	Deputy Chairman	April 16, 2010	Masters
Ali Teoman Kerman	Board Member and Head of Audit Committee	April 16, 2013	Masters
Ramzi Talat A.Mari	Board Member and Member of the Audit Committee	June 16, 2016	Masters
Fatma Abdulla S.S. Al- Suwaidi	Board Member	June 16, 2016	Masters
Durmuş Ali Kuzu	Board Member and Member of the Audit Committee	August 25, 2016	Phd
Temel Güzeloğlu	Board Member and General Manager	April 16, 2010	Masters
Abdulla Mubarak N.Al-Khalifa	Board Member	June 16, 2016	Graduate
Assistant Prof. Osman Reha Yolalan	Board Member	June 16, 2016	Phd
Ali Rashid A.S.Al-Mohannadi	Board Member	June 16, 2016	Graduate
Noor Mohd J. A. Al-Naimi	Board Member and Member of the Audit Committee	June 22, 2017	Graduate
Adnan Menderes Yayla	Executive Vice President	May 20, 2008	Masters
Köksal Çoban	Executive Vice President	August 19, 2008	Masters
Dr. Mehmet Kürşad Demirkol	Executive Vice President	October 8, 2010	Phd
Erkin Aydın	Executive Vice President	May 16, 2011	Masters
Ömür Tan	Executive Vice President	October 28, 2011	Masters
Halim Ersun Bilgici	Executive Vice President	March 15, 2013	Masters
Enis Kurtoğlu	Executive Vice President	May 14, 2015	Masters
Murat Koraş	Executive Vice President	May 14, 2015	Masters
Engin Turhan	Executive Vice President	June 14, 2016	Masters
Cumhur Türkmen	Executive Vice President	June 11, 2018	Graduate
Burçin Dündar Tüzün(*)	Executive Vice President	December 1, 2019	Masters
Zeynep Kulalar(**)	Executive Vice President	December 1, 2019	Graduate
Ahmet Erzengin	Head of the Department of Internal Control and Compliance	September 12, 2012	Graduate
Bülent Yurdalan	Head of Department of Internal Systems	August 6, 2013	Graduate
Ersin Emir	Head of Internal Audit	February 18, 2011	Masters
Zeynep Aydın Demirkıran	Head of Risk Management	September 16, 2011	Masters

(*) As of December 1, 2019, Burçin Dündar Tüzün has been appointed as Assistant General Manager responsible for Corporate and Commercial Loans.
(**) As of December 1, 2019, Zeynep Kulalar has been appointed as the Assistant General Manager responsible for Corporate Banking.
The top level management listed above possesses immaterial number of shares of the Parent Bank.

IV. Information About the Persons and Institutions That Have Qualified Shares on the Parent Bank

Name Surname/Trade Name	Amount of Shares	Percentage of Shares	Paid-up Shares	Unpaid Shares
Qatar National Bank ("QNB")	3,345,892	99.88%	3,345,892	-
Other	4,108	0.12%	4,108	-

V. Explanations on the Parent Bank's Services and Activities

The Parent Bank's activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets, securities operations and credit card operations. In addition, the Parent Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of December 31, 2019, the Parent Bank operates through 523 domestic (December 31, 2018 - 540), 1 foreign (December 31, 2018 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2018 - 1) branches. As of December 31, 2019, the Group has 12,538 employees (December 31, 2018 - 13,466 employees).

VI. Information on Application Differences Between Consolidation Practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and the Turkish Accounting Standards, and Entities Subject to Full or Proportional Consolidation or Deducted from Equity or not Subject to any of These Three Methods

Parent Bank's joint venture Cigna Finans Emeklilik and Hayat Anonim Şirketi is consolidated using equity method as per the Regulation on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards.

Ibtech A.Ş and E-finans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş. included in investments in associates and Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. included in joint ventures are not consolidated to accompanying financial statements as per the Regulation on Preparation of Consolidated Financial Statements of Banks since they are nonfinancial investments. Bankalararası Kart Merkezi included in subsidiaries is carried at cost and not consolidated since the Parent Bank does not have material control and presence over it.

All other subsidiaries are fully consolidated.

Bosphorus Financial Services Limited and İstanbul Bond Company S.A., which are not subsidiaries of the Bank, but over which the Bank has 100% controlling power due to the reason that these companies are "Structured Entity", have been included in the scope of consolidation.

VII. Current or Likely Actual or Legal Barriers to Immediate Transfer of Shareholders' Equity or Repayment of Debts Between the Parent Bank and Its Subsidiaries

QNB FİNANSBANK ANONİM ŞİRKETİ

INDEPENDENT AUDITOR'S AUDIT REPORT, CONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2019

(Convenience translation of unconsolidated financial statements and independent auditor's audit report originally issued in Turkish, See Note I. of Section three)

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

I. Consolidated Balance Sheet (Consolidated Statement of Financial Position)

II. Consolidated Statements of Off-Balance Sheet Commitments and Contingencies

III. Consolidated Statement of Profit or Loss

IV. Consolidated Statement of Profit or Loss and Other Comprehensive İncome

V. Consolidated Statement of Changes in Shareholders' Equity

VI. Consolidated Statement of Cash Flows

VII. Consolidated Statement of Profit Appropriation

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF BALANCE SHEET (STATEMENTS OF FINANCIAL POSITION) - ASSETS AS AT DECEMBER 31, 2019 AND DECEMBER 31, 2018

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET - ASSETS

			Audited 31.12.2019			Audited(*) 31.12.2018		
		Section 5 Part I	TL	FC	TOTAL	TL	FC	TOTAL
I.	**FINANCIAL ASSETS (NET)**		**16,549,802**	**27,187,638**	**43,737,440**	**18,722,660**	**22,505,832**	**41,228,492**
1.1	**Cash and Cash Equivalents**		**4,749,207**	**18,322,590**	**23,071,797**	**2,500,305**	**17,725,314**	**20,225,619**
1.1.1	Cash and Balances with The Central Bank	(1)	1,127,558	17,622,984	18,750,542	1,822,718	16,688,725	18,511,443
1.1.2	Banks	(3)	403,520	699,615	1,103,135	205,463	1,036,589	1,242,052
1.1.3	Receivables From Money Market	(4)	3,225,937	-	3,225,937	509,711	-	509,711
1.1.4	Expected Credit Losses (-)		7,808	9	7,817	37,587	-	37,587
1.2	Financial Assets Measured at Fair Value through Profit/Loss	(2)	276,304	103,932	380,236	42,381	113,390	155,771
1.2.1	Public Sector Debt Securities		209,766	16,398	226,164	19,616	2,811	22,427
1.2.2	Equity Securities		24,564	-	24,564	7,320	-	7,320
1.2.3	Other Financial Assets		41,974	87,534	129,508	15,445	110,579	126,024
1.3	**Financial Assets Measured at Fair Value through Other Comprehensive Income**	(5)	**4,787,538**	**7,558,560**	**12,346,098**	**4,547,355**	**3,898,418**	**8,445,773**
1.3.1	Public Sector Debt Securities		4,777,207	7,352,489	12,129,696	4,540,725	3,763,899	8,304,624
1.3.2	Equity Securities		7,674	182,123	189,797	4,912	113,259	118,171
1.3.3	Other Financial Assets		2,657	23,948	26,605	1,718	21,260	22,978
1.4	**Derivative Financial Assets**	(12)	**6,736,753**	**1,202,556**	**7,939,309**	**11,632,619**	**768,710**	**12,401,329**
1.4.1	Derivative Financial Assets at Fair Value Through Profit/Loss		5,422,158	1,157,309	6,579,467	8,929,754	657,292	9,587,046
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		1,314,595	45,247	1,359,842	2,702,865	111,418	2,814,283
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)**		**85,772,166**	**47,059,324**	**132,831,490**	**75,233,583**	**37,928,092**	**113,161,675**
2.1	**Loans**	(6)	**83,674,566**	**35,353,734**	**119,028,300**	**72,713,180**	**29,200,104**	**101,913,284**
2.2	**Lease Receivables**	(11)	**751,652**	**4,036,505**	**4,788,157**	**1,381,904**	**3,706,195**	**5,088,099**
2.3	**Factoring Receivables**	(7)	**1,330,012**	**221,571**	**1,551,583**	**868,619**	**104,385**	**973,004**
2.4	**Other Financial Assets Measured at Amortized Cost**	(8)	**8,588,791**	**7,592,511**	**16,181,302**	**7,916,505**	**5,015,688**	**12,932,193**
2.4.1	Government Debt Securities		8,588,791	7,028,183	15,616,974	7,916,505	4,283,527	12,200,032
2.4.2	Other Financial Assets		-	564,328	564,328	-	732,161	732,161
2.5	**Expected Credit Losses (-)**		**8,572,855**	**144,997**	**8,717,852**	**7,646,625**	**98,280**	**7,744,905**
III.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)**	(17)	**-**	**-**	**-**	**-**	**-**	**-**
3.1	Held for sale		-	-	-	-	-	-
3.2	Discontinued Operations		-	-	-	-	-	-
IV.	**INVESTMENTS**		**217,648**	**-**	**217,648**	**186,645**	**-**	**186,645**
4.1	**Investment in Associates (Net)**	(9)	**5,982**	**-**	**5,982**	**5,982**	**-**	**5,982**
4.1.1	Equity Method Associates		-	-	-	-	-	-
4.1.2	Unconsolidated		5,982	-	5,982	5,982	-	5,982
4.2	**Investment in Subsidiaries (Net)**		**38,038**	**-**	**38,038**	**38,054**	**-**	**38,054**
4.2.1	Unconsolidated Financial Investments		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Investments		38,038	-	38,038	38,054	-	38,054
4.3	**Equity Under Common Control (Joint Ventures) (Net)**	(10)	**173,628**	**-**	**173,628**	**142,609**	**-**	**142,609**
4.3.1	Equity method associates		170,828	-	170,828	139,809	-	139,809
4.3.2	Unconsolidated		2,800	-	2,800	2,800	-	2,800
V.	**TANGIBLE ASSETS (NET)**	(13)	**3,386,959**	**276**	**3,387,235**	**2,868,939**	**61**	**2,869,000**
VI.	**INTANGIBLE ASSETS (NET)**	(14)	**453,366**	**-**	**453,366**	**411,200**	**-**	**411,200**
6.1	Goodwill		-	-	-	-	-	-
6.2	Others		453,366	-	453,366	411,200	-	411,200
VII.	**INVESTMENT PROPERTIES (NET)**	(15)	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**CURRENT TAX ASSET**		**6,248**	**-**	**6,248**	**77,001**	**-**	**77,001**
IX.	**DEFERRED TAX ASSET**	(16)	**445,244**	**-**	**445,244**	**618,081**	**-**	**618,081**
X.	**OTHER ASSETS (NET)**	(18)	**3,091,466**	**3,356,049**	**6,447,515**	**2,747,944**	**2,200,196**	**4,948,140**
	TOTAL ASSETS		**109,922,899**	**77,603,287**	**187,526,186**	**100,866,053**	**62,634,181**	**163,500,234**

(*) In order to be comparable with the current financial statement in the format of the new financial statement published by the Banking Regulation and Supervision Agency ("BRSA") on February 1, 2019, necessary classifications were made in the previous period's financial statement.

The accompanying notes are an integral part of these consolidated financial statements.

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF BALANCE SHEET (STATEMENTS OF FINANCIAL POSITION) - LIABILITIES AND EQUITY AS AT DECEMBER 31, 2019 AND DECEMBER 31, 2018

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET - LIABILITIES AND EQUITY

					Audited 31.12.2019			Audited(*) 31.12.2018
		Section 5 Part II	TL	FC	TOTAL	TL	FC	TOTAL
I.	DEPOSITS	(1)	46,775,898	58,724,355	105,500,253	44,763,096	42,063,120	86,826,216
II.	FUNDS BORROWED	(3)	2,042,956	17,376,361	19,419,317	1,102,021	19,450,212	20,552,233
III.	MONEY MARKET BORROWINGS	(4)	351,897	8,797,038	9,148,935	711,126	4,622,546	5,333,672
IV.	SECURITIES ISSUED (NET)	(5)	5,070,667	9,280,880	14,351,547	4,084,174	7,765,903	11,850,077
4.1	Bills		4,459,553	116,648	4,576,201	3,482,767	388,754	3,871,521
4.2	Asset Backed Securities		442,887	-	442,887	436,650	-	436,650
4.3	Bonds		168,227	9,164,232	9,332,459	164,757	7,377,149	7,541,906
V.	FUNDS		-	-	-	-	-	-
5.1	Borrowers' Funds		-	-	-	-	-	-
5.2	Others		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT & LOSS (NET)		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		3,448,115	1,687,378	5,135,493	5,611,501	838,688	6,450,189
7.1	Derivative Financial Liabilities at Fair Value Through Profit & Loss (Net)	(2)	2,960,728	1,293,589	4,254,317	5,451,826	662,190	6,114,016
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	487,387	393,789	881,176	159,675	176,498	336,173
VIII.	FACTORING PAYABLES		-	-	-	-	-	-
IX.	LEASE PAYABLES (NET)	(7)	421,406	15,879	437,285	-	-	-
X.	PROVISIONS	(9)	921,907	-	921,907	826,061	-	826,061
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		560,445	-	560,445	452,523	-	452,523
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		361,462	-	361,462	373,538	-	373,538
XI.	CURRENT TAX LIABILITY	(10)	213,410	-	213,410	159,866	-	159,866
XII.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIII.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (NET)	(11)	-	-	-	-	-	-
13.1	Held for Sale		-	-	-	-	-	-
13.2	Discontinued Operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT INSTRUMENTS	(12)	-	5,432,553	5,432,553	-	4,816,098	4,816,098
14.1	Subordinated Loans		-	5,432,553	5,432,553	-	4,816,098	4,816,098
14.2	Other Debt Instruments		-	-	-	-	-	-
XV.	OTHER LIABILITIES		5,573,013	4,627,165	10,200,178	5,189,832	6,892,547	12,082,379
XVI.	SHAREHOLDERS' EQUITY	(13)	17,398,475	(633,167)	16,765,308	15,088,886	(485,443)	14,603,443
16.1	Paid-in Capital		3,350,000	-	3,350,000	3,350,000	-	3,350,000
16.2	Capital Reserves		714	-	714	714	-	714
16.2.1	Share Premium	(14)	714	-	714	714	-	714
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		-	-	-	-	-	-
16.3	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		(76,340)	101,267	24,927	(52,953)	44,291	(8,662)
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		(101,108)	(734,434)	(835,542)	430,556	(529,734)	(99,178)
16.5	Profit Reserves		11,353,778	-	11,353,778	8,781,070	-	8,781,070
16.5.1	Legal Reserves		721,459	-	721,459	634,516	-	634,516
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		10,632,319	-	10,632,319	8,146,554	-	8,146,554
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit/Loss		2,864,094	-	2,864,094	2,572,708	-	2,572,708
16.6.1	Prior Periods' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Period's Net Profit/Loss		2,864,094	-	2,864,094	2,572,708	-	2,572,708
16.7	Minority Interest		7,337	-	7,337	6,791	-	6,791
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		82,217,744	105,308,442	187,526,186	77,536,563	85,963,671	163,500,234

(*) In order to be comparable with the current financial statement in the format of the new financial statement published by the Banking Regulation and Supervision Agency ("BRSA") on February 1, 2019, necessary classifications were made in the previous period's financial statement.

The accompanying notes are an integral part of these consolidated financial statements.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

		Section 5 Part III	Audited 31.12.2019			Audited 31.12.2018		
			TL	FC	TOTAL	TL	FC	TOTAL
	OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		**143,685,259**	**223,417,578**	**367,102,837**	**130,725,576**	**177,963,434**	**308,689,010**
I.	**GUARANTEES**	(1), (2), (3), (4)	**10,257,777**	**18,245,467**	**28,503,244**	**8,744,817**	**14,944,429**	**23,689,246**
1.1.	Letters of guarantee		10,167,212	9,846,193	20,013,405	8,728,878	8,756,308	17,485,186
1.1.1.	Guarantees subject to State Tender Law		419,645	66,525	486,170	363,694	43,691	407,385
1.1.2.	Guarantees given for foreign trade operations		5,338,469	9,779,668	15,118,137	4,414,542	8,712,617	13,127,159
1.1.3.	Other letters of guarantee		4,409,098	-	4,409,098	3,950,642	-	3,950,642
1.2.	Bank loans		22,742	5,799,601	5,822,343	15,820	4,460,434	4,476,254
1.2.1.	Import letter of acceptance		22,742	5,799,601	5,822,343	15,820	4,460,434	4,476,254
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		67,823	2,599,673	2,667,496	119	1,727,687	1,727,806
1.3.1.	Documentary letters of credit		67,823	2,000,767	2,068,590	119	1,682,271	1,682,390
1.3.2.	Other letters of credit		-	598,906	598,906	-	45,416	45,416
1.4.	Prefinancing given as guarantee		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other endorsements		-	-	-	-	-	-
1.6.	Securities issue purchase guarantees		-	-	-	-	-	-
1.7.	Factoring guarantees		-	-	-	-	-	-
1.8.	Other guarantees		-	-	-	-	-	-
1.9.	Other collaterals		-	-	-	-	-	-
II.	**COMMITMENTS**		**82,504,459**	**6,301,824**	**88,806,283**	**63,715,808**	**3,974,340**	**67,690,148**
2.1.	Irrevocable commitments	(1)	47,699,180	5,245,759	52,944,939	36,609,777	2,179,323	38,789,100
2.1.1.	Forward asset purchase commitments		1,326,013	4,004,529	5,330,542	427,989	1,718,222	2,146,211
2.1.2.	Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4.	Loan granting commitments		14,309,356	594	14,309,950	10,851,659	526	10,852,185
2.1.5.	Securities underwriting commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7.	Payment commitment for checks		2,377,515	-	2,377,515	2,181,264	-	2,181,264
2.1.8.	Tax and fund liabilities from export commitments		29,197	-	29,197	28,728	-	28,728
2.1.9.	Commitments for credit card expenditure limits		28,781,240	-	28,781,240	22,362,300	-	22,362,300
2.1.10.	Commitments for promotions related with credit cards and banking activities		71,447	-	71,447	29,958	-	29,958
2.1.11.	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12.	Payables for short sale commitments		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		804,412	1,240,636	2,045,048	727,879	460,575	1,188,454
2.2.	Revocable commitments		34,805,279	1,056,065	35,861,344	27,106,031	1,795,017	28,901,048
2.2.1.	Revocable loan granting commitments		34,741,148	748,047	35,489,195	27,048,976	1,678,758	28,727,734
2.2.2.	Other revocable commitments		64,131	308,018	372,149	57,055	116,259	173,314
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	(5), (6)	**50,923,023**	**198,870,287**	**249,793,310**	**58,264,951**	**159,044,665**	**217,309,616**
3.1	Derivative financial instruments for hedging purposes		16,995,877	63,215,920	80,211,797	18,063,782	47,418,740	65,482,522
3.1.1	Fair value hedge		6,993,716	23,111,386	30,105,102	6,676,382	17,556,538	24.232.920
3.1.2	Cash flow hedge		10,002,161	40,104,534	50,106,695	11,387,400	29,862,202	41.249.602
3.1.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2	Held for trading transactions		33,927,146	135,654,367	169,581,513	40,201,169	111,625,925	151.827.094
3.2.1	Forward foreign currency buy/sell transactions		2,837,474	5,228,896	8,066,370	2,517,071	4,581,723	7.098.794
3.2.1.1	Forward foreign currency transactions-buy		2,234,775	1,792,339	4,027,114	1,335,604	2,193,969	3.529.573
3.2.1.2	Forward foreign currency transactions-sell		602,699	3,436,557	4,039,256	1,181,467	2,387,754	3.569.221
3.2.2	Swap transactions related to foreign currency and interest rates		25,285,071	121,572,364	146,857,435	32,179,059	99,168,311	131.347.370
3.2.2.1	Foreign currency swap-buy		7,167,491	36,906,553	44,074,044	14,037,137	30,588,966	44.626.103
3.2.2.2	Foreign currency swap-sell		18,017,580	25,893,831	43,911,411	16,501,922	28,568,691	45.070.613
3.2.2.3	Interest rate swaps-buy		50,000	29,385,990	29,435,990	820,000	20,005,327	20.825.327
3.2.2.4	Interest rate swaps-sell		50,000	29,385,990	29,435,990	820,000	20,005,327	20.825.327
3.2.3	Foreign currency, interest rate and securities options		5,705,403	7,537,454	13,242,857	5,505,039	6,823,437	12.328.476
3.2.3.1	Foreign currency options-buy		1,385,083	5,219,625	6,604,708	2,341,029	3,789,135	6.130.164
3.2.3.2	Foreign currency options-sell		4,320,320	2,317,829	6,638,149	3,164,010	3,034,302	6.198.312
3.2.3.3	Interest rate options-buy		-	-	-	-	-	-
3.2.3.4	Interest rate options-sell		-	-	-	-	-	-
3.2.3.5	Securities options-buy		-	-	-	-	-	-
3.2.3.6	Securities options-sell		-	-	-	-	-	-
3.2.4	Foreign currency futures		99,198	97,912	197,110	-	237,014	237.014
3.2.4.1	Foreign currency futures-buy		99,198	-	99,198	-	118,507	118.507
3.2.4.2	Foreign currency futures-sell		-	97,912	97,912	-	118,507	118.507
3.2.5	Interest rate futures		-	-	-	-	-	-
3.2.5.1	Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sell		-	-	-	-	-	-
3.2.6	Other		-	1,217,741	1,217,741	-	815,440	815.440
B.	**CUSTODY AND PLEDGED ITEMS (IV+V-VI)**		**923,222,865**	**199,370,349**	**1,122,593,214**	**737,183,757**	**166,377,574**	**903.561.331**
IV.	**ITEMS HELD IN CUSTODY**		**187,995,356**	**10,355,208**	**198,350,564**	**69,147,240**	**7,436,300**	**76.583.540**
4.1.	Assets under management		4,535,551	7,095	4,542,646	384,389	15,581	399.970
4.2.	Investment securities held in custody		141,145,402	4,607,369	145,752,771	34,063,877	2,863,101	36.926.978
4.3.	Checks received for collection		5,587,773	1,187,437	6,775,210	4,428,561	688,567	5.117.128
4.4.	Commercial notes received for collection		1,748,473	419,279	2,167,752	1,516,634	342,062	1.858.696
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		34,978,157	4,134,028	39,112,185	28,753,779	3,526,989	32.280.768
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**441,122,637**	**119,044,468**	**560,167,105**	**406,505,048**	**96,312,753**	**502.817.801**
5.1.	Marketable securities		3,572,768	8,761,567	12,334,335	2,523,879	8,044,413	10.568.292
5.2.	Guarantee notes		398,506	82,436	480,942	442,693	131,866	574.559
5.3.	Commodity		476,476	-	476,476	66,090	-	66.090
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		102,041,042	61,972,389	164,013,431	90,756,028	53,481,420	144.237.448
5.6.	Other pledged items		334,633,845	48,228,076	382,861,921	312,716,358	34,655,054	347.371.412
5.7.	Pledged items-depository		-	-	-	-	-	-
VI.	**ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES**		**294,104,872**	**69,970,673**	**364,075,545**	**261,531,469**	**62,628,521**	**324.159.990**
	TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		**1,066,908,124**	**422,787,927**	**1,489,696,051**	**867,909,333**	**344,341,008**	**1.212.250.341**

The accompanying notes are an integral part of these consolidated financial statements

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Section 5 Part IV	Audited 01.01 - 31.12.2019	Audited 01.01 - 31.12.2018(*)
I.	**INTEREST INCOME**	(1)	**19,151,624**	**17,184,574**
1.1	Interest income on loans		15,209,881	13,405,224
1.2	Interest income on reserve deposits		190,664	200,684
1.3	Interest income on banks		258,594	201,643
1.4	Interest income on money market transactions		243,478	38,928
1.5	Interest income on securities portfolio		2,427,046	2,551,730
1.5.1	Financial assets measured at FVTPL		20,091	2,252
1.5.2	Financial assets measured at FVOCI		1,088,038	820,642
1.5.3	Financial assets measured at amortized cost		1,318,917	1,728,836
1.6	Financial lease income		531,030	493,419
1.7	Other interest income		290,931	292,946
II.	**INTEREST EXPENSE (-)**	(2)	**11,311,525**	**9,306,793**
2.1	Interest on deposits		7,816,808	6,472,132
2.2	Interest on funds borrowed		1,494,179	1,339,723
2.3	Interest on money market transactions		427,454	430,607
2.4	Interest on securities issued		1,491,444	1,047,798
2.5	Interest on leases		64,596	1,200
2.6	Other interest expenses		17,044	15,333
III.	**NET INTEREST INCOME/EXPENSE (I - II)**		**7,840,099**	**7,877,781**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**2,823,540**	**2,252,137**
4.1	Fees and commissions received		3,508,712	2,799,449
4.1.1	Non-cash loans		159,282	114,751
4.1.2	Others		3,349,430	2,684,698
4.2	Fees and commissions paid (-)		685,172	547,312
4.2.1	Non-cash loans		2,128	1,602
4.2.2	Others		683,044	545,710
V.	**DIVIDEND INCOME**	(3)	**2,934**	**5,716**
VI.	**NET TRADING INCOME/LOSS (NET)**	(4)	**(1,340,686)**	**(1,222,167)**
6.1	Trading account gain/losses		65,103	17,224
6.2	Gain/losses from derivative transactions		(1,258,332)	702,547
6.3	Foreign exchange gain/losses		(147,457)	(1,941,938)
VII.	**OTHER OPERATING INCOME**	(5)	**146,658**	**75,007**
VIII.	**TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII+VIII)**		**9,472,545**	**8,988,474**
IX.	**EXPECTED CREDIT LOSSES (-)**	(6)	**1,918,759**	**2,313,213**
X.	**OTHER PROVISION EXPENSES (-)**		**74,919**	**4,237**
XI.	**PERSONEL EXPENSES**		**1,827,064**	**1,521,226**
XII.	**OTHER OPERATING EXPENSES**	(7)	**2,251,890**	**1,923,646**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**3,399,913**	**3,226,152**
XIV.	**INCOME RESULTED FROM MERGERS**		**-**	**-**
XV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**89,429**	**44,789**
XVI.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**	**-**
XVII.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)**	(8)	**3,489,342**	**3,270,941**
XVIII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	(9)	**(624,702)**	**(697,736)**
18.1	Carrent tax charge		(231,430)	(802,797)
18.2	Deferred tax charge (+)		180,306	1,117,542
18.3	Deferred tax credit (-)		(573,578)	(1,012,481)
XIX.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)**	(10)	**2,864,640**	**2,573,205**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
20.1	Income from assets held for sale		-	-
20.2	Income from sale of associates, subsidiaries and joint-ventures		-	-
20.3	Others		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
21.1	Expenses on assets held for sale		-	-
21.2	Expenses on sale of associates, subsidiaries and joint-ventures		-	-
21.3	Others		-	-
XXII.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)**		**-**	**-**
XXIII.	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**		**-**	**-**
23.1	Current tax charge		-	-
23.2	Deferred tax charge (+)		-	-
23.3	Deferred tax credit (-)		-	-
XXIV.	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)**		**-**	**-**
XXV.	**NET PROFIT/LOSS (XVIII+XXIII)**	(11)	**2,864,640**	**2,573,205**
25.1	Group's profit/loss		2,864,094	2,572,708
25.2	Minority interest		546	497
	Earnings Per Share		0.0855	0.0768

(*) In order to be comparable with the current financial statement in the format of the new financial statement published by the Banking Regulation and Supervision Agency ("BRSA") on February 1, 2019, necessary classifications were made in the previous period's financial statement.

The accompanying notes are an integral part of these consolidated financial statements.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited 01.01 - 31.12.2019	Audited 01.01 - 31.12.2018
I.	**CURRENT PERIOD PROFIT/LOSS**	**2,864,640**	**2,573,205**
II.	**OTHER COMPREHENSIVE INCOME**	**(702,775)**	**(130,313)**
2.1	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**33,589**	**38,099**
2.1.1	Revaluation Surplus on Tangible Assets	-	-
2.1.2	Revaluation Surplus on Intangible Assets	-	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(29,985)	19,691
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	60,293	24,064
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	3,281	(5,656)
2.2	**Other Income/Expense Items to be Recycled to Profit or Loss**	**(736,364)**	**(168,412)**
2.2.1	Translation Differences	-	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	280,269	(424,103)
2.2.3	Gains/losses from Cash Flow Hedges	(1,233,787)	209,669
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	217,154	46,022
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**2,161,865**	**2,442,892**

The accompanying notes are an integral part of these consolidated financial statements.

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

							Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss								
	Audited	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others(*)	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Other(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
	Prior Period- 01.01 - 31.12.2018																	
I.	**Balances at Beginning of Period**		3,350,000	714	-	-	-	(68,312)	21,551	-	(251,126)	231,847	7,365,587	1,771,786	-	12,422,047	6,294	12,428,341
II.	**Correction made as per TAS 8**		-	-	-	-	-	-	-	-	88,513	-	-	(256,303)	-	(167,790)	-	(167,790)
2.1	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	88,513	-	-	(256,303)	-	(167,790)	-	(167,790)
III.	**Adjusted Balances at Beginning of Period (I+II)**		3,350,000	714	-	-	-	(68,312)	21,551	-	(162,613)	231,847	7,365,587	1,515,483	-	12,254,257	6,294	12,260,551
IV.	**Total Comprehensive Income**		-	-	-	-	-	15,359	22,740	-	(333,729)	165,317	-	-	2,572,708	2,442,395	497	2,442,892
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	1,415,483	(1,515,483)	-	(100,000)	-	(100,000)
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	(100,000)	-	(100,000)	-	(100,000)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	1,415,483	(1,415,483)	-	-	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV...+X+XI)		3,350,000	714	-	-	-	(52,953)	44,291	-	(496,342)	397,164	8,781,070	-	2,572,708	14,596,652	6,791	14,603,443

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

							Other Comprehensive Income/ Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss								
	Audited	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/ Losses	Others(*)	Translation Differences	Income/Expenses from Valuation and/ or Reclassification of Financial Assets Measured at FVOCI	Other(**)	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
	Current Period- 01.01 - 31.12.2019																	
I.	**Balances at Beginning of Period**		3,350,000	714	-	-	-	(52,953)	44,291	-	(496,342)	397,164	8,781,070	-	2,572,708	14,596,652	6,791	14,603,443
II.	**Correction made as per TAS 8(***)**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Balances at Beginning of Period (I+II)**		3,350,000	714	-	-	-	(52,953)	44,291	-	(496,342)	397,164	8,781,070	-	2,572,708	14,596,652	6,791	14,603,443
IV.	**Total Comprehensive Income**		-	-	-	-	-	(23,387)	56,976	-	226,655	(963,019)	-	-	2,864,094	2,161,319	546	2,161,865
V.	**Capital Increase in Cash**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase from Internal Sources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible Bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Liabilities**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Others Changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	2,572,708	-	2,572,708	-	-	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	2,572,708	-	2,572,708	-	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV...+X+XI)		3,350,000	714	-	-	-	(76,340)	101,267	-	(269,687)	(565,855)	11,353,778	-	2,864,094	16,757,971	7,337	16,765,308

(*) Accumulated amounts of share of investments accounted for by the equity method that can not be classified as profit / loss from other comprehensive income with other comprehensive income that will not be reclassified to other profit or loss
(**) Accumulated amount of cash flow hedge gains / losses, equity attributable to equity holders of the Group for profit or loss from other comprehensive income and other comprehensive income to be reclassified to other profit or loss
(***) TFRS 9 explained in related discclosures Section three part XXVI.

The accompanying notes are an integral part of these consolidated financial statements.

QNB FİNANSBANK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

		Section 5 Part VI	Audited 01.01 - 31.12.2019	Audited 01.01 - 31.12.2018
A.	**CASH FLOWS FROM / (TO) BANKING OPERATIONS**			
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities (+)**		**10,184,799**	**7,306,839**
1.1.1	Interest received		18,081,879	14,365,902
1.1.2	Interest paid		(12,860,323)	(4,784,748)
1.1.3	Dividend received		2,934	5,716
1.1.4	Fees and commissions received		3,514,697	2,801,282
1.1.5	Other income		146,658	75,007
1.1.6	Collections from previously written off loans		1,503,939	1,261,968
1.1.7	Payments to personnel and service suppliers		(1,236,844)	(2,639,452)
1.1.8	Taxes paid		(768,255)	(591,048)
1.1.9	Other		1,800,114	(3,187,788)
1.2	**Changes in Assets and Liabilities**		**(1,894,003)**	**(1,110,132)**
1.2.1	Net (increase) decrease in financial assets measured at fair value through profit/loss		(222,751)	132,395
1.2.2	Net (increase) decrease in due from banks		2,867,541	182,022
1.2.3	Net (increase) decrease in loans		(14,048,513)	(7,189,232)
1.2.4	Net (increase) decrease in other assets		(1,718,085)	(3,610,949)
1.2.5	Net increase (decrease) in bank deposits		1,787,924	1,123,770
1.2.6	Net increase (decrease) in other deposits		12,329,077	7,509,231
1.2.7	Net (increase) decrease in financial liabilities measured at fair value through profit and loss		-	-
1.2.8	Net increase (decrease) in funds borrowed		(3,338,332)	(2,398,475)
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities		449,136	3,141,106
I.	**Net Cash Provided from Banking Operations (+/-)**		**8,290,796**	**6,196,707**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net Cash Provided from / (Used In) Investing Activities (+/-)**		**(4,986,347)**	**(2,894,114)**
2.1	Purchase of entities under common control, associates and subsidiaries		-	-
2.2	Sale of entities under common control, associates and subsidiaries		-	-
2.3	Fixed assets purchases		(246,657)	(225,886)
2.4	Fixed assets sales		26,747	16,297
2.5	Purchase of financial assets measured at fair value through other comprehensive income		(6,477,428)	(2,364,582)
2.6	Sale of financial assets measured at fair value through other comprehensive income		3,797,849	1,237,280
2.7	Purchase of Financial Assets Measured at Amortized Cost		(3,406,328)	(2,201,072)
2.8	Sale of Financial Assets Measured at Amortized Cost		1,496,516	837,723
2.9	Other		(177,046)	(193,874)
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net Cash Provided from / (Used In) Financing Activities**		**1,969,590**	**(166,198)**
3.1	Cash obtained from funds borrowed and securities issued		4,459,394	3,075,596
3.2	Cash used for repayment of funds borrowed and securities issued		(2,293,410)	(3,141,794)
3.3	Capital increase		-	-
3.4	Dividends paid		-	(100,000)
3.5	Payments for finance leases		-	-
3.6	Other		(196,394)	-
IV.	**Effect of Foreign Currency Translation Differences on Cash and Cash Equivalents (+/-)**		**356,419**	**(39,314)**
V.	**Net Increase / (Decrease) in Cash and Cash Equivalents (I+II+III+IV)**		**5,630,458**	**3,097,081**
VI.	**Cash and Cash Equivalents at the Beginning Of The Period (+)**	(2)	**9,184,452**	**6,087,371**
VII.	**Cash and Cash Equivalents at End of the Period (V+VI)**		**14,814,910**	**9,184,452**

The accompanying notes are an integral part of these consolidated financial statements.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VII. CONSOLIDATED STATEMENT OF PROFIT APPROPRIATION(*)

		Audited Current Period 31.12.2019(*)	Audited Prior Period 31.12.2018
I.	**DISTRIBUTION OF CURRENT YEAR INCOME**		
1.1	Current Year Income	3,179,760	3,058,741
1.2	Taxes And Duties Payable	557,603	648,912
1.2.1	Corporate Tax (Income Tax)	163,465	711,041
1.2.2	Income Withholding Tax	-	-
1.2.3	Other Taxes And Duties	394,138	(62,129)
A.	**NET INCOME FOR THE YEAR (1.1-1.2)**	**2,622,157**	**2,409,829**
1.3	Prior Year Losses (-)	-	-
1.4	First Legal Reserves (-)	-	85,130
1.5	Other Statutory Reserves (-)	-	-
B.	**NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**2,622,157**	**2,324,699**
1.6	First Dividend To Shareholders (-)	-	-
1.6.1	To Owners Of Ordinary Shares	-	-
1.6.2	To Owners Of Privileged Shares	-	-
1.6.3	To Owners Of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders Of Profit And (Loss) Sharing Certificates	-	-
1.7	Dividends To Personnel (-)	-	-
1.8	Dividends To Board Of Directors (-)	-	-
1.9	Second Dividend To Shareholders (-)	-	-
1.9.1	To Owners Of Ordinary Shares	-	-
1.9.2	To Owners Of Privileged Shares	-	-
1.9.3	To Owners Of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders Of Profit And (Loss) Sharing Certificates	-	-
1.10	Second Legal Reserves (-)	-	-
1.11	Statutory Reserves (-)	-	-
1.12	Extraordinary Reserves	-	(2,324,699)
1.13	Other Reserves	-	-
1.14	Special Funds	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	Appropriated Reserves	-	-
2.2	Second Legal Reserves (-)	-	-
2.3	Dividends To Shareholders (-)	-	-
2.3.1	To Owners Of Ordinary Shares	-	-
2.3.2	To Owners Of Privileged Shares	-	-
2.3.3	To Owners Of Preferred Shares	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Holders Of Profit And (Loss) Sharing Certificates	-	-
2.4	Dividends To Personnel (-)	-	-
2.5	Dividends To Board Of Directors (-)	-	-
III.	**EARNINGS PER SHARE**		
3.1	To Owners Of Ordinary Shares	0.0783	0.0719
3.2	To Owners Of Ordinary Shares (%)	7.83%	7.19%
3.3	To Owners Of Privileged Shares	-	-
3.4	To Owners Of Privileged Shares (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	To Owners Of Ordinary Shares	-	-
4.2	To Owners Of Ordinary Shares (%)	-	-
4.3	To Owners Of Privileged Shares	-	-
4.4	To Owners Of Privileged Shares (%)	-	-

(*) Profit Appropriation Statement has been prepared according to unconsolidated financial statements of the Parent Bank.
(**) Decision regarding the profit distribution for the 2019 will be taken at the General Meeting.
The accompanying notes are an integral part of these consolidated financial statements.

SECTION THREE

ACCOUNTING POLICIES

I. Basis of Presentation

1. Preparation of the consolidated financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents

The Bank prepared the accompanying consolidated financial statements regarding to the Banking Law No.5411 "Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents", dated November 1, 2006 which is published in the Official Gazette No: 26333, which refers to "Turkish Accounting Standards" ("TAS"), put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"), and "Turkish Financial Reporting Standards" ("TFRS") issued by the "Turkish Accounting Standards Board" ("TASB") and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the Banking Regulation and Supervision Agency ("BRSA") and in case where a specific regulation is not made by BRSA, the format and detail of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements". Consolidated financial statements and the related disclosures and footnotes have been presented in thousands of Turkish Lira unless otherwise specified. The amounts expressed in foreign currency, is indicated by the full amount.

Explanation for convenience translation to English

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these consolidated financial statements. Accordingly, these consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS. Consolidated financial statements and the related disclosures and footnotes have been presented in thousands of Turkish Lira unless otherwise specified. The amounts expressed in foreign currency, is indicated by the full amount.

2. Accounting policies and valuation principles used in the preparation of the consolidated financial statements

Accounting policies and valuation principles used in the preparation of the consolidated financial statements are determined and applied, in accordance with the regulations, communiques, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"),and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2018 except for the application of TFRS 16.

The accounting policies and valuation principles related with current and prior period are explained in Notes II to XXVII below.

Consolidated financial statements are prepared in TL accordance with the historical cost basis except for financial instruments measured at fair value through profit/loss, financial assets measured at fair value through other comprehensive income, derivative financial assets and liabilities. In addition, carrying value of assets subject to fair value hedge but are carried at historical cost is adjusted to reflect fair value changes related to risks being hedged.

The preparation of consolidated financial statements in conformity with TFRS requires the use of certain critical accounting estimates by the Parent Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent matters as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement.

2.1. Changes in accounting policies and disclosures

2.1.1. Major new and amended standards and interpretations

The Group has started to apply "TFRS 16 Leases" Standard published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29826 dated April 16, 2018 starting from January 1, 2019. Other changes on standards of TAS and TFRS have no significant impact on financial position or performance of the Group.

2.1.2. The new standards, amendments and interpretations which are effective as of January 1, 2019 TFRS 16 Leases

TFRS 16 Leasing standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of financial leases (on balance sheet). For lessors, the accounting stays almost the same. The Group has started to apply "TFRS 16 Leases" Standard starting from January 1, 2019.

Set out below are the new accounting policies of the Group upon adoption of TFRS 16:

Right of Use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right to use includes the presence of:

• The initial measurement of the lease;

• The amount obtained by deducting all lease payments received from all lease payments made on or on the date of actual lease; and

• All initial direct costs incurred by the Group.

At the end of the lease term of the underlying asset's service, the transfer of the Group is reasonably finalized, and the Group depreciates the asset until the end of the life of the underlying asset on which the lease actually began. Right-of-use assets are subject to impairment.

Lease Liabilities

The Group measures the lease obligation at the present value of the unpaid lease payments on the date that the lease commences.

Lease payments included in the measurement of the lease obligation on the date that the lease actually commences, consists of the following payments to be made for the right of use of the underlying asset during the lease period and not paid on the date the lease actually starts:

• Fixed payments;

• Variable lease payments based on an index or rate, the first measurement made using an index or rate on the actual date of the lease;

• Amounts expected to be paid by the Group under the residual value commitments;

• The use price of this option and, if the Group is reasonably confident that it will use the purchase option; and

• Fines for termination of the lease if the lease term indicates that the Group will use an option to terminate the lease.

Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggered the payment occurred. The Group revises the revised discount rate for the remainder of the lease term, if the implicit interest rate in the lease can be easily determined; the Group's alternative borrowing interest rate at the date of the revaluation.

After the effective date of the lease, the Group measures the lease obligation as follows:

• Increase the carrying amount to reflect the interest on the lease obligation; and

• Decreases the carrying amount to reflect the lease payments made.

In addition, in the event of a change in the lease term, in essence a change in fixed lease payments or a change in the assessment of the option to buy the underlying asset, the value of the lease obligations is remeasured.

Short-Term Leases and Leases of Low-Value Assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group has started to apply TFRS 16, assets classified under tangible assets as of December 31, 2019 amounted to TL 462,294, lease liability amounted to TL 437,285, financing expense amounted to TL 62,128 and depreciation expense amounted to TL 219,526.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

II. Strategy for the Use of Financial Instruments and the Foreign Currency Transactions

1. Strategy for the use of financial instruments

The major funding sources of the Parent Bank are customer deposits, bond issues and funds borrowed from international markets. The customer deposits bear a fixed interest rate and have an average maturity of 1-3 months in line with the sector. Domestic bond issues are realized within the maturity of 3 months and foreign bond issues are based on long maturities with fixed interests. Funds borrowed from abroad mostly bear floating rates and are reprised at an average period of 3-6 months. The Parent Bank diverts its placements to assets with high return and sufficient collaterals. The Parent Bank manages the liquidity structure to meet its liabilities when due by diversifying the funding sources and keeping sufficient cash and cash equivalents. The maturity of fund sources and maturity and yield of placements are considered to the extent possible within the current market conditions and a higher return on long-term placements is aimed.

Besides customer deposits, the Parent Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets.

The Parent Bank converts the foreign currency liquidity obtained from the international markets to TL liquidity using long term swap transactions (fixed TL interest rate and floating FC interest rate). Thus, the Parent Bank generates TL denominated resources for funding long term loans with fixed interest rates.

The Parent Bank has determined securities portfolio limits based on the market risk limitations for money, capital and commodity markets. Products included in the securities portfolio are subject to position and risk limits. Position limits restrict the maximum nominal position based on the product. Risk limits are expressed in terms of “Value at Risk (VAR)” by taking risk tolerance as a cap. The maximum VAR amounts are determined by interest and currency risk factors, which affect the securities portfolio that is subject to market risk, as well as determining the risk tolerance based on the total value at risk. The above mentioned limits are revised annually.

The strategies for hedging exchange rate risk resulting from the Group’s foreign currency debt securities which are categorized as financial assets at fair value through other comprehensive income explained in foreign currency risk section and the applications regarding the cash flow hedging of interest rate cash flow risk resulting from deposits are explained in the Interest Rate Risk section in detail.

Hedging strategies for foreign exchange risk resulting from other foreign currency transactions are explained in the foreign currency risk section.

2. Foreign currency transactions

2.1. Foreign currency exchange rates used in converting transactions denominated in foreign currencies and presentation of them in the financial statements

The Group accounts for the transactions denominated in foreign currencies in accordance with TAS 21

“The Effects of Changes in Foreign Exchange Rates”. Foreign exchange gains and losses arising from transactions that are completed as of December 31, 2019 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL by using foreign currency exchange rates of the Parent Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Parent Bank’s foreign currency exchange rates for the related period ends are as follows:

	December 31, 2019	December 31, 2018
US Dollar	TL 5.9402	TL 5.2609
Euro	TL 6.6506	TL 6.0280

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

2.2 Total exchange rate differences that are included in net profit or loss for the year

The foreign currency position of the Parent Bank and the profit / loss from the foreign exchange transactions realized are included in the income statement of foreign exchange gains / losses and income/losses from derivative financial instruments in the income statement. While gain / loss from spot foreign exchange transactions are included in the profit / loss item of foreign exchange gain / loss on balance sheet, profit / loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income / loss statement of derivative financial instruments. Therefore, in order to determine the net profit / loss effects of foreign exchange transactions, two balances should be assessed together. As of December 31, 2019, derivative financial transaction loss amounting to TL 1,258,332 (December 31, 2018 - TL 702,547 TL derivative financial transaction gain) and excluding net interest expense amounting to TL 1,719,400 (December 31, 2018 - TL 2,017,523 net interest expense) arising from derivative transactions from the total foreign exchange loss amounting to TL 147,457 (December 31, 2018 - TL 1,941,938 net exchange loss), net foreign exchange operations gain is TL 313,611 (December 31, 2018 - TL 778,132 net foreign exchange gain).

2.3. Foreign associates

III. Information on Associates, Subsidiaries and Entities Under Common Control

The accompanying consolidated financial statements are prepared in accordance with TFRS 10 "Turkish Financial Reporting Standard in regards to Consolidated Financial Statements" and BRSA's "Regulation on Preparation of Consolidated Financial Statements of Banks" published on the Official Gazette numbered 26340 and dated November 8, 2006.

The corporations included in consolidation and their places of incorporation, nature of activities and shareholding percentages are as follows:

		Consolidation Method	Place of Establishment	Subject of Operations	Effective Share of the Group (%)	
					December 31, 2019	December 31, 2018
1.	QNB Finans Yatırım Menkul Değerler A.Ş. (Finans Yatırım)	Full consolidation	Turkey	Securities Intermediary Services	100.00	100.00
2.	QNB Finans Portföy Yönetimi A.Ş. (Finans Portföy)	Full consolidation	Turkey	Portfolio Management	100.00	100.00
3.	Hemenal Finansman A.Ş. (Tüketici Finansman)	Full consolidation	Turkey	Consumer Financing	100.00	100.00
4.	QNB Finans Finansal Kiralama A.Ş. (Finans Leasing)	Full consolidation	Turkey	Financial Leasing	99.40	99.40
5.	QNB Finans Faktoring A.Ş. (Finans Faktoring)	Full consolidation	Turkey	Factoring Services	100.00	100.00
6.	QNB Finans Varlık Kiralama Şirketi A.Ş.	Full consolidation	Turkey	Asset Lease	100.00	100.00
7.	Cigna Finans Emeklilik ve Hayat A.Ş. (Cigna Finans Emeklilik)	Equity Method	Turkey	Private Pension and Insurance	49.00	49.00

Subsidiaries maintain their books of accounts and prepare their financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the accounting standards promulgated by the Turkish Commercial Code, Financial Leasing Law and Turkish Capital Markets Board ("CMB") regulations. Certain adjustments and reclassifications were made on the financial statements of the subsidiaries for the purpose of fair presentation in accordance with the prevailing regulations and accounting standards according to regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, in accordance with Turkish Accounting Standards ("TMS") and Turkish Financial Reporting Standards ("TFRS") and related additions and interpretations published by Public Accounting and Auditing Oversight Authority ("KGK").

Differences between the accounting policies of subsidiaries and entities under common control and those of the Parent Bank are adjusted, if material. The financial statements of the subsidiaries and entities under common control are prepared as of December 31, 2019.

1. Subsidiaries

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Bank's returns.

Subsidiaries are consolidated using the full consolidation method based on the size of their asset equity, and result of operations. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Bank and are put out of consolidation's scope as soon as control is removed. Accounting policies applied by subsidiaries that are included in consolidated financial statements are not different from the Parent Bank's accounting policies.

According to full consolidation method, 100% of subsidiaries' asset, liability, income, expense and off balance sheet items are consolidated with the Parent Bank's asset, liability, income, expense and off balance sheet items. Book value of the Group's investment in each subsidiary is netted off with Group's equity shares. Unrealized gains and losses and balances that arise due to transactions between subsidiaries within consolidation scope, have been net off. Non-controlling interests are shown separately from earnings per share on consolidated balance sheet and income statement.

2. Associates and entities under common control

The Parent Bank does not have any financial associates that are consolidated in the accompanying financial statements.

The joint venture is established locally, has its primary operations in private pension and insurance, is controlled jointly with another group with a partnership agreement, and is included in Parent Bank's capital. Subject joint venture is included in consolidated financial statements by using equity method.

Equity method is a method of accounting whereby the book value of the investor's share capital in the subsidiary or the joint venture is either added to or subtracted in proportion with investor's share from the change in the subsidiary's or joint venture's equity within the period. The method also foresees that profit will be deducted from the subsidiary's or joint venture's accordingly recalculated value.

IV. Explanations on Derivative Financial Assets and Liabilities

The Group enters into forward currency purchase/sale agreements and swap transactions to reduce the foreign currency risk and interest rate risk and manage foreign currency liquidity risk. The Group also carries out currency and interest options and credit default swap and futures agreements.

Besides customer deposits, the Parent Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Parent Bank converts the foreign currency liquidity obtained from customer deposits and the international markets to TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate).

Therefore, the Parent Bank not only funds its long term fixed interest rate loans with TL but also hedges itself against interest rate risk.

The Parent Bank's derivative instruments held for trading and derivative instruments hedging purpose are classified, measured and accounted in accordance with "TFRS 9" and TAS 39 "Financial Instruments: Recognition and Measurement", respectively. Derivative instruments held for trading and derivative instruments hedging purpose are initially recognized at fair value and subsequently measured at fair value. Also, the liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the "Derivative Financial Assets at Fair Value Through Profit/Loss "," Derivative Financial Liabilities at Fair Value Through Profit & Loss" or "Derivative Financial Assets at Fair Value Through Other Comprehensive Income" and "Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. These amounts of derivative transactions presented on the balance sheet, represent the fair value differences based on the valuation.

Fair values of foreign currency purchase and sales contracts, currency and interest rate swap transactions are calculated by using internal pricing models based on market data.

Fair values of option contracts are calculated with option pricing models.

Futures transactions are accounted for at settlement as of the balance sheet date.

The Parent Bank does not have either any hybrid contract contains a host that is not an asset within the scope of this standard or a financial instrument which shall be separated from the host and accounted for as derivative under this standard.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another. The Parent Bank's credit derivatives portfolio included in the off-balance sheet accounts composes of credit default swaps resulted from protection buying or selling.

Credit default swap is a contract, in which the protection seller commits to pay the protection value to the protection buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily at their fair values.

Upon valuation of derivative instruments that are not subject to hedge accounting, differences in fair value, except for currency revaluation differences, are recorded in the income statement on Gains/Losses from Derivative transactions. These foreign currency valuation differences are accounted for under "Foreign Exchange Gains/Losses" account.

In cash flow hedge accounting:

The Parent Bank applies cash flow hedge accounting using interest swap transactions to hedge its TL and FC customer deposits with short term cyclical basis and subordinated loans and loans with floating rate financial receivables which have floating interest payment. The Parent Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Other Comprehensive Income/ Expense Items to be Recycled to Profit or Loss" whereas the amount concerning ineffective parts is associated with the income statement.

QNB Finans Finansal Kiralama AŞ., the subsidiary of the Parent Bank, applies cash flow hedge accounting through interest rate swaps to hedge itself against changes floating rate foreign currency borrowings and floating rates TL securities.

In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized.

In fair value hedge accounting:

The Parent Bank applies fair value hedge accounting within the framework of TAS 39 using swaps to hedge a portion of its long term, fixed rate mortgage and project finance loans against possible fair value change due to market interest rate fluctuations.

The Parent Bank applies fair value hedge accounting using FX swaps to hedge long term, fixed rate, foreign currency Eurobonds in financial assets measured at fair value through other comprehensive income (December 31, 2017 - Financial assets held for sale) portfolio against interest rate fluctuations.

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term TL government bonds with fixed coupon payment in financial assets measured at fair value through other comprehensive income (December 31, 2017 - Financial assets held for sale) portfolio using swap transactions as hedging instruments.

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued using interest rate swap transactions as hedging instruments.

QNB Finans Finansal Kiralama AŞ., the subsidiary of the Parent bank, applies fair value hedge accounting to hedge itself against changes in interest rates related to fixed rate TL securities issued.

The Parent Bank applies fair value hedge accounting through interest rate swaps to hedge itself against changes in the interest rates related to foreign currency borrowings.

QNB Finans Finansal Kiralama AŞ., the subsidiary of the Parent bank, applies fair value hedge accounting through interest rate swaps to hedge itself against changes in interest rates related to TL borrowings.

At each balance sheet date the Parent Bank and QNB Finans Finansal Kiralama AŞ., the subsidiary of the Parent Bank, apply effectiveness tests for fair value hedge accounting.

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked, adjustments made to the carrying amount of the hedged item are transferred to profit and loss with straight line method for portfolio hedges or with effective interest rate method for micro hedges. In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

As of September 30, 2018, the Bank terminated the hedge accounting for the fair value hedge of the fair value risk arising from the changes in the exchange rates for the real estates purchased in previous periods in foreign currency and the fair value of which is in foreign currency in the market. Fair value exchange difference adjustment amounting to TL 1,225,581 which is shown in tangible assets in the balance sheet, is amortized over the economic life of the property subject to hedging.

V. Explanations on Interest Income and Expenses

Interest income is recorded according to the effective interest rate method (Rate equal to net present value of future cash flows of financial assets or liabilities) defined in the TFRS 9 "Financial Instruments" standard by applying the effective interest rate to the gross carrying amount of a financial asset except for purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. When applying the effective interest rate method, an entity identifies fees that are an integral part of the effective interest rate of a financial instrument. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate, unless the financial instrument is measured at fair value, with the change in fair value being recognized in profit or loss.

When applying the effective interest method, The Parent Bank amortized any fees, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument. In case an interest was accrued on a security before its acquisition, the collected interest is divided into two parts as interest before and after the acquisition and only the interest of the period after the acquisition is recorded as interest income in the financial statements. If the expectation for the cash flows from financial asset is revised for reasons other than the credit risk, the change is reflected in the carrying amount of asset and in the related statement of profit or loss line and is amortized over the estimated life of financial asset.

If the financial asset is impaired and classified as a non-performing receivable, the Parent Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected credit loss models and accordingly, the calculation of expected credit losses includes an interest amount. Therefore, a reclassification is made between the accounts of "Expected Credit Losses" and "Interest Income From Loans" for such calculated amount.

VI. Explanations on Fees and Commission Income and Expenses

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. The income derived from agreements or asset purchases from real-person or corporate third parties are recognized as income when realized.

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

The Parent Bank shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Parent Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification of financial instruments

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

As per TFRS 9, the Parent Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss. The Parent Bank tested all financial assets whether their "contractual cash-flows solely represent payments of principal and interest" and assessed the asset classification within the business model.

Assessment of business model

As per TFRS 9, the Parent Bank's business model is determined at a level that reflects how groups of financial

assets are managed together to achieve a particular business objective.

The Parent Bank's business models are divided into three categories.

Business model aimed to hold assets in order to collect contractual cash flows:

This is a model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Receivables from the Central Bank, Banks, Money Market Placements, investments under financial assets measured at amortized cost, loans, leasing receivables, factoring receivables and other receivables are assessed within this business model.

Business model aimed to collect contractual cash flows and sell financial assets:

This is a model whose objective is achieved by both collecting contractual cash flows and selling financial assets: the Parent Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial Assets Measured at Fair Value through Other Comprehensive Income are assessed in this business model.

Other business models:

Financial assets are measured at fair value through profit or loss when they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Financial assets measured at fair value through profit/loss are assessed in this business model.

Measurement categories of financial assets and liabilities

Financial assets are classified in three main categories as listed below in accordance with TFRS 9:

- Financial assets measured at fair value through profit/loss;
- Financial assets measured at fair value through other comprehensive income; and
- Financial assets measured at amortized cost.

Financial assets at the fair value through profit or loss:

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

The Parent Bank has stocks, bills and bonds in portfolios of financial assets at fair value through profit and loss that are accounted in accordance with the Group' business model. In accordance with TFRS 9, the Parent Bank has classified cash flows are solely payments of principal and interest at certain dates under financial assets at fair value through profit and loss related to private purpose loans as of December 2018.

Financial assets at fair value through other comprehensive income:

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

"Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and are accounted under the "Other comprehensive income/expense items to be recycled to profit/loss" under shareholders' equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

Parent Bank has inflation indexed (CPI) government bonds in its financial assets at fair value through other comprehensive income and measured at amortized cost portfolios. CPI government bonds that are constant throughout their lives and their real principal amounts are preserved from inflation. These marketable securities are valued and accounted by using effective interest rate method by considering the real coupon rates and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate as disclosed by the Turkish Treasury. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary.

Some portion of the Eurobond portfolio which has been recognized as financial assets at fair value through other comprehensive income are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April 2009, and some portion of the TL government bonds are designated as fair value hedged items, hedged against interest rate fluctuations, starting from July 2011. Those securities are disclosed under financial assets at FV through OCI in order to be in line with balance sheet presentation. The fair value differences of Eurobond and TL government bond hedged items are accounted for under "Trading Account Gains/ Losses" in the income statement.

In cases where fair value hedge operations cannot be effectively performed as described in TAS 39, fair value hedge accounting is ceased. After fair value accounting is ceased value differences, previously reflected the income statement are amortized through the equity until the maturity of related hedged securities. The fair value differences of related portfolio securities sold prior to maturity are immediately recognized in the income statement.

Financial assets measured at amortized cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

The Parent Bank as explained in part IV, "Explanations on Derivative Financial Assets and Liabilities", enters into fx swap transactions against TL in order to hedge the possible losses which might arise due to the changes in the fair value of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. The Parent Bank accounts for the hedged loan portfolio at fair value related to hedged risk, the swap transactions used as the hedging instrument at fair value and reflects the related net gain or loss to respective period's income statement.

When the fair value hedge accounting could not be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans.

VIII. Explanations on Expected Credit Losses

The Group recognizes a loss allowance for expected credit losses on financial assets and loans measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans" effective from January 1, 2018. At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Group considers the changes in the default risk of financial instrument, when making the assessment.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets are divided into three categories depending on increase in credit risk observed since their initial recognition:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of expected credit losses on the 12-month default risk. It is calculated 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. As of December 31, 2019, minimum probability of default rate of Basel II is used in the expected credit loss calculation of receivables from public institutions and organizations. Such calculation is performed for each of three scenarios explained above.

Stage 2:

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. Calculation approach is quite similar with approach mentioned above, but probability of default and loss amount in default ratios estimated for the lifetime of instruments.

Stage 3:

Financial assets considered as impaired at the reporting date are classified as stage 3. The probability of default is taken into account as 100% in the calculation of impairment provision and Parent Bank accounts lifetime expected credit losses. In determining the impairment, the Parent Bank takes into consideration the following criteria:

• Delay of over 90 days;

• Impairment of credit worthiness;

• Collateral and / or equity of debtor is inadequate cover the payment of receivables on the maturity; and

• If it is convinced that will be delayed by more than 90 days for recovery of receivables due to macroeconomic, sector-specific or customer-specific reasons.

Calculation of expected credit losses

The Parent Bank measured expected credit losses with the reasonable, objective and supportable information based on a probability-weighted including estimations about time value of money, past events, current conditions and future economic conditions as of the reporting date, without undue cost or effort. The calculation of expected credit losses consists of three main parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD). PDs and LGDs used in the ECL calculation are point in time ("PIT")-based for key portfolios and consider both current conditions and expected cyclical changes.

While the expected credit loss is estimated, three scenarios (baseline scenario, adverse scenario, New Economic Plan) are evaluated. Each of these scenarios was associated with the different PD and LGD.

In addition, a certain portion of commercial and corporate loans is assessed individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. Such calculations are made by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate.

When measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit loss which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

Probability of default ("PD")

The PD represents the likelihood of a default over a specified time period. A 12-month PD represents the likelihood of default determined for the next 12 months and a lifetime PD represents the probability of default

over the remaining lifetime of the instrument. The lifetime PD calculation is based on a series of 12-month PIT PDs that are derived from through the cycle (TTC) PDs and scenario forecasts.

It is used internal rating systems for both retail and commercial portfolios to measure risk level. The internal rating models used for the commercial portfolio include customer financial information and qualitative survey responses. Whereas behavioral and application scorecards used in the retail portfolio include; the behavioral data of the customer and the product in the Bank, the demographic information of the customer, and the behavioral data of the customer in the sector. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss given default ("LGD")

The LGD represents an estimate of the economic loss at the time of a potential default occurring during the life of a financial instrument. The LGD is calculated taking into account expected future cash flows from collateral and other credit enhancements by considering time value of money.

LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections. The Bank bases its estimates on models for collateralized portfolios and on previous experience for unsecured parties, except for corporate loans that are assigned by the Basel Committee individually or as designated by the Basel Committee.

Exposure at default ("EAD")

The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. It represents the cash flows outstanding at the time of default, considering expected repayments, interest payments and accruals, discounted at the effective interest rate. Future drawdowns on facilities are considered through a credit conversion factor (CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios. While the expected credit loss is estimated, three scenarios (baseline scenario, adverse scenario, New Economic Plan) are evaluated. Each of these scenarios was associated with the probability of different default and loss in default.

Consideration of the macroeconomic factors

Loss given default and probability of default parameters are determined by considering macroeconomic factors. The macroeconomic variables used in the calculation of the expected loss are as follows:

- Five year credit risk of Turkey;
- Real GDP growth;
- Unemployment rate;
- European Region inflation rate; and
- Five year government bond interest rate of Turkey.

Stages were determined through the models created using internal information for the Bank, the simplified method has been applied for other financial institutions.

Calculating the expected loss period

Lifetime ECL is calculated by taking into account maturity extensions, repayment options and the period during which the Bank will be exposed to credit risk. The time in financial guarantees and other irrevocable commitments represents the credit maturity for which the liabilities of the Bank. Behavioral maturity analysis has been performed on credit cards and overdraft accounts. With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier.

Significant increase in credit risk

The Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

Within the scope of quantitative assessment, the quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD, it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Parent Bank has calculated thresholds at which point the relative change is a significant deterioration. In the quantitative evaluation of the significant increase in credit risk, the Bank considers the absolute thresholds as well as the relative thresholds as an additional layer. Receivables below the absolute threshold value of default are not included in the relative threshold value comparison.

The Parent Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date;
- Loans classified as watch-list of the Bank; and
- When there is a change in the payment plan due to restructuring.

IX. Explanations on Netting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when the Group has a legally enforceable right to offset the recognized amounts, and the intention of collecting or paying the net amount of related assets and liabilities or to realize the asset and settle the liability simultaneously.

X. Derecognition of Financial Instruments

a) Derecognition of financial assets due to change in contractual terms

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset could lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered as ‘new’ financial asset. When the Parent Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Parent Bank retains control of the asset, the Parent Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Parent Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

b) Derecognition of financial assets without any change in contractual terms

The Parent Bank derecognizes the asset if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

c) Derecognition of financial liabilities

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished when the obligation specified in the contract is discharged or cancelled or expires..

d) Reclassification of financial instruments

Based on TFRS 9, it shall be reclassified all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it is changed the business model for managing financial assets.

e) Restructuring and refinancing of financial instruments

The parent bank may be changed the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan can not be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower

Restructuring is to change the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future.

Changes in the original terms of a credit risk can be made in the current contract or through a new contract. Corporate and commercial companies which have been restructured and refinanced can be removed from the watchlist as a minimum within the scope of the Regulation on Procedures and Principles Regarding the Determination of the Qualifications of Loans and Other Receivables by Banks and Provisions to be Reserved for them and when the following conditions are met:

• Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time); and

• At least 1 year should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring / refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring / refinancing.

In order for the restructured non-performing corporate and commercial loans to be classified to the watchlist category, the following conditions must be met:

• Recovery in debt service;

• At least 1 year should pass over the date of restructuring;

• Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing; and

• Collection of all overdue amounts, disappearance of the reasons for classification as nonperforming receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification.

During the follow-up period of at least one year following the date of restructuring / refinancing, if there is a new restructuring / refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again. The performing or non-performing retail loans being subject to restructuring shall be removed from the watchlist only if the debt is paid in full.

In personal loans, loans can be restructured in order to give liquidity power to the debtor and to ensure the collection of the receivables of the Bank in case of temporary liquidity problems due to the failure of the payment obligation to the Parent Bank. The Bank removing customers from the restructuring scope in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation)

XI. Explanations on Sales and Repurchase Agreements and Lending of Securities

Securities sold under repurchase agreements are recorded on the balance in accordance with Uniform Chart of Accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as "Investments Subject to Repurchase Agreements" and valued based on the Group's management's future intentions, either at market prices or using discounting method with internal rate of return.

Funds lent against securities purchased under agreements to resell ("Reverse repos") are accounted under "Receivables from reverse repurchase agreements" on the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued over the life of repurchase agreements using the "Effective interest method".

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 11,992,093 (December 31, 2018 - TL 6,488,226).

As of December 31, 2019 the Parent Bank has no securities that are subject to lending transactions (December 31, 2018 - None).

Securities purchased with a commitment to resell (reverse repurchase agreements) has shown under "Cash and Cash Equivalents" on the line of "Money Market Placements" in the balance sheet. The difference resulting from purchase and resale prices is treated as interest income and accrued over the life of the agreement.

XII. Explanations on Assets Held for Sale and Discontinued Operations

In accordance with IFRS 5 ("Assets Held for Sale and Discontinued Operations"), assets classified as held for sale are measured at lower of carrying value or fair value less costs to sell. Amortization on subject asset is ended and these assets are presented separately on financial statements. An asset (or a disposal group) is regarded as "asset held for sale" only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset (or a disposal group) should be actively marketed at a price consistent with its fair value. Various events and conditions may prolong the sale procedures for more than one year. In case subject delay is caused by the events and conditions beyond the Group's control and there is enough evidence that plans to sell subject asset (or a disposal group) continue subject assets continue to be classified as assets held for sale.

A discontinued operation is a part of the Parent Banks' business classified as disposed or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Parent Bank has no discontinuing operations.

The Parent Bank classifies tangible assets which are acquired due to non-performing receivables as other assets.

XIII. Explanations on Goodwill and Other Intangible Assets

The Group's intangible assets consist of software, intangible rights and goodwill.

The intangible assets are recorded at their historical cost less accumulated amortization and provision for impairment, if any. Amortization is calculated on a straight-line basis. Softwares have been classified as other intangible fixed assets. The useful life of softwares is determined as 3-5 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard on Impairment of Assets (TAS 36) and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

XIV. Explanations on Tangible Assets

Tangible assets are recorded at their historical cost less accumulated depreciation and provision for impairment, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of tangible assets. The annual amortization rates used are as follows:

Properties 2%

Movables purchased and acquired under finance lease contracts 7% - 25%

The depreciation of leasehold improvements acquired before December 2009, under operating lease agreements, is calculated according to their useful lives. Depreciation of the leasehold improvements acquired after this date is calculated over the lease period not exceeding 5 years where the lease duration is certain; or 5 years where the lease period is not certain in accordance with "Communiqué on the Amendment of Communiqué on Uniform Chart of Accounts and Explanatory Notes" dated January 10, 2011.

Depreciation is calculated on a pro-rata basis for the assets that have been placed in use for less than a year as of the balance sheet date.

Net book value of the property and leased assets under financial lease contracts are compared with the fair values determined by independent appraisers as of the year end and provision for impairment is recognized in "Other Operating Expenses" in the related period income statement when the fair value is below the net book value in accordance with "Turkish Accounting Standard on Impairment of Assets" (TAS 36).

Gains or losses resulting from disposals of the tangible assets are recorded in the income statement as the difference between the net proceeds and net book value of the asset.

Expenses for repairs are capitalized if the expenditure increases economic life of the asset; otherwise, they are expensed.

There are no changes in the accounting estimates in regards to amortization duration, which could have a significant impact on the current and future financial statements. There are no pledges, mortgages or other restrictions on the tangible assets. There are no purchase commitments related to the fixed assets.

XV. Explanations on Leasing Transactions

Fixed assets acquired under finance lease contracts are presented under “Tangible Fixed Assets” on the asset side and under “Financial Lease Payables” on the liability side at the initial date of the lease. The basis for the determination of related balance sheet amounts is the lower of fair value of the leased asset and the present value of the lease payments. The direct costs incurred for a finance lease transaction are capitalized as additions to the cost of the leased asset. Lease payments include the financing costs incurred due to the leasing transaction and the principal amount of the leased asset for the current period. Depreciation is calculated on a straight-line basis over the estimated useful life of the leased assets at the rate of 20% except for the buildings which are depreciated at the rate of 2%.

Total payments made under operating leases are charged to income statement on a straight-line basis over the period of the lease.

The gross lease receivables including interest and principal amounts regarding the Group’s financial leasing activities as “Lessor” are stated under the “Finance Lease Receivables”. The difference between the total of rental payments and the cost of the related fixed assets is reflected to the “Unearned Income” account. The interest income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

XVI. Explanations on Factoring Receivables

Factoring receivables are measured at amortized cost using the effective interest rate method after deducting unearned interest income and when specific provisions for impairment are recognized.

XVII. Explanations on Provisions and Contingent Liabilities

Provisions, other than specific and general provisions for loans and other receivables, and contingent liabilities are provided for in accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. Provisions are accounted for immediately when obligations arise as a result of past events and a reliable estimate of the obligation is made by the Group. Whenever the amount of such obligations cannot be measured, they are regarded as contingent. If the possibility of an outflow of resources embodying economic benefits becomes probable and the amount of the obligation can reliably be measured, a provision is provided.

XVIII. Explanations on Obligations of the Group for Employees Benefits

Provision for employee severance benefits of the Group has been accounted for in accordance with TAS 19 “Employee Benefits”.

In accordance with the existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Group over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Group.

The Group has reflected the retirement pay liability amount, which was calculated by an independent actuary, in the accompanying financial statements. According to IAS 19, The Group recognizes all actuarial gains and losses immediately through other comprehensive income.

The Group does not have any employees who work under limited period contracts with remaining terms longer than 12 months after the balance sheet date.

Provision for the employees’ unused vacations has been booked in accordance with IAS 19 and reflected to the financial statements.

There are no foundations, pension trusts or similar associations of which the Group employees are members.

XIX. Explanations on Taxation

1. Corporate tax

In accordance with the Corporate Tax Law No. 5520 published in the Official Gazette No: 26205 dated June 21, 2006, statutory income is subject to corporate tax at 20%. However, according to temporary article 10 added to the Corporate Income Tax Law, the rate of 20% shall be applied as 22% for the corporate earnings of the taxation periods of the companies in 2018, 2019 and 2020 (accounting periods starting within the relevant year for companies appointed for the special accounting period). Advance corporate taxes paid are followed under “Current Tax Liability” or “Current Tax Asset” account and are deducted from the corporate taxes of the current year.

50% of gain from the sale of real estate which are held more than two years in the assets of the Parent Bank and 75% of gain on disposal of subsidiary shares which are held for more than two years in the assets of the Parent Bank are exemption from tax according to Corporate Tax Law in condition with adding these gains into equity or allocating into a specific fund account in the Parent Bank’s liabilities for five years.

Companies calculate their advance tax at the rate of 20% (22% for taxation periods of 2018, 2019 and 2020) on their quarterly financial profits, declare until the 14th day of the second month following that period and pay until the evening of the seventeenth day. The advance tax paid belongs that year and is offset from the corporation tax that will be calculated on the tax declaration of the companies to be given in the following year. If the advance tax paid amount remains after offsetting, this amount could be either returned as cash or offset.

According to the Corporate Tax Law, financial losses in the declaration can be deducted from the corporate tax base of the period not exceeding 5 years. Declarations and related accounting records can be examined within five years by the tax office. On the other hand, if document subjects to stamp duty and the statute of limitations of tax and penalty is used after the expiry of the time limit, the taxable income of document is regenerated.

The provision for corporate and income taxes for the period is recognized as "Current Tax Charge" in the income statement and current tax effect related to transactions directly recognized in equity are reflected to equity.

Undistributed profit for the period is not subject to withholding tax if it is added to capital or it is distributed to full-fledged taxpayer corporations. However, with the Council of Ministers' decisions numbered 2009/14593 and 2009/14594; published in the Official Gazette No: 27130 dated February 3, 2009 and based on Corporate Tax Law No: 5520, 15th and 30th Articles, profit distribution for the period is subject to withholding tax by 15%, for full-fledged real person taxpayers, for those who are not responsible for corporate tax and income tax, for those exempt from corporate and income tax (except for those taxed through their businesses or permanent representatives in Turkey) and for foreign based real person taxpayers.

2. Deferred taxes

The Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and the related decrees of the BRSA concerning income taxes. In calculating deferred tax, legalized tax rates effective as of balance sheet date are used as per tax legislations.

Deferred tax liabilities are recognized for all temporary differences whereas deferred tax assets calculated from deductible temporary differences are only recognized if it's highly probable that these will in the future create taxable profit.

Deferred tax calculation has started to be measured over Stage 1 and Stage 2 expected credit loss provisions according to TFRS 9 articles from January 1, 2018.

Deferred tax effect in regards to transactions accounted for profit/loss effect in equity, is also reflected to equity.

According to TAS 12, deferred taxes and liabilities resulting from different subsidiaries subject to consolidation are not presented as net; rather they are presented separately as assets and liabilities in the financial statements.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of December 31, 2019 for the temporary differences expected to be realized/closed for the year 2020 (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

3. Transfer pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing. "The General Communique on Disguised Profit Distribution by way of Transfer Pricing" published on November 18, 2007 explains the application related issues in detail. According to this Communique, if the taxpayers conduct stransactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing.

Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes. Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer, is subject to or exempt from tax.

As discussed under subject Communique's 7.1 Annual Documentation section, taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

XX. Additional Explanations on Borrowings

The Parent Bank and consolidated Group companies generate funds from domestically and internationally resident people and institutions by using debt instruments such as syndication, securitization, collateralized debt and bond issuance. Aforementioned transactions are initially recorded at transaction cost plus acquisition cost, reflective of their fair value, and are subsequently measured at amortized cost by using effective interest rate method.

XXI. Explanations on Share Issues

The Parent Bank's paid in capital has not been changed for the current period (There have been no changes to the Parent Bank's paid capital in the previous period).

XXII. Explanations on Confirmed Bills of Exchange and Acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any. There are no acceptances and confirmed bills of exchange presented as liabilities against any assets.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

XXIII. Explanations on Government Incentives

As of December 31, 2019, the Group does not have any governmental incentives or support (As of December 31, 2018 - None).

XXIV. Explanation on Segment Reporting

In addition to corporate banking, retail banking and commercial banking services, the Group also provides private banking, SME banking, treasury operations and credit card services through branches and alternative channels. The Group serves its retail banking clients with time, demand deposits, also overdraft services, automatic account services, consumer loans, vehicle loans, housing loans and investment fund services. The Group provides services including deposit and loans, foreign trade financing, forward and option agreements to its corporate clients. Other than those mentioned above, the Group also serves in trading financial instruments, treasury operations, and performs insurance, factoring, and domestic and abroad finance lease operations.

The calculations based on the income statement for retail banking (consumer banking and plastic cards), corporate and commercial banking that have operational units designated as the main profit centers, have been made according to the product and customer types. During the profitability calculations, the pricing of transfers among these units and treasury unit are made by using cost/return ratios that are determined by the Parent Bank's senior management and which are updated periodically. In this pricing method, general market conditions and the Parent Bank's internal policies are considered.

The Corporate Marketing Unit provides services to firms that are institutional, big size, that have annual revenues of TL 300,000 and higher and multi-national firms operating in Turkey. The firms that have annual revenues between TL 40,000 - TL 300,000 are considered as "Commercial Enterprise". The Parent Bank gives importance to the commercial segmentation in order to hedge risk and decrease the concentration of income. Moreover; The Parent Bank also offers sectoral solution packages to these small and medium-size firms.

The Consumer Banking meets the needs and expectations of the retail banking customers. The Private Banking Unit has formed and started to operate to serve customers with high level income, in a more effective way. The installments, discounts and bonus advantages are provided to the users of Card Finans in the plastic cards line. The main function of Treasury Segment is managing the liquidity of the Parent Bank and interest and foreign currency risks resulting from market conditions. This segment is in close relation with corporate, commercial, retail, SME and private banking units in order to increase the number of customers and the volume of transactions in treasury products of the Parent Bank.

Current Period (January 1 - December 31, 2019)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	2,547,694	2,765,721	2,526,684	7,840,099
Net Fees and Commissions Income	2,023,007	716,756	83,777	2,823,540
Other Operating Income and Net Trading Gain/Loss	115,515	9,950	(1,319,493)	(1,194,028)
Dividend Income	-	-	2,934	2,934
Operating Income	**4,686,216**	**3,492,427**	**1,293,902**	**9,472,545**
Expected Loss Provisions (-)	397,012	1,584,209	(62,462)	1,918,759
Other Loss Provisions (-)	-	-	74,919	74,919
Personnel Expense (-)	411,636	590,539	824,889	1,827,064
Other Operating Expenses (-)	1,795,558	962,109	(505,777)	2,251,890
Gain / Loss on joint venture accounted	-	-	89.429	89.429
for at equity method	-	-	89,429	89,429
Profit Before Taxes	**2,082,010**	**355,570**	**1,051,762**	**3,489,342**
Tax Provison (-)	**-**	**-**	**-**	**624,702**
Net Profit/Loss	**-**	**-**	**-**	**2,864,640**
Total Assets	**39,764,608**	**76,885,580**	**58,274,195**	**187,526,186**
Segment Assets	39,764,608	76,885,580	58,274,195	174,924,383
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	217,648
Undistributed Assets	-	-	-	12,384,155
Total Liabilities	**68,846,852**	**31,246,986**	**53,749,223**	**187,526,186**
Segment Liabilities	68,846,852	31,246,986	53,749,223	153,843,061
Undistributed Liabilities	-	-	-	16,917,817
Equity	-	-	-	16,765,308
Other Segment Accounts	**458,631**	**242,203**	**(143,667)**	**557,167**
Capital Expenditures	25,693	13,569	(2,042)	37,220
Depreciation and Amortization	432,938	228,634	(141,625)	519,947

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period (January 1 - December 31, 2018)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	2,078,539	2,901,813	2,897,429	7,877,781
Net Fees and Commissions Income	1,570,507	647,526	34,104	2,252,137
Other Operating Income and Net Trading Gain/Loss	46,021	176,264	(1,369,445)	(1,147,160)
Dividend Income	-	-	5,716	5,716
Operating Income	**3,695,067**	**3,725,603**	**1,567,804**	**8,988,474**
Expected Loss Provisions (-)	574,009	1,496,184	243,020	2,313,213
Other Loss Provisions (-)	-	-	4,237	4,237
Personnel Expense (-)	325,944	501,701	693,581	1,521,226
Other Operating Expenses (-)	1,497,974	870,800	(445,128)	1,923,646
Gain / Loss on joint venture accounted for at equity method	-	-	44,789	44,789
Profit Before Taxes	**1,297,140**	**856,918**	**1,116,883**	**3,270,941**
Tax Provison (-)	**-**	**-**	**-**	**697,736**
Net Profit/Loss	**-**	**-**	**-**	**2,573,205**
Total Assets	**33,583,981**	**66,792,610**	**52,306,155**	**163,500,234**
Segment Assets	33,583,981	66,792,610	52,306,155	152,682,746
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	186,645
Undistributed Assets	-	-	-	10,630,843
Total Liabilities	**56,362,699**	**26,784,970**	**46,230,627**	**163,500,234**
Segment Liabilities	56,362,699	26,784,970	46,230,627	129,378,296
Undistributed Liabilities	-	-	-	19,518,495
Equity	-	-	-	14,603,443
Other Segment Accounts	**422,355**	**230,107**	**(87,680)**	**564,782**
Capital Expenditures	230,912	125,805	(49,869)	306,848
Depreciation and Amortization	191,443	104,302	(37,811)	257,934

XXV. Explanations on Profit Reserves and Profit Distribution

The Ordinary General Assembly Meeting of the Parent Bank was held on March 28, 2019. It was decided net income from 2018 operations to be distributed as follows:

2018 Profit Distribution Table:

Current Year Profit	**2,409,829**
A - First Legal Reserves (Turkish Commercial Code 519/A) 5%	(85,130)
C - Extraordinary Reserves	(2,324,699)

XXVI. Earnings Per Share

Earnings per share listed on income statement is calculated by dividing net profit to weighted average amount of shares issued within respective year.

	Current Period	Prior Period
Group's Net Profit for the Period	2,864,094	2,572,708
Weighted Average Amount of Shares Issued (Thousands)	33,500,000	33,500,000
Earnings per Share	**0.08550**	**0.07680**

In Turkey, companies can increase capital through "bonus share" distributed from previous year earnings to current shareholders. Such "bonus share" distributions are accounted as issued shares while calculating earnings per share. Accordingly, weighted average amount of shares issued used in these calculations is found through taking into consideration retroactive effects of subject share distributions. In case, amount of shares issued increases after the balance sheet date but before the date of financial statement preparation due to distribution of "bonus share", earnings per share is calculated taking into consideration the new amount of shares. Amount of issued bonus shared in 2019 is none (Amount of issued bonus shared in 2018 is none).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

XXVII. Explanations on Other Matters

The Group has started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated January 19, 2017 in lieu of TAS 39 Financial Instruments: "Accounting and Measurement" starting from January 1, 2018. In accordance with the transition rules option provided by the TFRS 9 "Financial Instruments", the Group is not restated the prior period financial statements and recognized the transition effect of the standard as of January 1, 2018 under equity's "prior year profit or loss" accounts. Furthermore, in accordance with Communiqué Regarding Financial Statements and Explanations and Footnotes to be Announced to the Public by Banks", the Group has classified the following classifications as of January 1, 2018. Explanation of the effect of the Group's application of TFRS 9 is stated below:

1. Reconciliation of statement of financial position balances as at the transition of TFRS 9

	Book Value Before TFRS 9	Reclassifications	Re-measures	TFRS 9 book value	Tax Effect	Equity Effect
Financial Assets	December 31, 2017			January 1, 2018		
Measured at amortized cost						
Pre-classification balance (Held to Maturity)	7,168,664	-	-	-	-	-
Classified from Measured at Fair Value through Other Comprehensive Income	-	1,720,595	99,484	-	(21,888)	77,596
Classified as Measured at Fair Value through Other Comprehensive Income	-	(42,573)	-	-	-	-
Post-classification book value	-	-	-	8,946,170	-	-
Measured at Fair Value through Other Comprehensive Income						
Pre-classification balance (Available to Sale)	8,349,875	-	-	-	-	-
Classified as Held-to-Maturity	-	42,573	2,872	-	(632)	2,240
Classified to Held-to-Maturity	-	(1,720,595)	-	-	-	-
Post-classification book value	-	-	-	6,674,725	-	-
Expected loss provision	-	-	11,124	-	(2,447)	8,677
Loans and Other Receivables Measured at Amortized Cost (Gross)						
Pre-classification value measured at Amortized Cost(**)	85,969,070	-	-	-	-	-
Financial Assets Measured at Fair Value through Profit/Loss	10,579	-	-	-	-	-
Classified to Measured at Amortized Cost	-	10,579	-	-	-	-
Classified from Measured at Fair Value through Profit/Loss	-	(10,579)	-	-	-	-
Post-classification value measured at Amortized cost	-	-	-	85,979,649	-	-
Post-classification value Measured at Fair Value through Profit/Loss	-	-	-	-	-	-
Expected loss provision(*)	(5,113,639)	-	(653,351)	(5,766,990)	442,241	(211,110)
Faktoring Receivables						
Expected loss provision	(41,988)	-	(9,133)	(51,121)	2,009	(7,124)
Lease Receivables						
Expected loss provision	(82,091)	-	(48,805)	(130,896)	10,736	(38,069)

(*) Expected loss provision also includes amounts related to loans and receivables, other receivables and off-balance sheet financial assets, receivables of financial leasing and factoring.
(**) Receivables from financial leasing and factoring does not included.

In addition to the classification in the table, "Cash and Cash Equivalents" item on the financial statements as of January 1, 2018 includes the combination of items "Cash and Central Bank", "Banks" and "Money Market Receivables" which were shown as separate items on the December 31, 2017 financial statements. In addition, "Other Liabilities" item in the financial statements as of January 1, 2018 includes both "Miscellaneous Payables" and "Other Liabilities" items which were shown as separate items in the December 31, 2017 financial statements.

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2. Reconcilation of the opening balances of the provision for expected credit losses to TFRS 9

	Book Value Before TFRS 9 December 31, 2017	Remeasurements	Book Value After TFRS 9 January 1, 2018
Loans	**5,019,890**	**665,385**	**5,685,275**
Stage 1	1,125,990	(100,233)	1,025,757
Stage 2	228,613	898,122	1,126,735
Stage 3	3,665,287	(132,504)	3,532,783
Financial Assets(*)	**59,270**	**(18,424)**	**40,846**
Non-Cash Loans(**)	**158,558**	**64,328**	**222,886**
Stage 1 and 2	91,845	120,072	211,917
Stage 3	66,713	(55,744)	10,969
Total	**5,237,718**	**711,289**	**5,949,007**

(*) Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Fair Value Through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets.
(**) Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified "General Provision" and expected credit loss for stage 3 non-cash loans is classified "Other Provisions" under liabilities. In accordance with TFRS 9, the expected loss provisions for the 1st, 2nd and 3rd stage non-cash loans are in the "Other Provisions" column in the liabilities.

3. Effects on equity with TFRS 9 transition

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated January 19, 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not revised, it is stated that the difference between the book value of January 1, 2018 at the date of application should be reflected in the opening aspect of equity. The explanations about the transition effects to TFRS 9 presented in the equity items under the scope of this article are given below.

The amounting to TL 711,289 difference which is an expense between the provision for impairment of the previous period of the Group and the provision for loss that is measured in accordance with TFRS 9 impairment model as of January 1, 2018 is classified as "Extraordinary Reserves" in shareholders' equity.

Deferred tax assets amounting to TL 487,589 and corporate tax loss amounting to TL 46,444 which have been cancelled due to TFRS 9 transition, have been reflected to the opening financials of January 1, 2018 and the related amount has been classified under "Extraordinary Reserves" in shareholders' equity.

Before January 1, 2018 securities which was classified as fair value through OCI is now classified as amortized cost with the adoption of TFRS 9 is TL 1,720,595 and securities which was classified as amortized cost is now classified as fair value through OCI with the adoption of TFRS 9 is TL 45,445. Net After tax re-measurement differences of these securities TL 79,836 are classified in Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI. At the same time as of January 1, 2018, the expected loss reserve amounting to TL 8,677 for the securities classified as fair value through other comprehensive income is classified under "Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at Fair Value Other Comprehensive Income".

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Explanations on Consolidated Equity

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks.” As of December 31, 2019 Group’s total capital has been calculated as TL 24,442,428 (December 31, 2018 - TL 18,994,391), capital adequacy ratio is 15.23% (December 31, 2018 - 14.84%) calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

Components of consolidated shareholders’ equity items:	Current Period December 31, 2019	Amounts subject to treatment before 1/1/2014
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3,350,000	
Share issue premiums	714	
Reserves	11,353,778	
Gains recognized in equity as per TAS	281,457	
Profit	2,864,094	
Current Period Profit	2,864,094	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Minorities’ Share	7,337	
Common Equity Tier 1 Capital Before Deductions	**17,857,380**	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	530,371	
Improvement costs for operating leasing	74,263	
Goodwill (Net of related tax liability)	411,865	
Other intangibles other than mortgage-servicing rights (Net of related tax liability)	-	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	**1,016,499**	
Positive difference between the amount of expected credit losses before implementation of TFRS 9 and expected credit losses from TFRS 9 adoption	**426,774**	
Total Common Equity Tier 1 Capital	**17,267,655**	

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Current Period December 31, 2019	Amounts subject to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	3,118,605	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	**3,118,605**	
Deductions from Additional Tier I Capital	**-**	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	**-**	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	**-**	
Total Additional Tier I Capital	**-**	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	**20,386,260**	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	2,286,977	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,797,715	
Tier II Capital Before Deductions	**4,084,692**	
Deductions From Tier II Capital	**-**	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	**-**	
Total Tier II Capital	**4,084,692**	
Total Capital (The sum of Tier I Capital and Tier II Capital)	**24,470,952**	
Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	7,103	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	21,422	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Current Period December 31, 2019	Amounts subject to treatment before 1/1/2014 (*)
TOTAL CAPITAL		
Total Capital	24,442,427	
Total risk weighted amounts	160,490,548	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	10.76	
Tier 1 Capital Adequacy Ratio	12.70	
Capital Adequacy Ratio	15.23	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	2.51	
a) Capital conservation buffer requirement	2.50	
b) Bank specific counter-cyclical buffer requirement	0.01	
c) Systemic significant bank buffer ratio	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	4.76	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	153,686	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (Before tenthousandtwentyfive limitation)	2,664,452	
Up to 1,25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,797,715	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (To be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	3,118,605	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	2,286,977	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Components of consolidated shareholders' equity items:

	Prior Period December 31, 2018	Amounts subject to treatment before 1/1/2014(*)
COMMON EQUITY		
Paid-in capital following all debts in terms of claim in liquidation of the Bank's	3,350,000	
Share issue premiums	714	
Reserves	8,781,070	
Gains recognized in equity as per TAS	111,059	
Profit	2,572,708	
Current Period Profit	2,572,708	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Minority shares	6,791	
Common Equity Before Deductions	**14,822,342**	
Common Equity Tier 1 Capital Before Deductions		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	617,345	
Improvement costs for operating leasing	68,048	
Goodwill (Net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (Net of related tax liability)	384,986	384,986
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (Net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	**1,070,379**	
Positive difference between the amount of expected credit losses before implementation of TFRS 9 and expected credit losses from TFRS 9 adoption	569,032	
Total Common Equity Tier 1 Capital	**14,320,995**	

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Prior Period December 31, 2018	Amounts subject to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	14,320,995	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	3,308,715	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,448,219	
Tier II Capital Before Deductions	4,756,934	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8,	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	4,756,934	
Total Capital (The sum of Tier I Capital and Tier II Capital) (Before deduction)	19,077,929	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12,890	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	70,648	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

		Prior Period December 31, 2018	Amounts subject to treatment before 1/1/2014(*)
TOTAL CAPITAL			
Total Capital		18,994,391	
Total risk weighted amounts		127,985,545	
Capital Adequacy Ratios			
Core Capital Adequacy Ratio		11.19	
Tier 1 Capital Adequacy Ratio		11.19	
Capital Adequacy Ratio		14.84	
BUFFERS			
Bank specific total common equity tier 1 capital ratio		1.88	
a) Capital conservation buffer requirement		0.01	
b) Bank specific counter-cyclical buffer requirement		-	
c) Systemic significant bank buffer rate		5.19	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets		-	
Amounts below the Excess Limits as per the Deduction Principles	-		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital		-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital		142,609	
Amount arising from mortgage-servicing rights		-	
Amount arising from deferred tax assets based on temporary differences		-	
Limits related to provisions considered in Tier II calculation			
General provisions for standard based receivables (before tenthousandtwentyfive limitation)		2,938,181	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used		1,448,219	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation		-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal		-	
Ratings Based Approach in accordance with the Communiqué on the Calculation	-		
Upper limit for Additional Tier I Capital subjected to temporary Article 4		-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4		3,308,715	
Upper limit for Additional Tier II Capital subjected to temporary Article 4		1,478,704	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4		1.478.704	

(*) Amounts in this column represent the amounts of items that are subject to transition provisions in accordance with the temporary Articles of “Regulations regarding to changes on Regulation on Equity of Banks” and taken into consideration at the end of transition process.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Information on debt instruments included in the calculation of equity:

	1	2	3
Issuer	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q	QATAR NATIONAL BANK S.A.Q
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA
Regulatory treatment	Additional Capital	Supplementary Capital	Supplementary Capital
Since 1/1/2015 10% reduction by being subject to the application	No	No	No
Eligible at stand-alone / consolidated	Standalone - Consolidated	Standalone - Consolidated	Standalone - Consolidated
Instrument type (Types to be specified by each jurisdiction)	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	3,119	743	1,544
Par value of instrument (Currency in million)	3,119	743	1,544
Accounting classification	Liability - Subordinated Loans- amortized cost	Liability - Subordinated Loans- amortized cost	Liability - Subordinated Loans- amortized cost
Original date of issuance	June 30, 2019	April 1, 2019	May 22, 2017
Perpetual or dated	Perpetual	Dated	Dated
Original maturity date	-	10 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Every 5 years	5 years	5 years
Subsequent call dates, if applicable	-	-	-
Coupons / dividends	-	-	-
Fixed or floating dividend/coupon	Fixed	Floating	Floating
Coupon rate and any related index	First 5 years fixed at 9.50%, next 5 years fixed at MS + 7.08%	6M LIBOR + 5.75%	6M LIBOR + 3.87%
Existence of a dividend stopper	Interest will not be processed for the value reduced after the impairment date.	-	-
Fully discretionary, partially discretionary or mandatory	Discretionary	-	-

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	1	2	3
Existence of step up or other incentive to redeem	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	Yes	Yes
If convertible, conversion trigger(s)	-	Article number 7-2-i of "Own fund regulation"	Article number 7-2-i of "Own fund regulation"
If convertible, fully or partially	-	All of the remaining capital	All of the remaining capital
If convertible, conversion rate	-	(*)	(*)
If convertible, mandatory or optional conversion	-	Optional	Optional
If convertible, specify instrument type convertible into	-	Equity Share	Equity Share
If convertible, specify issuer of instrument it converts into	-	QNB Finansbank A.Ş.	QNB Finansbank A.Ş.
Write-down feature	Yes	None	None
If write-down, write-down trigger(s)	Non-existence of the core capital ratio is less than 5.125%	-	-
If write-down, full or partial	Full and partial	-	-
If write-down, permanent or temporary	Temporary	-	-
If temporary write-down, description of write-up mechanism	Disappearance of non-existence and higher core capital ratio than 5.125%	-	-
Position in subordination hierarchy in liquidation (Specify instrument type immediately senior to instrument)	After borrowing and contribution capital	After borrowing, before additional capital, the same as other contribution capital	After borrowing, before additional capital, the same as other contribution capital
Incompliance with article number 7 and 8 of "Own fund regulation"	Article number 7&8 of "Own fund regulation"	Article number 7&8 of "Own fund regulation"	Article number 7&8 of "Own fund regulation"
Details of incompliances with article number 7 and 8 of "Own fund regulation"	-	-	-

(*) The conversion rate / value will be calculated based on the market data available when the right is exercised.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Information on Article 5 of the Regulation on Equities of Banks:

EQUITY ITEMS	T	T-1	T-2	T-3
Common Equity	17,267,655	17,125,397	16,983,139	16,840,881
Transition process not implemented Common Equity	16,840,881	16,840,881	16,840,881	16,840,881
Tier 1 Capital	20,386,260	20,244,002	20,101,744	19,959,486
Transition process not implemented Tier 1 Capital	19,959,486	19,959,486	19,959,486	19,959,486
Total Capital	24,442,427	24,300,169	24,157,911	24,015,653
Transition process not implemented Equity	24,015,653	24,015,653	24,015,653	24,015,653
TOTAL RISK WEIGHTED AMOUNTS				
Total Risk Weighted Amounts	160,490,548	160,490,548	160,490,548	160,490,548
CAPITAL ADEQUACY RATIO				
Common Equity Adequacy Ratio (%)	10.76%	10.67%	10.58%	10.49%
Transition process not implemented Common Equity Ratio (%)	10.49%	10.49%	10.49%	10.49%
Tier 1 Capital Adequacy Ratio (%)	12.70%	12.61%	12.53%	12.44%
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	12.44%	12.44%	12.44%	12.44%
Capital Adequacy Ratio (%)	15.23%	15.14%	15.05%	14.96%
Transition process not implemented Capital Adequacy Ratio (%)	14.96%	14.96%	14.96%	14.96%
LEVERAGE				
Leverage Ratio Total Risk Amount	272,991,254	272,991,254	272,991,254	272,991,254
Leverage (%)	7.32%	7.32%	7.32%	7.32%
Transition process not implemented Leverage Ratio (%)	7.17%	7.17%	7.17%	7.17%

Explanations on the reconciliation of shareholders' equity items and balance sheet amounts:

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context; up to 1.25% of the amount of the first and second part of the expected loss provisions is taken into account as contribution capital, loses from cash flow hedges have not been taken into consideration in the information on the equity items and valuation adjustments calculated according to item (i) of the first paragraph of the ninth article of the "Regulation on Equity of Banks" have been taken into consideration in the explanations on equity items.

II. Explanations on Consolidated Risk Management

1. Consolidated credit risk explanations

Credit Risk Explanations Credit risk represents the risk arising due to the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally. Credit Risk Management Committee and Credit Department is responsible for managing credit risk.

Loan strategies and policies are determined by the Policy Committees. These policies and strategies are constituted in line with the applications of the Parent, and credit risk is managed according to these policies and strategies. The quality of loan portfolio is monitored regularly with the help of metrics which are in line with the Bank's risk appetite, as specified in Risk Management Strategies.

Credit Risk Management takes place in every steps of the Parent Bank's credit process from the beginning. Loan applications are evaluated by non-profit oriented independent loan granting departments. Loan Limits are determined on a product basis and in the aggregate for every individual, corporate customer and risk group. Furthermore, concentration on product, industry, region, are monitored within the frame of loan limits in line with the regulation.

The credibility of the debtors is monitored periodically in accordance with the related regulation. The statements presenting the financial position of the borrowers are obtained in accordance with the related regulation.

Loan limits of the loan customers are revised periodically in line with the Group's loan limit revision procedures.

The Parent Bank analyses the credibility of the loans within the framework of its loan policies and obtains collaterals for loans.

The Parent Bank has control limits over the positions of forward transactions, options and other similar agreements.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations.

The Parent Bank monitors risks of forward transactions, options and other similar agreements and reduces the risk if necessary.

Indemnified non-cash loans are weighted in the same risk group with the past due but not impaired loans.

The restructured and rescheduled loans are monitored by the Parent Bank in line with the Parent Bank's credit risk management procedures. The debtor's financial position and commercial activities are continuously analyzed and the principal and interest payments of rescheduled loans are monitored by the related departments.

The restructured and rescheduled loans are evaluated in the Parent Bank's current internal rating system besides the follow up method determined in the related regulation.

The risk of banking operation abroad and credit transactions is acceptable and there is no significant credit risk density in international banking market.

The policies implemented by the bank regarding the calculation of expected loss provisions are explained in note VIII of the third part. The bank has taken into consideration the general provision for overdue loans and special provision for impaired loans under the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation).

The receivables of the Group from its top 100 cash loan customers are 26% in the total cash loans (December 31, 2018 - 24%).

The receivables of the Group from its top 200 cash loan customers are 31% in the total cash loans (December 31, 2018 - 28%).

The receivables of the Group from its top 100 non-cash loan customers are 55% in the total non-cash loans (December 31, 2018 - 52%).

The receivables of the Group from its top 200 non-cash loan customers are 65% in the total non-cash loans (December 31, 2018 - 62%).

The share of cash and non-cash receivables of the Group from its top 100 loan customers in total cash and non-cash loans is 21% (December 31, 2018 - 24%).

The share of cash and non-cash receivables of the Group from its top 200 loan customers in total cash and non-cash loans is 25% (December 31, 2018 - 29%).

The Group general total provision amounted to TL 2,664,452 (December 31, 2018 - TL 2,938,181).

As of December 31, 2019 Provision for probable risks in the Group's loan portfolio amount is not included (December 31, 2018 - None).

(December 31, 2018 - None).

	Current Period		Prior Period	
Exposure Categories	**Current Period Risk Amount(*)**	**Average Risk Amount(**)**	**Prior Period Risk Amount(*)**	**Average Risk Amount(**)**
Conditional and unconditional receivables from central governments and Central Banks	45,429,123	44,419,815	38,078,040	35,713,564
Conditional and unconditional receivables from regional or local governments	86,878	81,139	83,606	55,545
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	227,552	217,109	224,571	148,364
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	25,990,125	26,051,217	20,686,929	20,864,541
Conditional and unconditional receivables from corporates	70,172,004	63,502,655	59,003,093	52,280,489
Conditional and unconditional receivables from retail portfolios	63,078,981	58,164,401	54,312,923	52,577,361
Conditional and unconditional receivables secured by mortgages	5,373,508	5,904,697	6,125,552	7,761,372
Past due receivables	2,230,580	1,641,377	1,434,475	1,057,568
Receivables defined in high risk category by BRSA	320,224	283,103	262,403	101,825
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-
Investment in equities	1,698,328	1,508,511	1,453,592	999,181
Other receivables	6,892,199	6,667,874	6,157,044	5,736,482

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.
(**) The average risk amount was calculated by taking the arithmetic average of the values in the monthly reports prepared in balance sheet period in regards to "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation").

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Profile of significant exposures in major regions:

	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
1. Domestic	45,429,123	86,878	227,552	-	-	5,196,579	69,351,442	63,041,950	5,366,709	2,225,400	307,997	-	-	-	-	1,698,328	6,892,199	199,824,157
2. European Union Countries	-	-	-	-	-	15,454,941	445,187	187	154	5,173	-	-	-	-	-	-	-	15,905,642
3. OECD Countries(**)	-	-	-	-	-	112,324	10	8	6,223	-	10,687	-	-	-	-	-	-	129,252
4. Offshore Banking Areas	-	-	-	-	-	1,262,615	183,684	1	-	-	1,540	-	-	-	-	-	-	1,447,840
5. USA, Canada	-	-	-	-	-	880,170	18,726	164	81	-	-	-	-	-	-	-	-	899,141
6. Other Countries	-	-	-	-	-	3,083,496	172,955	36,671	341	7	-	-	-	-	-	-	-	3,293,470
7. Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.Unallocated Assets/Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**45,429,123**	**86,878**	**227,552**	**-**	**-**	**25,990,125**	**70,172,004**	**63,078,981**	**5,373,508**	**2,230,580**	**320,224**	**-**	**-**	**-**	**-**	**1,698,328**	**6,892,199**	**221,499,502**

	Exposure Categories(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior Period																		
1. Domestic	38,078,040	83,606	224,571	-	-	1,954,223	58,326,878	54,291,804	6,120,065	1,433,459	229,311	-	-	-	-	1,453,592	6,157,044	168,352,593
2. European Union Countries	-	-	-	-	-	15,469,632	419,032	138	201	11	19,793	-	-	-	-	-	-	15,908,807
3. OECD Countries(**)	-	-	-	-	-	195,934	5,844	6	4,772	-	13,299	-	-	-	-	-	-	219,855
4. Offshore Banking Areas	-	-	-	-	-	366,208	70,123	8	60	-	-	-	-	-	-	-	-	436,399
5. USA, Canada	-	-	-	-	-	920,245	23,312	164	83	-	-	-	-	-	-	-	-	943,804
6. Other Countries	-	-	-	-	-	1,780,687	157,904	20,803	371	1,005	-	-	-	-	-	-	-	1,960,770
7. Associates, Subsidiaries and Joint-Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.Unallocated Assets/Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**38,078,040**	**83,606**	**224,571**	**-**	**-**	**20,686,929**	**59,003,093**	**54,312,923**	**6,125,552**	**1,434,475**	**262,403**	**-**	**-**	**-**	**-**	**1,453,592**	**6,157,044**	**187,822,228**

(*) Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". Prior to the Credit Risk Reduction, the risk amounts after the credit conversion rate are given.
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that cannot be allocated on a consistent basis

1 - Conditional and unconditional receivables from central governments and Central Banks
2 - Conditional and unconditional receivables from regional or local governments
3 - Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
4 - Conditional and unconditional receivables from multilateral development banks
5 - Conditional and unconditional receivables from international organizations
6 - Conditional and unconditional receivables from banks and brokerage houses
7 - Conditional and unconditional receivables from corporates
8 - Conditional and unconditional receivables from retail portfolios
9 - Conditional and unconditional receivables secured by mortgages
10 - Past due receivables
11 - Receivables defined under high risk category by BRSA
12 - Securities collateralized by mortgages
13 - Securitization positions
14 - Short-term receivables from banks, brokerage houses and corporates
15 - Investments similar to collective investment Funds
16 - Investment in equities
17 - Other receivables

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Risk profile regarding sectors or counter parties:

	Exposure Categories(*)																			
Current Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TP	YP	Toplam
Agriculture	-	-	785	-	-	-	413,649	2,064,550	18,628	129,430	13,302	-	-	-	-	-	-	2,413,354	226,990	2,640,344
Farming and Raising Livestock	-	-	785	-	-	-	215,647	2,023,105	17,914	126,763	12,821	-	-	-	-	-	-	2,364,110	32,925	2,397,035
Forestry	-	-	-	-	-	-	1,022	6,664	627	27	-	-	-	-	-	-	-	8,340	-	8,340
Fishing	-	-	-	-	-	-	196,980	34,781	87	2,640	481	-	-	-	-	-	-	40,904	194,065	234,969
Industrial	-	35,048	10	-	-	-	24,627,329	5,658,430	528,299	346,525	54,100	-	-	-	-	-	-	11,478,329	19,771,412	31,249,741
Mining and Quarrying	-	-	-	-	-	-	312,992	161,043	570	8,275	94	-	-	-	-	-	-	345,456	137,518	482,974
Production	-	-	10	-	-	-	19,758,530	5,406,404	523,300	321,458	53,968	-	-	-	-	-	-	10,943,136	15,120,534	26,063,670
Electricity, Gas, Water	-	35,048	-	-	-	-	4,555,807	90,983	4,429	16,792	38	-	-	-	-	-	-	189,737	4,513,360	4,703,097
Construction	-	-	-	-	-	-	5,795,307	3,161,813	358,381	272,840	162,621	-	-	-	-	-	-	7,138,752	2,612,210	9,750,962
Services	17,338,120	33	30,945	-	-	23,398,125	35,956,796	12,414,471	1,952,193	880,197	65,931	-	-	-	-	-	-	30,618,089	61,418,722	92,036,811
Wholesale and Retail Trade	-	-	8,948	-	-	-	9,671,696	9,739,306	510,020	613,286	46,185	-	-	-	-	-	-	15,740,562	4,848,879	20,589,441
Hotel, Food and Beverage	-	-	-	-	-	-	3,588,454	332,632	191,216	27,082	1,773	-	-	-	-	-	-	758,900	3,382,257	4,141,157
Transportation and Communication	-	-	-	-	-	-	12,488,464	887,272	37,457	43,716	6,675	-	-	-	-	-	-	1,419,320	12,044,264	13,463,584
Financial Institutions	17,338,120	33	-	-	-	23,398,125	453,175	83,223	1,329	1,668	1,540	-	-	-	-	-	-	9,893,952	31,383,261	41,277,213
Real Estate and Rent Services	-	-	-	-	-	-	4,685,765	213,954	1,153,291	124,190	2,576	-	-	-	-	-	-	512,808	5,666,968	6,179,776
Self-Employment Services	-	-	21,781	-	-	-	1,035,330	543,957	21,529	27,810	3,931	-	-	-	-	-	-	937,254	717,084	1,654,338
Educational Services	-	-	133	-	-	-	181,477	224,653	13,662	32,798	1,806	-	-	-	-	-	-	414,256	40,273	454,529
Health and Social Services	-	-	83	-	-	-	3,852,435	389,474	23,689	9,647	1,445	-	-	-	-	-	-	941,037	3,335,736	4,276,773
Other	28,091,003	51,797	195,812	-	-	2,592,000	3,378,923	39,779,717	2,516,007	601,588	24,270	-	-	-	-	1,698,328	6,892,199	65,907,126	19,914,518	85,821,644
Total	45,429,123	86,878	227,552	-	-	25,990,125	70,172,004	63,078,981	5,373,508	2,230,580	320,224	-	-	-	-	1,698,328	6,892,199	117,555,650	103,943,852	221,499,502

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

1- Conditional and unconditional receivables from central governments and Central Banks
2- Conditional and unconditional receivables from regional or local governments
3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
4- Conditional and unconditional receivables from multilateral development banks
5- Conditional and unconditional receivables from international organizations
6- Conditional and unconditional receivables from banks and brokerage houses
7- Conditional and unconditional receivables from corporates
8- Conditional and unconditional receivables from retail portfolios
9- Conditional and unconditional receivables secured by mortgages
10- Past due receivables
11- Receivables defined under high risk category by BRSA
12- Securities collateralized by mortgages
13- Securitization positions
14- Short-term receivables from banks, brokerage houses and corporates
15- Investments similar to collective investment Funds
16-Investment in equities
17- Other receivables

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Risk profile regarding sectors or counter parties:

Exposure Categories(*)

Prior Period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TP	YP	Toplam
Agriculture	-	-	61,801	-	-	-	460,565	2,127,318	15,333	97,647	12,736	-	-	-	-	-	-	2,521,537	253,863	2,775,400
Farming and Raising Livestock	-	-	61,801	-	-	-	278,891	2,090,922	13,518	96,831	12,736	-	-	-	-	-	-	2,489,393	65,306	2,554,699
Forestry	-	-	-	-	-	-	773	5,772	203	247	-	-	-	-	-	-	-	6,995	0	6,995
Fishing	-	-	-	-	-	-	180,901	30,624	1,612	569	-	-	-	-	-	-	-	25,149	188,557	213,706
Industrial	-	31,103	-	-	-	-	21,022,167	4,960,422	513,072	270,651	68,496	-	-	-	-	-	-	9,504,691	17,361,220	26,865,911
Mining and Quarrying	-	-	-	-	-	-	284,009	125,528	2,016	2,868	208	-	-	-	-	-	-	246,180	168,449	414,629
Production	-	-	-	-	-	-	16,206,277	4,737,728	508,488	267,558	68,288	-	-	-	-	-	-	8,761,539	13,026,800	21,788,339
Electricity, Gas, Water	-	31,103	-	-	-	-	4,531,881	97,166	2,568	225	-	-	-	-	-	-	-	496,972	4,165,971	4,662,943
Construction	-	-	-	-	-	-	4,709,265	3,197,566	579,307	202,045	51,739	-	-	-	-	-	-	6,365,552	2,374,370	8,739,922
Services	16,812,956	33	25,671	-	-	18,993,678	29,213,841	11,678,458	1,729,974	555,857	98,275	-	-	-	-	-	-	28,201,910	50,906,833	79,108,743
Wholesale and Retail Trade	-	-	7,882	-	-	-	6,834,589	9,249,831	486,481	425,492	44,178	-	-	-	-	-	-	13,597,705	3,450,748	17,048,453
Hotel, Food and Beverage	-	-	-	-	-	-	2,623,888	269,690	89,174	33,326	1,074	-	-	-	-	-	-	530,414	2,486,738	3,017,152
Transportation and Communication	-	-	-	-	-	-	9,903,503	788,568	27,397	43,253	4,703	-	-	-	-	-	-	1,208,112	9,559,312	10,767,424
Financial Institutions	16,812,956	33	-	-	-	18,993,678	492,925	76,049	235	782	257	-	-	-	-	-	-	10,429,241	25,947,674	36,376,915
Real Estate and Rent Services	-	-	-	-	-	-	5,354,281	246,984	1,000,699	8,511	2,608	-	-	-	-	-	-	402,308	6,210,775	6,613,083
Self-Employment Services	-	-	17,630	-	-	-	1,100,170	517,229	20,410	27,456	1,075	-	-	-	-	-	-	934,188	749,782	1,683,970
Educational Services	-	-	114	-	-	-	172,008	199,132	18,386	6,797	1	-	-	-	-	-	-	359,552	36,886	396,438
Health and Social Services	-	-	45	-	-	-	2,732,477	330,975	87,192	10,240	44,379	-	-	-	-	-	-	740,390	2,464,918	3,205,308
Other	21,265,084	52,470	137,099	-	-	1,693,251	3,597,255	32,349,159	3,287,866	308,275	31,157	-	-	-	-	1,453,592	6,157,044	58,913,933	11,418,319	70,332,252
Total	38,078,040	83,606	224,571	-	-	20,686,929	59,003,093	54,312,923	6,125,552	1,434,475	262,403	-	-	-	-	1,453,592	6,157,044	105,507,623	82,314,605	187,822,228

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.
1- Conditional and unconditional receivables from central governments and Central Banks
2- Conditional and unconditional receivables from regional or local governments
3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
4- Conditional and unconditional receivables from multilateral development banks
5- Conditional and unconditional receivables from international organizations
6- Conditional and unconditional receivables from banks and brokerage houses
7- Conditional and unconditional receivables from corporates
8- Conditional and unconditional receivables from retail portfolios
9- Conditional and unconditional receivables secured by mortgages
10- Past due receivables
11- Receivables defined under high risk category by BRSA
12- Securities collateralized by mortgages
13- Securitization positions
14- Short-term receivables from banks, brokerage houses and corporates
15- Investments similar to collective investment Funds
16-Investment in equities
17- Other receivables

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Analysis of maturity-bearing exposures according to remaining maturities(*):

Current Period Exposure Categories	Term To Maturity				
	Up to 1 month	1-3 month	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	320,559	1,360,426	915,790	703,827	24,377,078
Conditional and unconditional receivables from regional or local governments	-	-	-	-	86,845
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	15,346	5,003	71,561	7,436	120,098
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	7,219,249	3,722,778	1,875,722	508,557	3,854,494
Conditional and unconditional receivables from corporates	7,206,657	4,411,921	5,291,536	9,322,272	40,032,564
Conditional and unconditional receivables from retail portfolios	2,918,382	4,265,949	4,898,510	7,345,502	29,297,128
Conditional and unconditional receivables secured by mortgages	26,914	123,495	150,733	389,141	4,634,716
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	1,540	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-	-
Investment in equities	202,797	-	-	-	-
Other receivables	-	-	-	-	-
General Total	**17,911,444**	**13,889,572**	**13,203,852**	**18,276,735**	**102,402,923**

(*) Risk amounts prior to Loan Reduction, After the Loan conversion rates are given.

Prior Period Risk Classification	Term To Maturity				
	Up to 1 month	1-3 month	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	6,925	327,787	85,667	550,871	19,233,346
Conditional and unconditional receivables from regional or local governments	351	-	-	-	83,223
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	4,151	12,078	17,451	65,711	117,529
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	3,403,568	1,964,541	1,075,538	160,053	2,881,595
Conditional and unconditional receivables from corporates	5,998,435	3,316,346	5,091,850	5,749,882	34,261,138
Conditional and unconditional receivables from retail portfolios	2,467,171	3,649,464	4,426,461	5,945,606	24,421,809
Conditional and unconditional receivables secured by mortgages	35,456	136,032	216,477	474,653	5,194,971
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	75	182	263	0	631
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-	-
Investment in equities	153,171	-	-	-	-
Other receivables	-	-	-	-	-
General Total	**12,069,303**	**9,406,430**	**10,913,707**	**12,946,776**	**86,194,242**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Exposures by risk weights:

Current Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	32,956,397	-	6,402,641	-	19,757,787	66,501,599	95,551,373	320,224	-	-	9,481	514,653
2. Exposures After Credit Risk Mitigation	37,790,870	-	1,944,890	2,662,222	13,216,791	57,675,699	91,396,559	320,192	-	-	9,481	514,653

Prior Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	Deductions from Equity
1. Exposures Before Credit Risk Mitigation	32,048,718	-	4,584,430	-	15,797,520	58,485,267	76,643,890	262,403	-	-	-	536,572
2. Exposures After Credit Risk Mitigation	39,069,379	-	2,233,052	3,540,454	10,376,464	47,969,147	71,796,329	262,300	-	-	-	536,572

Information by major sectors and type of counterparties:

Information about impaired credits and past due credits and value adjustments and provisioning methods are described in Section IV Part 2.

Current Period	Loans(*)			Provisions	
	Impaired Loans (TFRS 9)				
Major Sectors / Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)	Non-Performing (Regulation of Provision)	Non-Performing (Regulation of Provision)	(Regulation of Provision)
1. Agriculture	**573,663**	**354,971**	**-**	**274,929**	**-**
1.1. Farming and Livestock	570,714	329,733	-	258,008	-
1.2. Forestation	1,109	13,443	-	7,681	-
1.3. Fishing	1,840	11,795	-	9,240	-
2. Industrial	**1,392,970**	**1,603,783**	**-**	**1,446,116**	**-**
2.1. Mining and Quarrying	48,857	43,782	-	25,583	-
2.2. Manufacturing Industry	1,328,606	1,211,857	-	1,077,814	-
2.3. Electricity, Gas, Water	15,507	348,144	-	342,719	-
3. Construction	**1,394,388**	**1,006,714**	**-**	**815,660**	**-**
4. Services	**5,326,162**	**3,013,375**	**-**	**2,782,684**	**-**
4.1. Wholesale and Retail Commerce	1,687,207	2,098,993	-	1,676,765	-
4.2. Hotel and Restaurant Services	446,618	212,194	-	211,070	-
4.3. Transportation and Communication	585,908	151,310	-	289,950	-
4.4. Financial Corporations	2,064,989	274,966	-	429,271	-
4.5. Real Estate and Loan Services	64,477	29,827	-	31,521	-
4.6. Independent Business Services	306,121	112,292	-	35,006	-
4.7. Education Services	58,703	83,815	-	55,349	-
4.8. Health and Social Services	112,139	49,978	-	53,752	-
5. Other	**3,435,280**	**2,752,653**	**-**	**2,459,656**	**-**
6. Total	**12,122,463**	**8,731,496**	**-**	**7,779,045**	**-**

(*) Represents the distribution of cash loans.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period	Loans(*)			Provisions	
	Impaired Loans (TFRS 9)		Non-Performing (Regulation of Provision)		
Major Sectors / Counterparties	Significant Increase of Credit Risk (Stage 2)	Default (Stage 3)		Non-Performing (Regulation of Provision)	(Regulation of Provision)
1. Agriculture	**466,738**	**244,601**	**-**	**186,634**	**-**
1.1. Farming and Livestock	460,859	226,016	-	173,435	-
1.2. Forestation	146	15,863	-	10,547	-
1.3. Fishing	5,733	2,722	-	2,652	-
2. Industrial	**1,366,804**	**1,021,925**	**-**	**1,241,285**	**-**
2.1. Mining and Quarrying	41,140	33,647	-	19,692	-
2.2. Manufacturing Industry	1,025,218	986,729	-	918,807	-
2.3. Electricity, Gas, Water	300,446	1,549	-	302,786	-
3. Construction	**1,191,113**	**600,556**	**-**	**534,792**	**-**
4. Services	**3,729,743**	**2,094,249**	**-**	**2,182,025**	**-**
4.1. Wholesale and Retail Commerce	1,427,349	1,522,146	-	1,320,919	-
4.2. Hotel and Restaurant Services	537,407	189,754	-	237,455	-
4.3. Transportation and Communication	306,748	128,684	-	132,138	-
4.4. Financial Corporations	754,402	23,431	-	211,795	-
4.5. Real Estate and Loan Services	69,278	25,613	-	30,993	-
4.6. Independent Business Services	463,981	75,901	-	144,965	-
4.7. Education Services	88,722	35,161	-	43,381	-
4.8. Health and Social Services	81,856	93,559	-	60,379	-
5. Other	**3,176,208**	**2,652,932**	**-**	**2,484,568**	**-**
6. Total	**9,930,606**	**6,614,263**	**-**	**6,629,304**	**-**

(*) Represents the distribution of cash loans.

Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Stage 3 Provisions	4,937,172	2,658,110	(440,828)	(974,127)	6,180,327
2. Stage 1 and 2 Provisions	2,938,181	477,317	(751,046)	-	2,664,452

(*) Represents the provision of loans written-off.

Prior Period	Opening Balance	TFRS 9 Transation Effect	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Stage 3 Provisions	3,540,714	(132,504)	2,031,749	(354,211)	(148,576)	4,937,172
2. Stage 1 and 2 Provisions	1,397,267	899,537	641,377	-	-	2,938,181

(*) Represents the provision of loans written-off.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Exposures subject to countercyclical capital buffer:
The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué "Regulation on Capital Conservation and Countercyclical Capital buffers of Banks" published in the Official Gazette no. 28812 dated November 5, 2013 is presented below:

Information on private sector receivables:

Current Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	124,605,414	-	124,605,414
Malta	433,209	-	433,209
Other	132,449	-	132,449
Total	**125,171,072**	**-**	**125,171,072**

Prior Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	103,785,665	-	103,785,665
Malta	405,321	-	405,321
Other	48,649	-	48,649
Total	**104,239,635**	**-**	**104,239,635**

2. Risk Management and General Disclosures regarding Risk Weighted Amounts

2.1. GBA - Risk management approach of the group:

a) The way risk profile of the Group is determined by business model and the interaction between (e.g. key risks related to business model and in which way those risks are reflected to disclosures) and in which way the risk profile of the Group is related to risk appetite approved by board of directors

Group acknowledges that business and strategy risks are material since the Bank's growth oriented business plan is sensitive to changes in market conditions. From this point of view, Bank classifies business and strategy risk as an important risk. Group reviews its 5 year long term business plans once a year periodically. If the economic developments and market conditions require, then business plans are reviewed and revised more often.

b) Risk management structure: Allocation of responsibilities in the Group (e.g. supervision and delegation of authorization; separation of responsibilities with respect to their risk type, business unit etc.; relations between structures included in risk management processes (e.g. board of directors, senior management, separate risk committee, risk management unit, legal compliance, internal audit function)

Group's risk measurement, monitoring, and control functions have clearly defined responsibilities that are sufficiently independent from position/risk taking functions. Risk exposures are directly reported to Senior Management and the Board of Directors/Board Risk Committee. Group's internal control systems are designed to provide adequate segregation of duties, in order to prevent conflicts of interest with respect to the distinct functions of undertaking, approving, monitoring and controlling risks. In particular the functions that undertake transactions (front line) are administratively and operationally separate from the functions of, confirmation, accounting and settlement of transactions, as well as the safekeeping of the assets of the Group or its customers.

Risk management governance at the Group starts with the Board of Directors. The Board Risk Committee ("BRC"), Audit Committee (the "AC"), Assets and Liabilities Committee (the "ALCO"), Corporate and Retail Credit Policy Committee ("CPC"), Operational Risk Management Committee ("ORC"), Reputation Risk Management Committee and Risk Management Department are the important bodies of the risk management structure. The Board of Directors determines the general risk policy and the risk appetite of the Group.

The AC is responsible for supervising whether the Group complies with the provisions of applicable risk management legislation, and the internal risk management policies and procedures approved by the BoD. The AC reviewing whether the Group has the methods, instruments and procedures required for identifying, measuring, monitoring and controlling the risk exposures of the Group.

The ALCO, meeting monthly, is responsible for monitoring and managing the structural asset-liability mismatches of the Group, as well as monitoring and controlling liquidity risk and foreign currency exchange risk.

The CPC meets monthly and is responsible for monitoring and evaluating the Group's lending portfolio and determining principles and policies regarding the credit risk management processes such as loan approval, limit setting, rating, monitoring and problem management. The ORMC meets every three months and is responsible for reviewing operational risk issues of the Group and defining the necessary actions to be taken to minimize these risks. The Reputation Risk Management Committee is established to identify, evaluate and monitor the reputational risks that the Group is exposed to and to take necessary actions to prevent risks and meets quarterly.

The Risk Management Department, working independently from the executive functions and reporting to the Board of Directors, is organized under three main section as market risk, credit risk, operational risk and model validation, each having responsibility for identifying, measuring, monitoring, controlling and managing the relevant risks as well as for model validation, assessing the predictive ability of risk estimates and the use of ratings in credit processes.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. This includes in particular anti-money laundering and terrorist financing regulation. In doing so, the compliance function informs all Bank employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Group risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Group has and controls relevant to them during audit works.

c) Channels which are used to extend and apply risk culture in the Group (e.g. behavior rules, manuals including operation limits or procedures which shall be applied when the risk limits are exceeded, procedures regarding sharing of risk matters between business units and risk units)

Risk Management Strategy comes out as the main risk management policy document in which the Group defines its risks, determines the risk appetite and the risk management principles. In the Policy regarding the Strategic Risk Management, the Group's strategic risk management framework and its role and responsibilities in this context are organized.

Corporate and Retail Loan Policies and application directions also determines the Group's credit risk management workflow and procedures.

Corporate Rating Governance Policy regulates the internal governance framework for corporate and commercial segment risk rating system operations.

The Market Risk Management Policy determines the key principles underlying the operations of the Group in money and capital markets including limit structure.

The IRRBB Management Policy defines the key principles of the management of interest rate risk arising from non-trading activities.

The liquidity policy outlines the Group's view and identifies the guidelines for incurring, retaining and managing liquidity risk.

The Operational Risk Management Policy ensures that all the Group's stakeholders manage operational risk within a formalized framework aligned to business objectives.

Reputation Risk Policy, identifies the rules and frame of managing the reputation risk

d) Key elements and scope of risk measurement systems

Consistent across the Group internal risk rating systems appropriate to the nature, size and complexity of each activity and fully integrated in credit processes. The internal risk rating system employs appropriate credit risk rating models the scope and coverage of which are adequate to accommodate the Group's strategic aspirations and regulatory requirements. In particular, the Group's internal rating systems form the basis of capital assessment and allocation and constitute a key element of risk adjusted performance measurement, pricing and profitability measurement.

Information systems and analytical techniques that enable measurement of credit risk inherent in all relevant activities, providing adequate information on the composition of the credit portfolio, including identification of any concentrations of risk.

The Market Risk Management Policy determines the key principles underlying the operations of the Bank in money and capital markets. Key principles of Market Risk Management Framework are:

The Board Risk Committee is responsible for ensuring that market risk strategy and policy are consistently implemented. This includes:

• Implementation of the market risk management policy;

• Designation of risk limits;

• Definition of responsibilities for every unit involved in market risk management;

• Ongoing market risk monitoring and control, ensuring that risk appetite remains within the approved limits;

• Setting up appropriate IT systems for evaluating and monitoring the risks taken;

• Setting up standard models for market risk positions valuation and performance evaluation;

• Setting up comprehensive reporting and internal control systems;

• Providing for the maintenance of an adequate level of regulatory capital against the market risk undertaken; and

• Providing for the disclosure of information regarding the type and level of the market risk assumed and for the implementation of policies for the management thereof.

e)Disclosures regarding risk reporting processes provided to Board of Directors and senior management (especially on the scope and main content of reporting)

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk.

Credit Risk section of the report consists of three main sub sections such as general Outlook, business Loans and retail Loans, and include;

• Basic risk appetite parameters in the Group Risk Management Strategy;

• Exposures by segments, monthly and annual changes, portfolio growth;

• Sector concentration and risk metrics;

• Delinquency amounts, product types and delinquencies by segments, new NPLs and recoveries from NPLs;

• Detailed watch list analyses for business segments;

• Rating distributions, PD distributions, expected loss trend, collateral structure;

• New NPLs, vintage analyses, recoveries by segments and products;

• Restructured credits by segments;

• Derivative products exposures by segments, stress testing; and

• Credit risk information regarding subsidiaries.

The Risk Management Division is required to inform Senior Management and Board Member who is responsible from Internal Systems on Market Risk of Trading Book and AFS portfolio.

Reports are prepared daily and indicatively include the following:

• Estimation of the VaR on aggregate basis and by type of risk (interest rate, FX, equity);

• Estimation of Stress VaR on aggregate basis and by type of risk (interest rate, FX, equity);

• Sensitivity of the Trading Book and AFS portfolio;

• Nominal values of bond portfolios;

• A breakdown of the portfolio and the relevant limits utilization;

• Utilization of limits on option Greeks; and

• Subsidiary VaR calculation.

In addition, Board of Directors Risk Committee Report is prepared monthly in a way covering abovementioned market risk metrics and stress tests in order to be presented to Board of Directors and Risk Committee.

f) Disclosures regarding stress test (e.g. assets included in stress test, adapted scenarios and used methodologies and use of stress test in risk management)

Stres tests constitute the center of capital planning within the scope of the Group's APICA (Assessment Process of Internal Capital Adequacy). The Bank's general principles on the stress testing framework can be summarized as follows:

• Comprehensive stress testing, aggregated per risk category, is conducted at least annually on year end data and business plan;

• Stress testing is integrated to the ICAAP document which is subject to Board of Directors approval;

• A historical scenario is selected as an anchor scenario to be used on the construct of base adverse scenario for the stress test use. However, final scenario is applied by enriching with hypothetical components as independent from anchor scenario;

• Bank's stress testing framework encompasses sensitivity tests;

• The impact of the stress testing on the Bank's financial strength and capital position are analyzed through some key ratios and key items including but not limited to the following: Non-performing Loan Ratio, Return of Equity, Return on Asset, Leverage Ratio, Core Tier I Ratio, Capital Adequacy Ratio, Loan Balances, Balance Sheet Items, Income Statement Items; and

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

• Stress testing framework encompasses reverse stress testing.

Market Risk Management defines the stress test approaches as below:

• To move the risk factors parallel in one direction;

• To move the risk factors non parallel; and

• To perform tests to the existing portfolio based on past extreme situations.

Trading book consists of Financial Assets at Fair Value Through Profit or Loss securities, Financial Assets at Fair Value Through Profit or Loss derivatives and open currency positions which are clearly defined in Market Risk Management Policy.

g) Risk management, protection and mitigation strategies and process of the group sourcing from its business model and Monitoring processes of continuing effects of protection and mitigation

Forecasts related to effectiveness of credit risk mitigation methods and collection ability of the Group associated with miscellaneous collateral types are stated with consideration ratios on the basis of collaterals. The aforementioned ratios are determined based on long term historical observations of the Group and judgement of expert business units and most importantly with precautionary principle.

It is also possible to mention that a similar precautionary level is reflected to "Communique on Credit Risk Mitigation Techniques" over conditions and legal haircut ratios required to consider collaterals as risk mitigating element. However, the Group only considers cash and cash equivalent collaterals during the calculation of capital adequacy. Consideration types of cash and cash equivalent collaterals are relatively simple and values of such collaterals reflects current market prices as of reporting dates.

Operational requirements has been increased in order to consider such collaterals as well as Basel II with respect to risk weighted applications of credits secured with commercial and residential immovable property mortgage.

2.2. GB1 - Overview of risk weighted assets:

		Risk Weighted Assets		Minimum Capital Requirements	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
1	Credit risk (excluding counterparty credit risk)	138,971,870	112,159,311	11,117,750	8,972,745
2	Standardised approach	138,971,870	112,159,311	11,117,750	8,972,745
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	4,845,334	3,698,238	387,627	295,859
5	Standardised approach for counterparty credit risk	4,845,334	3,698,238	387,627	295,859
6	Internal model method	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-	-
9	Investments made in collective investment companies - mandate-based approach	-	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitisation exposures in banking accounts	-	-	-	-
13	IRB ratings-based approach	-	-	-	-
14	IRB Supervisory Formula Approach	-	-	-	-
15	SA/simplified supervisory formula approach	-	-	-	-
16	Market risk	3,584,213	1,654,488	286,737	132,359
17	Standardised approach	3,584,213	1,654,488	286,737	132,359
18	Internal model approaches	-	-	-	-
19	Operational risk	13,089,131	10,473,508	1,047,130	837,881
20	Basic Indicator Approach	13,089,131	10,473,508	1,047,130	837,881
21	Standardised Approach	-	-	-	-
22	Advanced Measurement Approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24	Floor adjustment	-	-	-	-
25	TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	160,490,548	127,985,545	12,839,244	10,238,844

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

3. Linkages between financial statements and risk amounts
3.1. B1 - Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts:

Current period			Carrying values of items in accodance with TAS			
Assets	Carrying values in financial statements prepared as per TAS (*)	Carrying values of items in accordance with TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk
Cash and balances with the Central Bank	18,749,459	18,748,233	18,750,542	-	-	-
Trading Financial Assets	3,814,171	3,814,171	-	3,781,515	2,733,943	-
Financial Assets at Fair Value Through Profit or Loss	293,399	380,236	86,837	-	293,399	-
Banks	4,220,545	1,097,627	1,103,127	-	-	-
Money Market Placements	3,225,937	3,225,937	184,975	3,040,962	-	-
Financial Assets Available-for-Sale (Net)	12,352,278	12,346,098	12,346,098	5,475,062	-	-
Loans and Receivables	109,445,928	110,322,300	112,988,966	-	-	28,525
Factoring Receivables	1,630,527	1,551,583	1,551,583	-	-	-
Held-to-maturity investments (Net)	16,169,451	16,169,450	16,181,302	6,517,031	-	-
Investment in Associates (Net)	-	5,982	5,982	-	-	-
Investment in Subsidiaries (Net)	-	38,038	38,038	-	-	-
Investment in Joint ventures (Net)	199,384	173,628	173,628	-	-	-
Lease Receivables	5,583,145	4,788,157	4,788,157	-	-	-
Derivative Financial Assets Held For Hedging	4,125,138	4,125,138	-	4,125,138	-	-
Property And Equipment (Net)	3,412,974	3,387,235	3,312,971	-	-	74,263
Intangible Assets (Net)	474,813	453,366	-	-	-	411,865
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	447,717	451,492	451,492	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	2,974,955	6,447,515	6,456,728	-	-	-
TOTAL ASSETS	**187,119,821**	**187,526,186**	**178,420,426**	**22,939,708**	**3,027,342**	**514,653**
Liabilities						
Deposits	105,507,978	105,500,253	-	-	-	105,507,978
Derivative Financial Liabilities Held for Trading	3,619,172	3,619,172	-	-	2,619,437	3,619,172
Funds Borrowed	19,366,554	19,419,317	-	-	-	19,366,554
Money Markets	12,915,760	9,148,935	-	9,148,935	-	12,915,760
Marketable Securities Issued	14,346,112	14,351,547	-	-	-	14,346,112
Funds	-	-	-	-	-	-
Miscellaneous Payables(***)	3,804,182	7,596,297	-	-	-	3,965,458
Other Liabilities(***)	2,252,514	2,603,881	-	-	-	2,091,238
Factoring Payables	-	-	-	-	-	-
Lease Payables	437,285	437,285	-	-	-	437,285
Derivative Financial Liabilities Held For Hedging(**)	1,516,321	1,516,321	-	-	-	1,516,321
Provisions	925,224	921,907	-	-	-	925,224
Tax Liability	207,162	213,410	-	-	-	207,162
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Loans	5,432,553	5,432,553	-	-	-	5,432,553
Shareholder's Equity	16,789,004	16,765,308	-	-	-	16,789,004
TOTAL LIABILITIES	**187,119,821**	**187,526,186**	**-**	**9,148,935**	**2,619,437**	**187,119,821**

(*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.
(**) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.
(***) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

			Carrying values of items in accodance with TAS			
Prior period						
Assets	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk
Cash and balances with the Central Bank	18,511,052	18,474,302	18,511,442	-	-	-
Trading Financial Assets	5,555,057	5,509,319	-	5,429,815	5,143,778	-
Financial Assets at Fair Value Through Profit or Loss	45,739	45,739	-	-	45,739	-
Banks	3,371,612	1,241,611	1,242,052	-	-	-
Money Market Placements	509,711	509,706	409,641	100,070	-	-
Financial Assets Available for Sale (Net)	8,451,754	8,445,773	8,445,773	2,814,590	-	-
Loans and Receivables	93,421,786	94,315,488	97,002,606	-	-	83,538
Factoring Receivables	1,208,884	973,004	973,004	-	-	-
Held to maturity investments (Net)	12,932,193	12,895,116	12,932,193	3,673,636	-	-
Investment in Associates (Net)	-	5,982	5,982	-	-	-
Investment in Subsidiaries (Net)	-	38,054	38,054	-	-	-
Investment in Joint ventures (Net)	158,380	142,609	142,609	-	-	-
Lease Receivables	5,521,076	5,088,099	5,088,099	-	-	-
Derivative Financial Assets Held For Hedging	6,892,010	6,892,010	-	6,892,010	-	-
Property And Equipment (Net)	2,893,451	2,869,000	2,800,904	-	-	68,048
Intangible Assets (Net)	433,889	411,200	26,215	-	-	384,986
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	613,768	695,082	695,082	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	2,626,163	4,948,140	4,950,148	-	-	-
TOTAL ASSETS	**163,146,525**	**163,500,234**	**153,263,804**	**18,910,121**	**5,189,517**	**536,572**
Liabilities						
Deposits	86,830,777	86,826,216	-	-	-	86,830,777
Derivative Financial Liabilities Held for Trading	5,733,001	5,733,001	-	-	4,914,056	5,733,001
Funds Borrowed	20,556,269	20,552,233	-	-	-	20,556,269
Money Markets	11,454,733	5,333,672	-	4,714,819	-	11,454,733
Marketable Securities Issued	11,791,532	11,850,077	-	-	-	11,791,532
Funds	-	-	-	-	-	-
Miscellaneous Payables	3,220,042	9,350,487	-	-	-	3,220,042
Other Liabilities	2,730,881	2,731,892	-	-	-	2,730,881
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	717,188	717,188	-	-	-	717,188
Provisions	513,631	826,061	-	-	-	513,631
Tax Liability	152,990	159,866	-	-	-	152,990
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Loans	4,816,098	4,816,098	-	-	-	4,816,098
Shareholder's Equity	14,629,383	14,603,443	-	-	-	14,629,383
TOTAL LIABILITIES	**163,146,525**	**163,500,234**	**-**	**4,714,819**	**4,914,056**	**163,146,525**

(*) Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.
(**) Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.
(***) Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

3.2. B2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements:

	Current Period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	204,397,020	178,420,426	-	22,939,708	3,027,342
2	Liabilities carrying value amount under regulatory scope of consolidation	11,768,372	-	-	9,148,935	2,619,437
3	Total net amount under regulatory scope of consolidation	192,628,648	178,420,426	-	13,790,773	407,905
4	Off-Balance Sheet Amounts	117,263,912	21,647,562	-	-	-
5	Differences due to different netting rules (except 2)	3,176,307	-	-	-	3,176,307
6	Repo transactions	2,848,164	-	-	2,848,164	-
7	Decrease in counterparty credit risk as a result of netting	-	-	-	-	-
8	Potential credit risk amount calculated for the counterparty	1,401,892	-	-	1,401,892	-
9	Differences due to credit risk reduction	(13,101,657)	(2,165,054)	-	(10,927,059)	-
	Risk Amounts	**-**	**197,902,934**	**-**	**7,113,770**	**3,584,213**

	Prior Period	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	177,363,442	153,263,804	-	18,910,121	5,189,517
2	Liabilities carrying value amount under regulatory scope of consolidation	9,628,875	-	-	4,714,819	4,914,056
3	Total net amount under regulatory scope of consolidation	167,734,567	153,263,804	-	14,195,302	275,461
4	Off-Balance Sheet Amounts	91,329,278	18,485,121	-	-	-
5	Differences due to different netting rules (except 2)	1,379,027	-	-	-	1,379,027
6	Repo transactions	69,905	-	-	69,905	-
7	Decrease in counterparty credit risk as a result of netting	-	-	-	-	-
8	Potential credit risk amount calculated for the counterparty	1,506,135	-	-	1,506,135	-
9	Differences due to credit risk reduction	(12,273,141)	(2,191,669)	-	(10,081,472)	-
	Risk Amounts	**-**	**169,557,256**	**-**	**5,689,870**	**1,654,488**

3.3. BA - Disclosures regarding differences between amounts valued according to TAS and risk exposures:

a) None.

b) There is no significant difference between amounts valued in accordance with TAS included in B2 and risk exposures except for “Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)”. There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.

c) Valuation methodologies regarding the disclosure related to use of Market Value and Model Value:

In general terms, market risk is the possibility of making loss as a result of changes occurring in the current market values of financial assets and positions in the bank’s trading accounts. In this framework, the following elements of the Bank, which must be reflected on balance sheet over their current market values (market to market), are included in market risk:

• Equity shares included in trading, investment fund participation documents, securities such as bonds and bills;

• Open foreign exchange position with respect to each foreign currency;

• Derivative contracts (forwards) sensitive to interest changes and concluded for trading, future transactions, simple or complex options, swaps, credit derivatives; and

• Reverse repo transactions.

Classification of Trading Accounts are made in accordance with Appedix-3 of Regulation on Measurement and Evaluation of Bank’s Capital Adequacy.

The Parent Bank calculates its value at market risk with standard method in the framework of “Regulation on Measurement and Evaluation of Bank's Capital Adequacy". Accordingly, capital requirement is reached through multiplying of total of general market risk, commodity risk, settlement risk, option risk to 12.5.

Value at market risk of the Bank is reached through the determination of amounts related to market risk in scope of Basel 2 reporting set. Details of analysis are as follows:

• Commodity risk analysis: Simplified approach (Standard method);

• Interest rate risk analysis: General Market Risk Calculation (Standard method - Maturity approach) - Specific risk calculation (Standard method);

• Equity share risk analysis: Position risk in equity share investments (Standard method);

• Exchange rate exposure analysis (Standard method); and

• Option risk analysis: Weighting method with delta factor (Standard method).

Securities such as equity share, bond and bills, whose market prices are monitored directly, and derivative products such as futures, which are traded in stock exchange, are reviewed over their transaction prices as of reporting date. If a security included in Financial Assets at Fair Value through Profit/Loss portfolio cannot be treated as of reporting date, it is evaluated over the price determined in scope of precautionary principles.

Market value of products, which are traded at over the counter markets such as forward foreign exchange, foreign exchange swaps and interest swaps, are calculated in line with discounting of cash flows over market interest rates. Market value of option transactions is performed based on softwares which are internationally accepted valuation methodologies.

Definition of independent price approval processes:

There are four main price parameters which shall have an impact on current market value of financial assets and positions held by the Banks:

• Market interest rates (Bond, bill and derivative prices);

• Share prices;

• Exchange rates; and

• Gold, other precious metals and commodity prices.

Total risk of loss sourcing from price movements (interest, equity share, exchange and commodity risk) related to financial assets and positions are called as "general market risk".

Independency of price process in ensured through the recording and management of prices to Bank systems by back office. In addition, the pricing and valuation systems in question are also reviewed and validated by Validation Unit. Details belonging to aforementioned valuation and accounting are strictly documented and monitored by Treasury Control Unit.

Processes for valuation adjustments or differences (It includes definition of process and methodology definition for the valuation of trading positions according to type of financial instrument)

TL borrowing instruments included in securities portfolio of Financial Assets at Fair Value through Profit/Loss account consist of government securities. The aforementioned securities are evaluated based on weighted average price traded in BIST. Market price is calculated based on CBT prices for TL securities not traded in BIST. Average of quotation of purchase and sell in the market are accepted as market price for Foreign Currency securities included in the same portfolio.

4. Credit risk disclosures

4.1. General information on credit risk

4.1.1. CRD - general qualitative information on credit risk

a) Conversion of The Parent Bank's business model to components of credit risk profile

The Parent Bank has forward-looking measurement and forecast instruments which are sensitive to risk and including appropriate information technology applications and management information systems in order to take expected or unexpected losses into account in all types of risk under both normal and also negative market conditions. The conversion of business model to components in risk profile is digitized through aforementioned instruments.

b) Criteria and approach used during the determination of credit risk policy and credit risk limits

Group credit policies have been established to form effective and satisfactory loan allocation processes based on prudence and applicability principles in a way that it is in line with the risk boundaries set by the Group, Group Credit Policies and legal authorities. Pillars of credit risk management policy in Group are:

• Rules and Regulations of BRSA (Banking Regulation and Supervision Agency);

• Decisions of institutions auditing QNB Group;

• Credit policies and procedures at bank level;

• Risk Management Strategy;

• Corporate, commercial and SME banking credit policies and corporate grading management documents; and

• Individual credit and credit cards policies.

Risk Management Strategy is the main risk management policy document in which the risks of the Group are identified, and its risk appetite and managements principles are determined. Credit risk limits are annually reviewed in line with risk strategy.

c)Structure and organization of credit risk management and control function

All of the process related to direct or indirect credit allocation, extension, monitoring and operation of the Group in favour of individuals or legal entities are reviewed in scope of credit risk management. Activities related to capital management includes calculation of legal and economic capital requirement of annual and long term business plans of the Bank.

Activities related to Credit Risk and Capital Management are carried out by Credit Risk Analytic, Strategy and Capital Management unit. Group's Credit Risk organization, duties and responsibilities, related units and responsibilities of those units are identified in detail in the own Credit Policy documents of the Group, Risk Management Strategy Document and Risk Management Department operation instruction and also main principles, applications, limits and reporting processes, which are going to be adopted in Credit Risk Management, are included.

Main responsibilities of Credit Risk Management Department are as follows:

• To establish risk management policies and strategies related to risks exposed by the Group and to submit those policies and strategies for the approval of Board of Directors Risk Committee;

• To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at group level to senior management;

• To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Group;

• To make periodic stress tests and scenario analysis and establish early warning systems;

• To support decision-making processes of the Group through providing reviews and risk point of view with respect to risk management;

• To develop application and behavior score cards which are used in order to manage credit portfolio and processes in a correct and effective manner and forming main source for DR models;

• To promote risk awareness and management culture at group level;

• To develop of forecasting models/approaches and the measurement monitoring of portfolio credit risk through Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD); and

• Implementation of risk based Credit Classification and Expected Credit Loss calculations under TFRS 9, determination of credit risk measurement framework, development and implementation of relevant models/approaches.

d) Relationship between credit risk management, risk control, legal compliance and internal audit functions

Risk governance model includes three lines of defense consisting of:

• The risk taking units (lines of business) at the first level, responsible for assessing and minimizing risks for a given level of return;

• Risk Management Unit, at the second level, identifies, monitors, controls, quantifies risk, provides appropriate tools and methodologies, provides coordination and assistance; measures risk adjusted performance across the business lines; reports to appropriate levels and proposes mitigation measures, being supported by business lines, where the risk is actually created, and specialized units; and

• Internal Audit - provides the independent review function.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. This includes in particular anti-money laundering and terrorist financing regulation. In doing so, the compliance function informs all Bank employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Group risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Group has and controls relevant to them during audit works.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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e) Disclosures regarding risk reporting processes provided to Board of Directors and senior management (especially on the scope and main content of reporting)

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operational Risk. Report mainly consists of the following; changes in risk parameters, changes in exposures of segments, concentration and risk metrics, stress testing and results, delinquency amounts and ratios by segments, Stage 3 and Stage 2 rating and PD distributions, vintage analyses, collaterals, recoveries, restructurings.

In addition to these monthly reports, a comparative analysis with banks, which is based on quarterly capital adequacy and credit risk metrics, is also reported to senior management and the board of directors.

4.2. CR1 Credit quality of assets:

		Gross carrying values of as per TAS			
	Current Period	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net value
1	Loans	8,731,496	110,715,821	6,180,327	**113,266,990**
2	Debt Securities	-	28,337,603	-	**28,337,603**
3	Off-balance sheet exposures	-	76,117,640	45,614	**76,072,026**
4	**Total**	**8,731,496**	**215,171,064**	**6,225,941**	**217,676,619**

		Gross carrying values of as per TAS			
	Prior Period	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net value
1	Loans	6,614,263	95,409,053	4,937,172	**97,086,144**
2	Debt Securities	-	21,259,795	-	**21,259,795**
3	Off-balance sheet exposures	-	60,332,135	50,116	**60,282,019**
4	**Total**	**6,614,263**	**177,000,983**	**4,987,288**	**178,627,958**

4.3. CR2 Changes in stock of defaulted loans and debt securities:

		Current Period	Prior Period
1	**Defaulted loans and debt securities at end of the previous reporting period**	6,614,263	4,344,169
2	Loans and debt securities that have defaulted since the last reporting period	4,506,376	3,691,472
3	Returned to non-defaulted status	-	-
4	Amounts written off(*)	974,127	148,576
5	Other changes(**)	1,415,016	1,272,802
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**8,731,496**	**6,614,263**

(*) Includes the sale of non performing loans amounting to TL 918,518 in the current period (December 31, 2018 - None),
(**) Includes collections from credits in default.

4.4. KRB - Additional disclosures related to credit quality of assets:

a) The criteria taken into consideration by the Parent Bank in determining the impairment are explained in footnote VIII of the third section. Receivables having more than 90 days overdue are defined as “Past due receivables”. There is no difference between “past due receivables” and “loans subject to provisioning” since all loans with 90 days overdue are subject to specific provisioning.

b) There is no part of past due receivables which is not reviewed as “loans subject to provisioning”.

c) The Bank’s specific provision calculation is explained in footnote VIII of the third section. When specific provisions are determined, the minimum specific provision rates are used and the collaterals are not deducted from the risk bases in accordance with the “Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside”.

d) In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments then receivables in aforementioned scope are identified as “restructured receivables”.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

e) Exposures provisioned against by major regions, major sectors and remaining maturity:

Exposures provisioned against by major regions:

Country	Current Period	Prior Period
Domestic	109,994,925	94,878,795
European Union (EU) Countries	449,498	426,822
USA, Canada	19,487	22,376
OECD Countries	2,493	3
Off-Shore Banking	44,659	19,973
Other Countries	291,596	61,084
Total	110,802,658	95,409,053

Includes Financial Assets at Fair Value Through Profit and Loss amounting to TL 86,838 in accordance with TFRS 9 (December 31, 2018 - TL 110,032).

Exposures provisioned against by major sectors:

	Current Period	Prior Period
1. Agricultural	**2,342,906**	**2,538,528**
1.1. Farming and raising livestock	2,165,319	2,337,407
1.2. Forestry	7,463	5,629
1.3. Fishing	170,124	195,492
2. Manufacturing	**20,227,280**	**16,371,069**
2.1. Mining and Quarrying	320,642	283,274
2.2. Production	15,932,481	12,360,435
2.3. Electricity, Gas, Water	3,974,157	3,727,360
3. Construction	**5,842,486**	**5,853,595**
4. Services	**45,263,180**	**38,883,648**
4.1 Wholesale and retail trade	16,057,124	14,396,553
4.2 Hotel, food and beverage services	4,759,454	3,434,383
4.3 Transportation and telecommunication	11,837,609	9,215,542
4.4 Financial institutions	7,065,951	6,935,904
4.5 Real estate and leasing services	276,556	350,168
4.6 Self-employment services	1,333,270	1,535,335
4.7 Education services	402,373	375,746
4.8 Health and social services	3,530,843	2,640,017
5.Other	**37,126,806**	**31,762,213**
6. Total	**110,802,658**	**95,409,053**

Includes Financial Assets at Fair Value Through Profit and Loss amounting to TL 86,838 in accordance with TFRS 9 (December 31, 2018 - TL 110,032).

Breakdown of Exposures according to remaining maturity:

Current Period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and	Total
Loans and Receivables(*)	-	21,832,098	9,830,209	33,030,972	36,781,860	12,635,727	114,110,866

Prior Period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and	Total
Loans and Receivables	-	19,082,854	8,821,945	25,695,002	33,047,314	12,052,385	98,699,500

(*) The related provisions have been deducted from current period balances.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

f) Exposures provisioned against by major regions and sectors and loans written off during the period an uncollectible

Exposures provisioned against by major regions and loans written off during the period an uncollectible

Current Period	Loans subject to provision	Provision	Written-off from Assets
Turkey	8,696,168	6,160,863	974,127
EU Countries	18,903	3,043	-
USD, Canada	-	-	-
OECD Countries(*)	-	-	-
Off-shore Banking Regions	16,410	16,403	-
Other Countries	15	18	-
Total	**8,731,496**	**6,180,327**	**974,127**

Prior Period	Loans subject to provision	Provision	Written-off from Assets
Turkey	6,583,887	4,920,107	148,576
EU Countries	16,192	2,882	-
USD, Canada	-	-	-
OECD Countries(*)	-	-	-
Off-shore Banking Regions	14,164	14,164	-
Other Countries	20	19	-
Total	**6,614,263**	**4,937,172**	**148,576**

(*) Includes OECD countries other than EU countries, USA and Canada.

Exposures provisioned against by major sectors and loans written off

	Current Period			Prior Period		
	Loans subject to provision	Provision	Written-off from Assets	Loans subject to provision	Provision	Written-off from Assets
1. Agriculture	**343,484**	**198,312**	**11,414**	**232,767**	**127,548**	**3,506**
1.1. Farming and Raising Livestock	328,982	188,975	11,224	226,015	124,980	942
1.2. Forestry	2,707	262	43	4,029	364	2,564
1.3. Fishing	11,795	9,075	147	2,723	2,204	-
2. Industrial	**1,597,327**	**1,218,312**	**88,359**	**1,020,225**	**731,227**	**9,336**
2.1. Mining and Quarrying	44,698	20,767	3,650	35,134	12,635	385
2.2. Production	1,204,288	882,025	84,429	983,541	717,292	8,951
2.3. Electricity, Gas, Water	348,341	315,520	280	1,550	1,300	-
3. Construction	**1,006,568**	**529,116**	**30,981**	**600,556**	**334,249**	**11,914**
4. Services	**3,017,688**	**2,003,232**	**292,276**	**2,097,159**	**1,494,099**	**110,947**
4.1. Wholesale and Retail Trade	2,099,067	1,421,758	217,239	1,522,146	1,118,022	4,066
4.2. Hotel, Food and Beverage Services	211,874	138,600	32,407	189,527	130,341	8
4.3. Transportation and Communication	151,374	102,281	20,094	129,021	88,299	106,320
4.4. Financial Institutions	274,968	151,580	3,761	23,431	18,199	-
4.5. Real Estate and Renting Services	30,053	19,800	2,386	25,614	15,532	8
4.6. Self-Employment Services	112,292	81,642	9,052	75,901	55,286	-
4.7. Educational Services	84,001	48,756	1,945	35,161	28,684	-
4.8. Health and Social Services	54,059	38,815	5,392	96,358	39,736	545
5. Other	**2,766,429**	**2,231,355**	**551,097**	**2,663,556**	**2,250,049**	**12,873**
6. Total	**8,731,496**	**6,180,327**	**974,127**	**6,614,263**	**4,937,172**	**148,576**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

g) Aging analysis

Overdue days	Current Period	Prior Period
0-30	108,502,808	92,826,649
31-60	1,336,117	1,642,321
61-90	963,732	940,083
90+	8,731,496	6,614,263
Total	**119,534,153**	**102,023,316**

h) Breakdown of restructured receivables based on whether or not provisions are allocated

Current Period	Standard Loans	Loans Under Close Monitoring	Non- Performing Loan
Provisions	-	-	213,165
None Reserved(*)	-	7,687,589	-
Total	**-**	**7,687,589**	**213,165**

Prior Period	Standard Loans	Loans Under Close Monitoring	Non- Performing Loan
Provisions	-	-	91,417
None Reserved(*)	1,127,050	4,297,570	-
Total	**1,127,050**	**4,297,570**	**91,417**

(*) The expected credit loss is reserved for the related loans.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

5. Credit risk mitigation

5.1. CRM - Qualitative disclosure on credit risk mitigation techniques

Collateralization is used as main risk mitigation method. Tangible and intangible assets which can be accepted as collateral and their consideration rates are defined in detail in instructions. The Parent Bank follows a conservative approach in collateral valuation. The value of the collateral is determined both with independent valuation and also internal valuation.

Legality and operational applicability is the precondition for the validity of collaterals. Legal teams should have performed sufficient legal examinations and confirmed all legal regulations related to collateral and validity of collateral before the receipt of the collateral. In addition, all contracts and other related documents should be obtained.

Collateral value should not have a positive correlation with the credit worthiness of the debtor.

Monitoring of collateral values is important to maintain credit quality. Market value of the collateral is periodically reviewed in line with determined frequency in directives and necessary precautions are taken when there is a significant deterioration indication in market value of the collateral.

Insurance policies of the collaterals should be obtained.

Collateral value meets Debt-Collateral ratio determined for credit type or specific sectors legally or in internal application of The Parent Bank.

The Parent Bank takes netting agreements concluded with counterparties into account in the framework of rules mentioned in scope of Appendix-2 of Regulation on Measurement and Evaluation of Bank’s Capital Adequacy during the counterparty risk measurement.

5.2. CR3 - Credit risk mitigation techniques - Overview:

	Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by financial guarantees	Collateralized amount of exposures secured by credit derivatives
1	Loans	109,106,758	4,160,232	2,156,458	-	-	-	-
2	Debt securities	28,337,603	-	-	-	-	-	-
3	**Total**	**137,444,361**	**4,160,232**	**2,156,458**	**-**	**-**	**-**	**-**
4	Of which defaulted	2,540,207	10,962	324	-	-	-	-

	Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by financial guarantees	Collateralized amount of exposures secured by credit derivatives
1	Loans	93,637,957	3,448,187	1,866,508	-	-	-	-
2	Debt securities	21,259,795	-	-	-	-	-	-
3	**Total**	**114,897,752**	**3,448,187**	**1,866,508**	**-**	**-**	**-**	**-**
4	Of which defaulted	1,649,864	27,227	2,282	-	-	-	-

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

6. Credit risk when standard approach is used

6.1. CRA - Qualitative disclosures which shall be made related to grading marks used by the Banks while calculating credit risk with standard approach:

a) Marks of Fitch credit rating institution are used in credit risk standard approach calculations.

		Exposure Categories			
			Exposures to Banks and B rokerage Houses		
Credit Quality Step	Fitch Ratings Credit	Exposures to Central Governments or	Exposures with Original Maturities Less Than 3 Months	Exposures with Original Maturities More Than 3 Months	Exposures to Corporates
	AA+ AA AA-	0%	20%	20%	20%
2	A+ A A-	20%	20%	50%	50%
3	BBB+ BBB BBB-	50%	20%	50%	100%
4	BB+ BB BB-	100%	50%	100%	100%
5	B+ B B-	100%	50%	100%	150%
6	CCC+ CCC CCC- CC C D	150%	150%	150%	150%
Derecesiz	Derecesiz	100%	20%[(1)]	50%[(1)]	100%

b) Centralized administrations and Banks take CRA marks into account for risk classes.

c) Mark assigned to a debtor is taken into account for all assets of the debtor.

d) CRA, which is not included in twinning table of the institution, is not used.

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6.2. CR4 - Standardised approach - Credit risk exposure and credit risk mitigation (CRM) effects:

	Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	45,187,518	-	50,222,051	-	14,079,559	28%
2	Exposures to regional governments or local authorities	86,845	65	86,845	-	43,422	50%
3	Exposures to public sector entities	179,878	105,385	179,289	47,234	226,523	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	5,455,399	2,270,880	5,455,399	1,503,979	3,634,384	52%
7	Exposures to corporates	52,621,334	35,320,798	50,598,044	16,437,216	67,035,259	100%
8	Retail exposures	58,493,456	79,033,068	53,326,668	3,531,695	42,643,773	75%
9	Exposures secured by residential property	2,649,968	342,574	2,649,968	12,254	931,778	35%
10	Exposures secured by commercial real estate	2,606,237	169,759	2,606,237	105,049	1,355,643	50%
11	Past-due loans	2,230,580	-	2,230,288	-	1,595,259	72%
12	Higher-risk categories by the Agency Board	318,684	1,540	318,651	1,540	480,286	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	6,892,199	19,843	6,892,199	-	5,247,656	76%
17	Investments in equities	1,698,328	-	1,698,328	-	1,698,328	100%
18	**Total**	**178,420,426**	**117,263,912**	**176,263,967**	**21,638,967**	**138,971,870**	**70%**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Exposure Categories	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	38,071,115	-	45,091,776	-	7,760,540	17%
2	Exposures to regional governments or local authorities	83,573	65	83,573	-	41,787	50%
3	Exposures to public sector entities	204,471	45,137	141,586	19,883	161,468	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	3,927,326	1,899,230	3,859,872	1,403,725	2,804,553	53%
7	Exposures to corporates	44,496,898	27,481,706	41,907,794	13,660,450	55,568,244	100%
8	Retail exposures	51,160,971	61,060,073	44,995,527	2,962,917	35,968,832	75%
9	Exposures secured by residential property	3,529,985	385,722	3,529,986	10,468	1,239,159	35%
10	Exposures secured by commercial real estate	2,483,102	171,553	2,483,102	101,996	1,292,549	50%
11	Past-due loans	1,434,475	-	1,432,296	-	1,050,259	73%
12	Higher-risk categories by the Agency Board	261,252	6,044	261,149	520	392,503	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	6,157,044	279,748	6,157,044	-	4,425,825	72%
17	Investments in equities	1,453,592	-	1,453,592	-	1,453,592	100%
18	**Total**	**153,263,804**	**91,329,278**	**151,397,297**	**18,159,959**	**112,159,311**	**66%**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

6.3. CR5 - Standardised approach - exposures by asset classes and risk weights:

	Current Period Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount
1	Exposures to central governments or central banks	36,142,493	-	-	-	-	-	14,079,559	-	-	50,222,052
2	Exposures to regional governments or local authorities	-	-	-	-	86,845	-	-	-	-	86,845
3	Exposures to public sector entities	-	-	-	-	-	-	226,523	-	-	226,523
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1,339,958	-	4,506,056	-	1,113,364	-	-	6,959,378
7	Exposures to corporates	-	-	-	-	-	-	67,035,259	-	-	67,035,259
8	Retail exposures	-	-	-	-	-	56,858,362	-	-	-	56,858,362
9	Exposures secured by residential property	-	-	-	2,662,222	-	-	-	-	-	2,662,222
10	Exposures secured by commercial real estate	-	-	-	-	2,711,286	-	-	-	-	2,711,286
11	Past-due loans	-	-	-	-	1,270,058	-	960,230	-	-	2,230,288
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	320,192	-	320,192
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	1,698,328	-	-	1,698,328
17	Other Asset	1,644,536	-	9	-	-	-	5,247,654	-	-	6,892,199
18	**Total**	**37,787,029**	**-**	**1,339,967**	**2,662,222**	**8,574,245**	**56,858,362**	**90,360,917**	**320,192**	**-**	**197,902,934**

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	Prior Period										
	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total Credit Risk Exposure Amount
1	Exposures to central governments or central banks	37,331,236	-	-	-	-	-	7,760,540	-	-	45,091,776
2	Exposures to regional governments or local authorities	-	-	-	-	83,573	-	-	-	-	83,573
3	Exposures to public sector entities	-	-	-	-	-	-	161,469	-	-	161,469
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1,211,615	-	2,979,504	-	1,072,478	-	-	5,263,597
7	Exposures to corporates	-	-	-	-	-	-	55,568,244	-	-	55,568,244
8	Retail exposures	-	-	-	-	-	47,958,444	-	-	-	47,958,444
9	Exposures secured by residential property	-	-	-	3,540,454	-	-	-	-	-	3,540,454
10	Exposures secured by commercial real estate	-	-	-	-	2,585,098	-	-	-	-	2,585,098
11	Past-due loans	-	-	-	-	764,075	-	668,221	-	-	1,432,296
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	261,669	-	261,669
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	1,453,592	-	-	1,453,592
17	Other Asset	1,731,218	-	2	-	-	-	4,425,824	-	-	6,157,044
18	**Total**	**39,062,454**	**-**	**1,211,617**	**3,540,454**	**6,412,250**	**47,958,444**	**71,110,368**	**261,669**	**-**	**169,557,256**

7. Disclosures regarding counterparty credit risk

7.1. Qualitative disclosures regarding DCCR - CCR table:

a) Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. CCR causes credit risk for banks carrying out money and capital market transactions. Derivative financial instruments, repo and reverse repo transactions, securities and commodities lending transactions, transactions having long clearing process and margin trading transactions are considered in the aforementioned scope.

The most significant part of CCR in the Bank is sourced from derivative financial instruments. Derivative transactions are made with financial institutions, individual and commercial customers for the purposes of trading, management of interest risk of banking accounts and meeting customer demands.

CCR is managed within the framework of the Counterparty Credit Policy approved by the Board of Directors. In this policy, the scope of the CCR, the risk calculation method, and the distribution of responsibility distribution were determined. The general lines determined in the CCR policy are detailed with the Derivative Products Application Instructions.

The Parent Bank does not make a distinction between banks, non-bank financial institutions and individual customers with respect to counterparty credit risk. Transactions made with non-bank financial institutions are reviewed in the framework of corporate-commercial credit risk while banks are considered in the framework of financial institutions.

Derivative risk amount which can be carried by the customer is limited within the credit policies framework. Related risk and limit amounts are monitored on a daily basis and when a collateral shortfall exists, shortfall collateral amount is completed in line with given standards in Derivative Products Application Instruction;

b) A clear definition of risk appetite and its approval by Board of Directors is the precondition to establish a consistent risk limit system. The Bank has determined the following limit structure in order to limit the risk carried over derivative transactions. Those limits are determined in Market Risk Policy and approved by Board of Directors:

• Limits on option sensitivity indexes basis: Maximum risk which can be taken in delta, gamma and vega positions is limited;

• Option nominal position limit: Maximum nominal position which can be taken on option type basis is limited; and

• Interest sensitivity limit of forward exchanges included in trading accounts: Interest risk which can be carried by swap and forward exchanges made for the purposes of trading.

Derivative limit on the basis of customer has been prepared in addition to abovementioned limit structure. The Bank has established required control mechanism in order to stay in the framework of determined limits;

c) CCR is being tried to be reduced with various techniques. The Bank uses daily exchange limits in addition to credit support and global repo agreements in order to reduce exchange risk. Limits, defined for financial institutions, are allocated according to creditability of counterparty and monitored as real time and online. Parties, having over the counter transactions with the Bank, are financial institutions which are well known and having a long term of business relationship;

d) Countertrend risk states that probability of default of counterparty has a positive correlation with general market risk factors. Parent Bank monitors impacts of market risk factors such as interest and exchange on customer credit risk. Especially, in periods having sharp financial movements, required actions are taken in line with analysis performed; and

e) If there is a decline in credit rating grade, there is no additional collateral amount which must be provided by the Bank.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7.2. CCR1 - Analysis of counterparty credit risk (CCR) exposure by approach:

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	4,854,956	1,401,892	-	1.4	3,147,478	2,068,594
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3	The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4	Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	3,966,291	2,022,498
5	Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6	**Total**	**-**	**-**	**-**	**-**	**-**	**4,091,092**

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach - CCR (for derivatives)	8,021,683	1,506,135	-	1.4	3,944,732	2,258,470
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3	The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4	Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	1,745,138	622,861
5	Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6	**Toplam**	**-**	**-**	**-**	**-**	**-**	**2,881,331**

7.3. CCR2 - Credit valuation adjustment (CVA) capital charge

		Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
		Current Period	Prio Period	Current Period	Prior Period
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (3*multiplier included)	-	-	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3	Total portfolio value with simplified approach CVA capital adequacy	3,147,478	3,944,732	754,243	816,907
4	**Total amount of CVA capital adequacy**	**3,147,478**	**3,944,732**	**754,243**	**816,907**

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7.4. CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk weights

Current Period

	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk
1	Exposures from central governments or central banks	3,841	-	-	-	-	28,222	-	9,481	41,544
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	604,923	4,642,546	-	71,644	-	-	5,319,113
7	Exposures from corporates	-	-	-	-	-	935,775	-	-	935,775
8	Retail receivables	-	-	-	-	817,338	-	-	-	817,338
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	-	-	-
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16	Equity Investments	-	-	-	-	-	-	-	-	-
17	Other Receivables	-	-	-	-	-	-	-	-	-
18	Other Assets	-	-	-	-	-	-	-	-	-
19	**Total**	**3,841**	**-**	**604,923**	**4,642,546**	**817,338**	**1,035,641**	**-**	**9,481**	**7,113,770**

Prior Period

	Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk
1	Exposures from central governments or central banks	6,925	-	-	-	-	-	-	-	6,925
2	Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3	Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	2	-	-	2
4	Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5	Exposures from international organizations	-	-	-	-	-	-	-	-	-
6	Exposures from banks and brokerage houses	-	-	1,021,435	3,964,214	-	69,488	-	-	5,055,137
7	Exposures from corporates	-	-	-	-	-	616,472	-	-	616,472
8	Retail receivables	-	-	-	-	10,703	-	-	-	10,703
9	Mortgage receivables	-	-	-	-	-	-	-	-	-
10	Non performing receivables	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	631	-	631
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16	Equity Investments	-	-	-	-	-	-	-	-	-
17	Other Receivables	-	-	-	-	-	-	-	-	-
18	Other Assets	-	-	-	-	-	-	-	-	-
19	**Total**	**6,925**	**-**	**1,021,435**	**3,964,214**	**10,703**	**685,962**	**631**	**-**	**5,689,870**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7.5. CCR4 - Risk class and counterparty credit risk on the basis of possibility of default

Related table is not presented due to standard method is used for calculation of capital adequacy.

7.6. CCR5 - Composition of collateral for CCR exposure:

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given			
Current Period	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**	**Collaterals Taken**	**Collaterals Given**
Cash - Local Currency	-	-	-	-	256,811	-
Cash - Foreign Currency	-	3,792,115	-	3,124,158	7,636,052	-
Government bond-domestic	-	-	-	-	3,040,962	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**-**	**3,792,115**	**-**	**3,124,158**	**10,933,825**	**-**

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given			
Prior Period	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**	**Collaterals Taken Segregated**	**Collaterals Given Unsegregated**
Cash-Local Currency	-	-	-	-	92,273	-
Cash - Foreign Currency	-	6,140,938	-	2,124,008	4,622,546	-
Government bond-domestic	-	-	-	-	100,070	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	**-**	**6,140,938**	**-**	**2,124,008**	**4,814,889**	**-**

7.7. CCR6 -Credit derivatives

Related table is not presented due to the Parent Bank has no risk arrived from derivative credit received or sold (December 31, 2018 - None).

7.8. CCR7 - RWA changes on CCR within the internal model method

Related table is not presented due to standard method is used for calculation of capital adequacy (December 31, 2018 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7.9. CCR8 - Exposures to central counterparties

		Current Period		Prior Period	
		Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
1	**Exposure to Qualified Central Counterparties (QCCPs) (Total)**	**9,481**	**190**	**-**	**-**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
3	(i) OTC Derivatives	-	-	-	-
4	(ii) Exchange-traded Derivatives	9,481	190	-	-
5	(iii) Securities financing transactions	-	-	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
7	Segregated initial margin	-	-	-	-
8	Non-segregated initial margin	-	-	-	-
9	Pre-funded default fund contributions	-	-	-	-
10	Unfunded default fund contributions	-	-	-	-
11	Exposures ton on-QCCPs (Total)	-	-	-	-
12	Exposures for trades at non- QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
13	(i) OTC Derivatives	-	-	-	-
14	(ii) Exchange-traded Derivatives	-	-	-	-
15	(iii) Securities financing transactions	-	-	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-	-	-
17	Segregated initial margin	-	-	-	-
18	Non-segregated initial margin	-	-	-	-
19	Pre-funded default fund contributions	-	-	-	-
20	Unfunded default fund contributions	-	-	-	-

8. Securitization exposures:

The Parent Bank has no securitization transactions (December 31, 2018 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

9. Disclosures regarding Market Risk

9.1. MRD - Qualitative information which shall be disclosed to public related to market risk

a) Market risk states the risk sourcing from change in market prices on positions held in order to make profit in trading accounts in line with short term expectations in market prices or interest rates. Financial Assets at Fair Value through Profit/Loss accounts covers all derivative products except for Financial Assets at Fair Value through Profit/Loss, open exchange position and having hedging purposes.

The Parent Bank has established a structure to effectively define, monitor and manage the risk sourcing from changes in market prices including interest rates, stocks, bond prices, exchange rates and uncertainty of aforementioned prices in their volatility levels. The aforementioned structure is determined in Market Risk Policy of the Bank which is approved by the Board of Directors. This policy determines principles, measurement methods, processes and limits covering all transactions of the Bank sourcing from market risk.

Market risk is calculated and reported on a monthly basis with standard method for capital adequacy calculation in line with regulation on Measurement and Evaluation of Bank's Capital Adequacy published by BRSA.

Market risk also includes value at risk limits in line with internal policies based on internal model. Limits include value at risk limits, positions, limits on options sensitivity and loss cessation limits for each of the market risk types.

b) Risk Committee of the Bank is responsible to ensure implementation of market risk strategy and policies in a consistent manner. Market risk unit operates totally independent from risk carrying units and directly subject to Risk Committee of the Bank in given authorization and responsibilities framework.

Internal Control Department is responsible for the evaluation of internal control system related to market risk through periodical independent audits. Required system evaluation reports are shared with Board of Directors and other related authorities. Risk Committee of Board of Directors provides holding of sufficient capital against market risk carried by the Parent-Bank.

c) The Parent-Bank makes its capital calculation for market risk in accordance with standard method approach defined in Basel II first pillar. Capital calculation method for each risk category is made by BRSA in line with Basel standards as of month-ends as solo and consolidated.

The Group calculates market risk with value at risk approach for the purpose of monitoring and management of risk at the Bank except for standard method. The aforementioned calculation is made for both the risk of trade portfolio and also total risk of trade portfolio and Securities Available For Sale portfolio. Value at risk calculation is made daily with historical simulation at 99% confidence interval through 252 working days observation period and exponential weighted moving average volatility assumption. Dynamic structure of the volatility is reached through giving weight to recent observations in exponential weighted moving average.

9.2 MR1- Market risk under standardised approach:

		RWA(**)	
		Current Period	Prior Period
	Outright products(*)	3.508.150	1.627.963
1	Interest rate risk (general and specific)	2,129,700	1,467,913
2	Equity risk (general and specific)	132,013	25,525
3	Foreign exchange risk	1,070,325	132,250
4	Commodity risk	176,112	2,275
	Options	76.063	26.525
5	Simplified approach	-	-
6	Delta-plus method	76,063	26,525
7	Scenario approach	-	-
8	Securitization	-	-
9	**Total**	**3,584,213**	**1,654,488**

(*) Outright products refer to position in products that are not optional.
(**) The market Risk represents the capital requirement multiplied by 12.5 times Risk Weighted Amount.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

10. Explanations on consolidated operational risk

The Bank calculates the amount subject to operational risk based on "Basic Indicator Method" by using 2018, 2017 and 2016, year-end gross income balances of the Bank, in accordance with Section 3 of the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", published in the Official Gazette No. 28337 dated June 28, 2012, namely "The Calculation of the Amount Subject to Operational Risk. As of December 31, 2019, the total amount subject to operational risk is TL 13,089,131 (December 31, 2018 - TL 10,473,509).

Current Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	5,476,800	6,505,256	8,960,553	6,980,870	15	1,047,130
Amount subject to operational risk (Total*12.5)						**13,089,131**

Prior Period	2 Prior Period Value	1 Prior Period Value	Current Period value	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	4,775,557	5,476,801	6,505,256	5,585,871	15	837,881
Amount subject to operational risk (Total*12.5)						**10,473,509**

The annual gross income is composed of net interest income and net non-interest income after deducting realized gains/ losses from the disposal of securities available-for-sale and held-to-maturity, extraordinary income and income derived from insurance claims at year-end.

III. Explanations on Consolidated Foreign Exchange Risk

1. Whether the Group is exposed to foreign exchange risk, whether the effects of this situation are estimated, and whether the Board of Directors of the Parent Bank sets limits for positions that are monitored daily

The difference between the Parent Bank's foreign currency denominated and foreign currency indexed assets and liabilities is defined as the "Net Foreign Currency Position" and is the basis of currency risk. Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure ("cross currency risk").

Board of Directors has determined the limits considering the consistency with the "Foreign Currency Net General Position." Positions are being followed daily and limits are reviewed at least once a year depending on economic conditions and The Parent Bank strategy and updated as deemed necessary.

In measuring the exchange rate exposure of The Parent Bank, the "standard method" used in the legal reports and the internal method. The measurements made within the scope of the standard method are carried out monthly and the measurements made within the scope of VaR calculations are carried out on a daily basis.

2. The magnitude of hedging foreign currency debt instruments and net foreign currency investments by using derivatives

The Group hedges foreign currency borrowings with derivative instruments. The Group does not hedge net foreign currency investments with derivative instruments.

3. The spot foreign exchange bid rates of the Parent Bank as of the balance sheet date and for each of the five days prior to that date

Dollars purchase rate in the balance sheet date	TL 5.9402
Euro purchase rate in the balance sheet date	TL 6.6506

Date	US Dollar	Euro
December 31, 2019	5.9402	6.6506
December 30, 2019	5.9370	6.6117
December 27, 2019	5.9302	6.5759
December 26, 2019	5.9293	6.5755
December 25, 2019	5.9364	6.5773

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

4. The basic arithmetical average of the Parent Bank's foreign exchange bid rate for the last thirty days

The arithmetical average of the Parent Bank's US Dollar and Euro purchase rates for December 2019 are TL 5.8354 and TL 6.4793 respectively.

5. Information on the consolidated foreign exchange risk of the Group (Thousands of TL)

Current Period	EUR	USD	Other	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R.Central Bank[1]	6,753,925	10,095,007	774,052	17,622,984
Due From Banks	403,268	288,376	7,962	699,606
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)[2]	434,262	438,547	305	873,114
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2,347,503	5,211,057	-	7,558,560
Loans[3]	23,964,070	16,331,366	216,407	40,511,843
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Assets Measured at Amortized Cost	1,864,697	5,727,814	-	7,592,511
Derivative Financial Assets Hedging Purposes	49,634	129,354	-	178,988
Tangible Assets	236	-	40	276
Intangible Assets	-	-	-	-
Other Assets[4]	1,818,429	1,488,759	11,546	3,318,734
Total Assets	**37,636,024**	**39,710,280**	**1,010,312**	**78,356,616**
Liabilities				
Bank Deposits	1,670,847	3,128,265	370,787	5,169,899
Foreign Currency Deposits[5]	10,744,625	38,066,718	4,743,113	53,554,456
Money Market Borrowings	2,002,559	6,794,479	-	8,797,038
Funds Provided from Other Financial Institutions	8,220,146	14,181,760	407,008	22,808,914
Securities Issued	-	9,163,467	117,413	9,280,880
Sundry Creditors	3,423,618	540,437	3,948	3,968,003
Derivative Fin. Liabilities Hedging Purposes	86,247	706,449	-	792,696
Other Liabilities[6]	668,226	787,642	10,265	1,466,133
Total Liabilities	**26,816,268**	**73,369,217**	**5,652,534**	**105,838,019**
Net Balance Sheet Position	**10,819,756**	**(33,658,937)**	**(4,642,222)**	**(27,481,403)**
Net Off-Balance Sheet Position	**(10,492,971)**	**32,393,436**	**4,660,215**	**26,560,680**
Financial Derivative Assets	17,572,458	89,046,950	4,984,701	111,604,109
Financial Derivative Liabilities	28,065,429	56,653,514	324,486	85,043,429
Non-Cash Loans[7]	8,106,409	9,513,236	625,822	18,245,467
Prior Period				
Total Assets	**31,675,237**	**30,711,975**	**2,314,973**	**64,702,185**
Total Liabilities	**25,870,380**	**55,885,761**	**4,617,709**	**86,373,850**
Net Balance Sheet Position	**5,804,857**	**(25,173,786)**	**(2,302,736)**	**(21,671,665)**
Net Off-Balance Sheet Position	**(5,623,875)**	**24,735,748**	**2,307,317**	**21,419,190**
Financial Derivative Assets	14,555,072	70,548,346	2,403,102	87,506,520
Financial Derivative Liabilities	20,178,947	45,812,598	95,785	66.087,330
Non-Cash Loans	7,367,223	7,133,391	443,815	14,944,429

(1) Cash and Balances with TR Central; Other FC include TL 737,276 (December 31, 2018 - TL 2,020,547) precious metal deposit account.
(2) Reduced 9 TL in Banks balance as provision balance (December 31, 2018 - None).
(3) Does not include TL 167,549 (December 31, 2018 - TL 57,113) of currency income accruals arising from derivative transactions and derivative financial instruments amounting to TL 86,838 are not included under financial assets at fair value through profit and loss in accordance with TFRS 9.
(4) Includes TL 1,083,065 (December 31, 2018 - TL 2,162,619) FC indexed loans. Does not include repealed financial leasing receivables amounting to TL 38,035 (December 31 2018 - TL 53,998) accounted as FC in balance sheet. Does not include FC indexed factoring receivables amounting (December 31, 2018 - TL 27,754) accounted as TL in balance sheet.
(5) Does not include FC prepaid expenses amounting to TL 37,315 (December 31, 2018 - TL 11,258) as per BRSA's Communique published in Official Gazette no 26085 on February 19, 2006.
(6) Foreign currency deposits include TL 3,700,363 (December 31, 2018 - TL 1,862,513) of precious metal deposit account.
(7) Other Liabilities do not include the Foreign Exchange Loan Factoring payables amounting to TL 1,516.
(8) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 103,590 (December 31, 2018 - TL 75,265).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

6. Sensitivity to foreign exchange risk

The Group is exposed to currency risk in Euro and US Dollars.

The Bank is subject to exchange rate risk mainly from Euro and USD. The table below shows the Bank's sensitivity to a 10% change in Euro and USD currencies. It is assumed that all other variables are constant.

	% change in the Foreign currency	Effect on Gain/Loss (After Tax)	Net Effect on Shareholders Equity(*)	Effect on Gain/Loss (After Tax)	Net Effect on Shareholders Equity(*)
		Current Period	Current Period	Prior Period	Prior Period
USD	10% increase	(13,503)	(67,403)	(3,403)	(36,791)
	10% decrease	13,503	67,403	3,403	36,791
EURO	10% increase	92	(479)	14,117	10,822
	10% decrease	(92)	479	(14,117)	(10,822)

(*) Effect on Shareholders Equity include the effect of the change of exchange rates on the income statement.

IV. Explanations on Consolidated Interest Rate Risk

Interest rate risk that would arise from the changes in interest rates depending on the Parent Bank's position is managed by the Asset/Liability Committee of the Parent Bank.

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/Liability Committee meetings held every two weeks by taking the market developments into consideration. The management of the Parent Bank follows the interest rates in the market on a daily basis and revises interest rates of the Parent Bank when necessary. Parent Bank's asset and liabilities carry positive interest rate income and are repriced every nine months. Therefore the Parent Bank holds limited amount of interest rate risk.

Besides customer deposits, the Parent Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Parent Bank changes the foreign currency liquidity obtained from the international markets to TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Parent Bank not only funds its long term fixed interest rate loans with TL but also hedges itself from interest rate and maturity risk.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items

(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing[1]	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank[2]	5,273,825	-	-	-	-	13,474,408	18,748,233
Due from Banks[3]	572,476	16,914	-	-	-	508,237	1,097,627
Financial Assets at Fair Value Through Profit/Loss [4]	114,900	7,350	100,830	86,489	10,889	6,639,245	6,959,703
Money Market Placements [5]	3,225,937	-	-	-	-	-	3,225,937
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVTOCI) [6]	891,037	951,296	3,187,056	3,129,517	3,756,217	1,790,817	13,705,940
Loans and Receivables	27,700,757	13,803,079	40,572,727	28,942,473	3,091,832	2,551,172	116,662,040
Financial Assets Measured at Amortized Cost [7]	2,102,380	2,924,348	3,936,398	2,689,458	4,240,488	276,378	16,169,450
Other Assets	-	-	-	-	-	10,957,256	10,957,256
Total Assets	**39,881,312**	**17,702,987**	**47,797,011**	**34,847,937**	**11,099,426**	**36,197,513**	**187,526,186**
Liabilities							
Bank Deposits	3,244,393	1,864,410	103,276	-	-	194,282	5,406,361
Other Deposits	56,663,202	14,301,370	3,507,551	253,342	152	25,368,275	100,093,892
Money Market Borrowings	3,253,435	3,117,558	2,580,779	47,000	94,372	55,791	9,148,935
Sundry Creditors	3,943,414	-	-	-	-	3,652,883	7,596,297
Securities Issued	1,573,004	2,922,752	841,857	9,013,934	-	-	14,351,547
Funds Borrowed	3,670,059	9,627,167	8,206,998	223,973	3,121,371	2,302	24,851,870
Other Liabilities [8]	-	1,061	19,649	405,269	6,604	25,644,701	26,077,284
Total Liabilities	**72,347,507**	**31,834,318**	**15,260,110**	**9,943,518**	**3,222,499**	**54,918,234**	**187,526,186**
On Balance Sheet Long Position	-	-	32,536,901	24,904,419	7,876,927	-	65,318,247
On Balance Sheet Short Position	(32,466,195)	(14,131,331)	-	-	-	(18,720,721)	(65,318,247)
Off-Balance Sheet Long Position	3,660,119	15,498,899	-	-	-	-	19,159,018
Off-Balance Sheet Short Position	-	-	(297,505)	(11,030,706)	(3,103,007)	-	(14,431,218)
Total Position	**(28,806,076)**	**1,367,568**	**32,239,396**	**13,873,713**	**4,773,920**	**(18,720,721)**	**4,727,800**

(1) Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
(2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 2,309 expected loss provisions.
(3) Banks include balance of expected loss provisions amounting to TL 5,508.
(4) Financial Assets at Fair Value Through Profit/Loss include amount of TL 6,579,467 derivative financial assets used for hedging purposes.
(5) Does not include receivables from Money Markets include the balance of expected loss provisions.
(6) Financial Assets Measured at Fair Value Through Other Comprehensive Income include amount of TL 1,359,842 derivative financial assets through other comprehensive income.
(7) Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 11,852.
(8) Other Liabilities includes TL 5,135,493 of the Reflected Financial Liabilities at the Fair Value Difference of Other Derivative Financial Liabilities.

QNB FİNANSBANK ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items

(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing[1]	Total
Prior Period							
Assets							
Assets	6,948,670	-	-	-	-	11,525,632	18,474,302
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	63,245	-	77	-	-	1,178,289	1,241,611
Due from Banks	19,561	13,878	1,305	12,758	7,828	9,577,455	9,632,785
Financial Assets at Fair Value Through Profit/Loss[2]	507,706	-	2,000	-	-	-	509,706
Money Market Placements	295,420	537,796	3,121,016	1,944,318	2,689,994	2,671,512	11,260,056
Inv. Securities Available for Sale	29,113,751	10,730,449	26,600,170	25,786,714	3,760,403	4,385,104	100,376,591
Loans and Receivables	1,302,442	1,696,535	3,692,648	1,684,718	3,543,329	975,444	12,895,116
Inv. Securities Held to Maturity Other Assets	-	-	-	-	-	9,110,067	9,110,067
Total Assets	**38,250,795**	**12,978,658**	**33,417,216**	**29,428,508**	**10,001,554**	**39,423,503**	**163,500,234**
Liabilities							
Bank Deposits	2,399,564	660,154	53,659	-	-	564,208	3,677,585
Other Deposits	45,208,078	15,892,388	6,055,592	150,735	164	15,841,674	83,148,631
Money Market Borrowings	2,193,999	1,712,362	1,324,744	41,625	37,132	23,810	5,333,672
Sundry Creditors	6,212,585	-	-	-	-	3,145,516	9,358,101
Securities Issued	1,611,103	3,503,049	2,882,177	3,799,105	-	54,643	11,850,077
Funds Borrowed	3,700,911	5,148,542	12,742,802	1,421,288	2,352,810	1,978	25,368,331
Other Liabilities[3]	51,259	2,539	11,242	149,295	-	24,549,502	24,763,837
Total Liabilities	**61,377,499**	**26,919,034**	**23,070,216**	**5,562,048**	**2,390,106**	**44,181,331**	**163,500,234**
On Balance Sheet Long Position	-	-	10,347,000	23,866,460	7,611,448	-	41,824,908
On Balance Sheet Short Position	(23,126,704)	(13,940,376)	-	-	-	(4,757,828)	(41,824,908)
Off-Balance Sheet Long Position	5,271,880	21,627,288	1,917,808	-	-	-	28,816,976
Off-Balance Sheet Short Position	-	-	-	(15,205,275)	(7,384,089)	-	(22,589,364)
Total Position	**(17,854,824)**	**7,686,912**	**12,264,808**	**8,661,185**	**227,359**	**(4,757,828)**	**6,227,612**

(1) Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.
(2) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 37,141 expected loss provisions.
(3) Banks include balance of expected loss provisions amounting to TL 441.
(4) Financial Assets at Fair Value Through Profit/Loss include amount of TL 9,587,046 derivative financial assets used for hedging purposes.
(5) Receivables from Money Markets includes TL 5 of the balance of expected loss provisions .
(6) Financial Assets Measured at Fair Value Through Other Comprehensive Income include amount of TL 2,814,283 derivative financial assets through other comprehensive income.
(7) Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 37,077.
(8) Other Liabilities includes TL 6,450,189 of the Reflected Financial Liabilities at the Fair Value Difference of Other Derivative Financial Liabilities.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Average interest rates applied to monetary financial instruments:

	EUR %	USD %	JPY %	TL %
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	10.00
Due from Banks	0.01	2.02	-	11.25
Financial Assets Measured at Fair Value through Profit/Loss	2.94	8.64	-	11.82
Money Market Placements	-	-	-	11.55
Financial Assets Measured at Fair Value through Other Comprehensive Income	2.92	5.27	-	18.00
Loans and Receivables	4.90	6.66	2.46	16.68
Financial Assets Measured at Amortized Cost	3.20	5.50	-	12.46
Liabilities				
Bank Deposits	0.33	2.39	-	10.95
Other Deposits	0.22	2.00	0.02	10.16
Money Market Borrowings	0.07	2.06	-	9.87
Sundry Creditors	(0.46)	1.55	-	-
Securities Issued	-	5.74	-	12.98
Funds Borrowed	2.33	5.88	-	15.06

	EUR %	USD %	JPY %	TL %
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	2.00	-	13.00
Due from Banks	-	1.36	-	23.69
Financial Assets at Fair Value Through Profit/Loss	1.98	6.10	-	18.83
Money Market Placements	-	-	-	26.04
Financial Assets Available for Sale (Net)	3.52	5.00	-	20.91
Loans and Receivables	4.85	7.26	2.39	21.10
Financial Assets to be held until maturity	4.84	5.27	-	25.80
Liabilities				
Bank Deposits	1.26	3.81	-	22.40
Other Deposits	1.64	4.17	0.83	22.34
Money Market Borrowings	0.24	2.43	-	16.27
Sundry Creditors	0.36	2.27	-	-
Securities Issued	1.43	5.62	-	24.91
Funds Borrowed	2.44	5.09	-	20.35

Interest rate risk on banking book

The interest rate risk resulting from banking book comprises of maturity mismatch risk, yield-curve risk, base risk and option risk. Within the scope of the interest rate risk, the Group analyzes all these risks periodically, and considering market conditions, manages all aspects of interest rate risk on banking book effectively in accordance with the bank strategy. In order to this, within the scope of “Asset Liability Management Policy” risks are measured, monitored and limited on a regular basis.

In the calculation of the interest rate risk on banking book, income approach and the economic value approach are applied. The analysis of economic value, duration and gap analysis are calculated on twice a month, analysis of the standard economic value approach is supported by different scenarios. In addition, sensitivity of net interest income is monitored and the prepayment rates of loans are considered managing the interest rate risk.

In customer deposits, core deposits analyses are performed regularly on profit center base and the rate of core deposits in demand deposits are considered in economic value, gap and duration analyses. The interest rate risk of uncertain due credits is determined considering the nature of the credit and added to calculations.

All these analyses are reported to Asset and Liability Committee and Risk Committee and by considering market conditions and the bank strategy, the interest rate risk on banking book is managed within specified limits parallel to the Bank's appetite of risk.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) securities included in banking book are daily monitored by being added to the scope of market risk. In this context, the risk level of this portfolio is managed considering the sensitivity of nominal, interest rate and VaR limits.

The interest rate risk on banking book is measured legally as per the "Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method" published in the Official Gazette No.28034 dated August 23, 2011, and the legal limit as per this measurement is monitored and reported monthly to the Assets and Liability Committee, the Risk Committee and the Board of Directors.

Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity- Losses/Equity
1. TL	(+) 500	(1,344,149)	(5.54)%
	(-) 400	1,216,648	5.01%
2. EURO	(+) 200	145,893	0.60%
	(-) 200	(149,123)	(0.61)%
3. USD	(+) 200	(272,147)	(1.12)%
	(-) 200	297,013	1.22%
Total (of negative shocks)		**1,364,538**	**5.62%**
Total (of positive shocks)		**(1,470,403)**	**(6.06)%**

V. Explanations on Consolidated Position Risk of Equity Securities in Banking Book

	Comparison		
Equity Securities (Shares)	Carrying Value	Fair Value	Carrying Value
1. Equity Investments Group A	**33,222**	-	**33,222**
Quoted Securities	33,222	-	33,222
2. Equity Investments Group B	-	-	-
Quoted Securities	-	-	-
3. Equity Investments Group C	-	-	-
Quoted Securities	-	-	-
4. Equity Investments Group Other(*)	**217,647**	**233,978**	-

		Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio	Gains/Losses in Current Period	Total	Amount under Core Capital	Total	Amount under Core Capital	Total
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	1,053	-	-	288	-	288
3. Other Shares	-	-	-	-	-	-
4. Total	**1,053**	**-**	**-**	**288**	**-**	**288**

(*) Associates and subsidiaries not quoted to BIST and not classified as investment in shares by Capital Market Board.

VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio

Liquidity Risk of the Parent Bank is monitored and managed in accordance with Liquidity Risk Management Policy. According to this policy, Board of Directors is responsible to review and approve risk profile and appetite of the Parent Bank periodically. Senior Management takes necessary measures to monitor aforementioned risk and controls liquidity risk in line with accepted strategies and policies.

Treasury Department is responsible to carry out liquidity strategy determined and approved by Board of Directors. Risk Management Department is responsible to define, measure, monitor and control liquidity risk besides developing internal and external methods and procedures which are in line with context and structure of applicable activities in The Parent Bank in order to monitor related limits. Senior management of The Parent Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of the Parent Bank's liquidity risk profile. Assets and Liabilities Committee (ALC) meetings, which ensure the necessary monitoring for liquidity risk, are held monthly. Risk Committee reviews the liquidity risk of the Parent Bank monthly in addition to aforementioned meetings and informs Board of Directors. The Parent Bank reviews its liquidity position daily. Internal and legal reports related to liquidity positions are examined in ALC meetings monthly with the participation of senior management. Several decisions are taken related to management of short and long term liquidity in this scope. Internal metrics such as reserve liquidity and deposit concentration are monitored daily besides liquidity coverage rate related to measurement of liquidity coverage. Internal limit and warning level are periodically monitored and reported to related parties by the Board of Directors.

The Parent Bank has no liquidity management center and each entity, which is under control of the Parent Bank, performs its liquidity management separately from the Parent Bank by an authority responsible for liquidity management. Fund amounts, which shall be used by associates from the Parent Bank, are determined in the framework of limits.

It is essential for the Parent Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Parent Bank is carried out in line with limits and internal warning systems within the framework of ALC decisions. Funding and placement strategies are developed through evaluating the liquidity of the Parent Bank.

A large part of the Parent Bank's liabilities consist of TL, USD and EUR. Gap reports issued based on the aforementioned three currencies are presented in ALC meetings. Maturity mismatches based on currencies are managed through FX swap and FX forward.

The Parent Bank diversifies its funding sources as customer deposits, foreign loans and bond issuance in order to reduce its liquidity risk. Measures are taken through making investments to assets having higher capacity to generate cash against liquidity crisis. The Parent Bank watches over reducing customer deposit concentration and controls concentration level daily in line with warning level approved by the Board of Directors.

Liquidity life cycle approach is determined as the liquidity risk stress test methodology. This approach is a stress test to measure the period in which the Parent Bank can meet its cumulative cash outflows without providing a fund from the market. Liquidity life cycle is calculated according to various scenarios and simulated in line with possible scenarios in crisis situation and the results are reported to Risk Committee and Board of Directors.

Emergency Funding Plan (EMP) of the Parent Bank regulates funding activities to be used in liquidity crisis periods specific to the Parent Bank or in liquidity crisis at financial markets. EMP defines components triggering the crisis and early warning indicators which help to evaluate and manage the liquidity crisis and determine primary funding structure. EMP also defines actions of the Parent Bank against cash and guarantee need. In addition to aforementioned issues, EMP determines duties and responsibilities in performing actions in a liquidity crisis included in risk management and emergency funding plan.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Liquidity Coverage Ratio

Current Period - December 31, 2019		Unweighted Amounts(*)		Weighted Amounts(*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				34,537,663	18,786,744
1	High Quality Liquid Assets	34,537,663	18,786,744	34,537,663	18,786,744
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	77,324,958	40,212,082	6,971,835	4,021,208
3	Stable deposits	15,213,206	-	760,660	-
4	Less stable deposits	62,111,752	40,212,082	6,211,175	4,021,208
5	Unsecured Funding other than Retail and Small Business Customers Deposits	29,503,502	16,376,799	18,497,353	10,647,498
6	Operational deposits	754,342	114,237	188,585	28,559
7	Non-Operational Deposits	21,821,732	13,538,637	12,715,441	7,991,675
8	Other Unsecured Funding	6,927,428	2,723,925	5,593,327	2,627,264
9	Secured funding			79,316	79,316
10	Other Cash Outflows	27,177,794	18,901,582	27,177,794	18,901,582
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	27,177,794	18,901,582	27,177,794	18,901,582
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	34,356,331	924,733	1,717,817	46,237
15	Other irrevocable or conditionally revocable commitments	73,084,411	17,294,518	5,291,243	1,508,991
16	TOTAL CASH OUTFLOWS			59,735,358	35,204,832
CASH INFLOWS					
17	Secured Lending Transactions	2,636,541	-	-	-
18	Unsecured Lending Transactions	8,713,614	1,946,498	5,475,556	1,580,400
19	Other contractual cash inflows	25,358,044	23,068,744	25,358,045	23,068,744
20	TOTAL CASH INFLOWS	36,708,199	25,015,242	30,833,601	24,649,144
					Capped Amounts
21	TOTAL HIGH QUALITY LIQUID ASSETS			34,537,663	18,786,744
22	TOTAL NET CASH OUTFLOWS			28,901,757	10,654,273
23	LIQUDITY COVERAGE RATIO (%)			119.50%	176.33%

(*) Simple arithmetic average calculated for the last three month of values calculated by taking the monthly simple arithmetic average.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Prior Period - December 31, 2018		Unweighted Amounts(*)		Weighted Amounts(*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				29,090,785	17,514,960
1	High Quality Liquid Assets	29,090,785	17,514,960	29,090,785	17,514,960
CASH OUTFLOWS					
2	Retail and Small Business Customers Deposits	61,151,263	28,298,893	5,528,010	2,829,889
3	Stable deposits	11,742,326	-	587,116	-
4	Less stable deposits	49,408,937	28,298,893	4,940,894	2,829,889
5	Unsecured Funding other than Retail and Small Business Customers Deposits	28,840,585	17,685,716	18,563,980	11,614,627
6	Operational deposits	601,809	63,785	150,452	15,946
7	Non-Operational Deposits	19,711,002	13,268,463	11,424,323	7,322,600
8	Other Unsecured Funding	8,527,774	4,353,468	6,989,205	4,276,081
9	Secured funding	-	-	205,867	205,867
10	Other Cash Outflows	17,534,244	10,629,289	17,534,244	10,629,289
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	17,534,244	10,629,289	17,534,244	10,629,289
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	27,962,050	1,443,393	1,398,103	72,170
15	Other irrevocable or conditionally revocable commitments	61,854,232	16,095,464	4,551,341	1,400,986
16	TOTAL CASH OUTFLOWS			47,781,545	26,752,828
CASH INFLOWS					
17	Secured Lending Transactions	26,975	-	-	-
18	Unsecured Lending Transactions	8,445,989	1,933,202	5,151,747	1,668,377
19	Other contractual cash inflows	17,217,905	14,063,547	17,217,905	14,063,547
20	TOTAL CASH INFLOWS	25,690,869	15,996,749	22,369,652	15,731,924
					Capped Amounts
21	TOTAL HIGH QUALITY LIQUID ASSETS			29,090,785	17,514,960
22	TOTAL NET CASH OUTFLOWS			25,411,893	11,020,904
23	LIQUDITY COVERAGE RATIO (%)			114.48%	158.92%

(*) Simple arithmetic average calculated for the last three month of values calculated by taking the simple arithmetic average was used for calculating the average in last days of the related last three month.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Minimum, maximum and average liquidity coverage ratios calculated in accordance with the "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014 for the last three month are explained in the table below.

	Maximum	Week	Minimum	Week	Average
TL+FC	133.84	15.11.2019	101.29	02.12.2019	120.04
FC	236.30	24.12.2019	113.06	30.11.2019	180.24

Liquidity coverage ratio is regulated by the BRSA to make sure that the banks sustain high quality liquid asset stock to cover probable cash outflows in the short term.

All of the Parent Bank's high quality liquid assets are comprised of first quality liquid assets, most of which are CBT accounts and securities that are issued by the Turkish Treasury that have not been collateralized. Optional use of reserve levels and fluctuations in repo amount lead up to periodical variations in liquidity coverage ratio. Additionally syndication loans and large amount funds such as foreign bond issuances that have less than 1 month to maturity, lead up to short term fall in liquidity coverage ratios.

Funding sources of the Parent Bank mainly consist of deposits which constitute 56% of total liabilities of the Group (December 31, 2018 - 53%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Parent Bank effectively uses derivative transactions to manage interest and liquidity risk. Impact of derivative cash flows in terms of liquidity coverage ratio is limited. However, FX swaps used in short term foreign currency liquidity management cause liquidity coverage ratio to fluctuate due to changes in volume and one month maturity. In addition, possible cash outflow caused by margin call requirements of derivative transactions is taken into consideration in accordance with the respective regulations.

Secured funding consists of repo and secured loan transactions. A large part of securities which are subjects of aforementioned guaranteed funding transactions consist of Sovereign Bonds issued by Treasury of the Republic of Turkey and transactions are carried out both in CBRT market and interbank market.

The Parent Bank manages all the transactions made before its foreign branches and partnership in the framework of central bank, markets and related legislation of the country in which the institutions are located. Legal lending limits and high limit transactions are closely monitored in this framework.

All cash inflow and outflow items related to liquidity profile of the Parent Bank are included in liquidity coverage ratio tables above.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Presentation of assets and liabilities according to their remaining maturities

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated [1]	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank [2]	10,596,474	8,154,068	-	-	-	-	(2,309)	18,748,233
Due from Banks[3]	511,615	574,607	16,914	-	-	-	(5,509)	1,097,627
Financial Assets at Fair Value Through Profit/Loss[4]	34,013	333,354	799,788	1,936,971	3,135,067	687,288	33,222	6,959,703
Money Market Placements[5]	-	3,225,937	-	-	-	-	-	3,225,937
Financial Assets Measured at Fair Value through Other Comprehensive Income[6]	191,467	6,200	976,768	1,488,958	6,573,245	4,469,302	-	13,705,940
Loans and Receivables[7]	-	21,832,098	9,830,209	33,030,972	36,781,860	12,635,727	2,551,174	116,662,040
Financial Assets Measured at Amortized Cost[8]	-	212,797	822,610	1,084,300	8,213,208	5,848,387	(11,852)	16,169,450
Other Assets	-	4,703,429	7,922	25,802	1,359,768	1,220	4,859,115	10,957,256
Total Assets	**11,333,569**	**39,042,490**	**12,454,211**	**37,567,003**	**56,063,148**	**23,641,924**	**7,423,841**	**187,526,186**
Liabilities								
Bank Deposits	194,282	3,244,395	1,864,410	103,274	-	-	-	5,406,361
Other Deposits	25,368,275	56,663,202	14,301,370	3,507,554	253,342	149	-	100,093,892
Funds Borrowed	4,565	2,667,307	1,331,582	5,545,072	10,878,347	4,424,997	-	24,851,870
Money Market Borrowings	-	3,278,502	2,465,780	1,353,873	1,121,348	929,432	-	9,148,935
Securities Issued	-	1,573,004	2,686,097	918,913	9,173,533	-	-	14,351,547
Sundry Creditors	-	7,596,297	-	-	-	-	-	7,596,297
Other Liabilities[9]	56,085	2,581,067	475,280	954,160	2,777,807	1,283,375	17,949,510	26,077,284
Total Liabilities	**25,623,207**	**77,603,774**	**23,124,519**	**12,382,846**	**24,204,377**	**6,637,953**	**17,949,510**	**187,526,186**
Liquidity Excess / Gap	**(14,289,638)**	**(38,561,284)**	**(10,670,308)**	**25,184,157**	**31,858,771**	**17,003,971**	**(10,525,669)**	**-**
Net Off- Balance Sheet Position[10]	**-**	**128,075**	**660,565**	**1,577,261**	**1,094,394**	**73,885**	**-**	**3,534,180**
Receivables from financial derivative instruments	-	27,996,638	11,389,515	19,110,747	42,730,763	25,436,082	-	126,663,745
Liabilities from derivative financial instruments	-	27,868,563	10,728,950	17,533,486	41,636,369	25,362,197	-	123,129,565
Non Cash Loans[10]	**-**	**1,444,446**	**3,429,954**	**10,398,162**	**5,527,961**	**574,047**	**7,128,674**	**28,503,244**
Prior period								
Total Assets	8,996,385	34,921,995	10,960,783	30,336,038	49,942,678	22,441,700	5,900,655	163,500,234
Total Liabilities	15,676,090	61,732,712	23,246,765	21,040,052	18,712,822	7,591,259	15,500,534	163,500,234
Liquidity Gap	**(6,679,705)**	**(26,810,717)**	**(12,285,982)**	**9,295,986**	**31,229,856**	**14,850,441**	**(9,599,879)**	**-**
Net Off- Balance Sheet Position[10]	**-**	**(477,540)**	**936,632**	**2,070,666**	**2,289,683**	**31,041**	**-**	**4,850,482**
Receivables from financial derivative instruments	-	18,794,816	14,225,803	22,354,597	37,228,868	18,475,965	-	111,080,049
Liabilities from derivative financial instruments	-	19,272,356	13,289,171	20,283,931	34,939,185	18,444,924	-	106,229,567
Non Cash Loans[11]	**-**	**1,246,671**	**2,179,701**	**8,419,216**	**2,914,717**	**412,843**	**8,516,098**	**23,689,246**

[1] The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under this column. Unallocated other liabilities include equities amount of TL 16,765,310 and also include amount of TL 921,907 unallocated provisions and deferred tax liabilities.
[2] Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include expected loss provisions amounting to TL 2,309.
[3] Banks include balance of expected loss provisions amounting to TL 5,508.
[4] Financial assets at fair value through profit/loss include derivative financial assets through profit loss amounting to TL 6,579,467 (December 31, 2018 - TL 9,587,046).
[5] There is no receivables from Money Markets balance of expected loss provisions (December 31, 2018 - TL 5).
[6] Financial assets at fair value through other comprehensive income include derivative financial assets through other comprehensive income amounting to TL 1,359,842 (December 31, 2018 - TL 2,814,283)
[7] Loans and receivables include leasing and factoring receivables.
[8] Financial assets measured at amortized cost include TL 11,852 of expected loss provisions.
[9] Other Liabilities includes TL 5,135,493 of Derivative Financial Liabilities (December 31, 2018 - TL 6,450,189).
[10] Liquidity excess / (deficit) related to Derivative Financial Instruments constituting Net Off-Balance positions are included in Liquidity Excess / (deficit) through valuations of related transactions to balance sheet.
[11] Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Financial Liabilities according to the remaining maturities on the contract

The table below shows the maturity breakdown of the Bank's financial liabilities that are not classified as derivatives. These tables were prepared by taking the closest dates that the Bank will recognize its future cash flows. The interest payable through the said assets and liabilities are included in the tables below.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and longer	Total	Balance Sheet Value
Bank Deposits	194,282	3,246,962	1,868,951	104,601	-	-	5,414,797	5,406,361
Other Deposits	25,368,275	56,674,998	14,317,711	3,599,000	279,039	181	100,239,203	100,093,892
Payables to Money Market	-	3,325,065	2,488,136	1,409,028	1,260,339	973,950	9,456,518	9,148,935
Funds from other Financial Institutions	4,565	2,676,105	1,372,146	5,733,059	11,157,600	4,444,848	25,388,323	24,851,870
Securities Issued	-	1,580,733	2,876,258	1,330,969	10,441,452	-	16,229,412	14,351,547
Noncash Loans(*)	7,128,674	1,444,447	3,429,954	10,398,162	5,527,961	574,046	28,503,244	28,503,244

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Longer	Total	Balance Sheet Value
Bank Deposits	555,547	2,408,606	665,320	56,127	-	-	3,685,600	3,677,585
Other Deposits	15,120,543	45,800,136	16,421,335	6,839,246	179,722	243	84,361,225	83,148,631
Payables to Money Market	-	2,641,026	1,030,945	712,458	893,988	1,112,929	6,391,346	5,333,672
Funds from other Financial Institutions	-	3,296,014	1,811,435	8,192,542	8,310,726	7,580,284	29,191,001	25,368,331
Securities Issued	-	1,622,538	2,215,468	3,644,350	5,279,491	34,711	12,796,558	11,850,077
Noncash Loans(*)	8,516,098	1,246,671	2,179,701	8,419,216	2,914,717	412,843	23,689,246	23,689,246

(*) Amounts related to letters of guarantee represent maturities based on contract and amounts per these maturities and the amounts have the nature to be withdrawn on demand optionally.

The table below shows the remaining maturity breakdown of the Bank's derivative assets and liabilities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Longer	Total
Forward contracts buying(**)	2,621,190	1,096,480	2,056,001	903,893	-	6,677,564
Forward contracts selling(**)	(2,617,307)	(1,110,362)	(1,973,468)	(1,018,211)	-	(6,719,348)
Swap contracts buying(*)	24,641,301	9,641,592	14,820,993	41,392,757	25,436,083	115,932,726
Swap contracts selling(*)	(24,466,810)	(8,886,217)	(13,009,461)	(39,411,822)	(25,362,196)	(111,136,506)
Futures buying	-	94,641	4,557	-	-	99,198
Futures selling	-	(93,475)	(4,437)	-	-	(97,912)
Options buying	2,594,100	1,120,796	2,455,702	434,110	-	6,604,708
Options selling	(2,619,785)	(1,123,475)	(2,460,779)	(434,110)	-	(6,638,149)
Other	-	118,804	326,711	772,226	-	1,217,741
Total	**152,689**	**858,784**	**2,215,819**	**2,638,843**	**73,887**	**5,940,022**

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 ears	5 Years and Longer	Total
Forward contracts buying(**)	2,400,029	902,506	602,351	727,309	-	4,632,195
Forward contracts selling(**)	(2,300,428)	(903,603)	(589,513)	(819,265)	-	(4,612,809)
Swap contracts buying(*)	15,063,581	10,755,485	20,821,697	36,895,955	18,740,180	102,276,898
Swap contracts selling(*)	(13,535,238)	(9,827,367)	(18,805,913)	(33,675,335)	(18,709,141)	(94,552,994)
Futures buying	-	-	118,507	-	-	118,507
Futures selling	-	-	(118,507)	-	-	(118,507)
Options buying	3,043,101	2,321,887	765,176	-	-	6,130,164
Options selling	(3,245,783)	(2,226,985)	(725,544)	-	-	(6,198,312)
Other	-	105,218	-	710,223	-	815,441
Total	**1,425,262**	**1,127,141**	**2,068,254**	**3,838,887**	**31,039**	**8,490,583**

(*) Derivative financial assets held for cash flow hedges are included.
(**) Includes the Dated, Asset Value Buying and Selling obligations that are in Obligations.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VII. Explanations on Consolidated Leverage Ratio

a) Information in regards to the differences between current period and prior period leverage ratio:

The Group's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 7.32% (December 31, 2018 - 6.21%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

b) Summary comparative table for total asset and total risk amount in consolidated financial statements prepared in accordance with TFRS:

		Current Period(**)	Prior Period(**)
1	Total asset amount in consolidated financial statements prepared in accordance with TFRS(*)	183,777,771	164,418,175
2	Difference between total asset amount in consolidated financial statements prepared in accordance with TFRS and total asset amount in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	409,792	351,253
3	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of derivative financial instruments and credit derivatives	1,359,218	1,411,506
4	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of investment securities or financial transaction that are commodity collateralized	112,438	-
5	Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements of off balance transactions	88,094,563	66,754,396
6	Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communique on the Preparation of Consolidated Financial Statements	(762,528)	(476,703)
7	**Total Risk Amount**	**272,991,254**	**232,458,627**

(*) Consolidated financial statements prepared in accordance with the 5th clause and 6th subclause of Communique on the Preparation of Consolidated Financial Statements.
(**) Amounts presented above represent the arithmetic average of the last three month.

c)Leverage ratio public disclosure template:

The table related to leverage ratio calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" published in Official Gazette dated November 5, 2013 and numbered 28812 is below:

	Book Value	
	Current Period(*)	Prior Period(*)
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees)	176,451,247	150,821,711
(Assets deducted from capital stock)	762,528	476,703
Total risk amount related to Assets on Balance sheet	**175,688,719**	**150,345,008**
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	7,736,316	13,947,717
Potential credit risk amount of derivative financial instruments and credit derivatives	1,359,218	1,411,506
Total risk amount related to derivative financial instruments and credit derivatives	**9,095,534**	**15,359,223**
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	110,193	-
Risk amount sourcing from transactions mediated	2,245	-
Total risk amount related to financial transactions having security or commodity collateral	**112,438**	**-**
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	119,023,330	93,141,238
(Adjustment amount sourcing from multiplying to credit conversion rates)	30,928,767	26,386,842
Total risk amount related to off-balance sheet transactions	**88,094,563**	**66,754,396**
Capital and Total Risk		
Core Capital	19,993,423	14,432,959
Amount of total risk	272,991,254	232,458,627
Financial leverage ratio		
Financial leverage ratio	7.32%	6.21%

(*) Amounts stated in table shows the last quarter averages of related period.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VIII. Explanations Related to Presentation of Consolidated Financial Assets and Liabilities at Their Fair Value

The fair value of the fixed rate loans is determined based on discounted cash flows using the current market interest rates. Book value of floating rate loans represent their fair value.

The fair value of financial assets measured at amortized cost; market prices or, where such price cannot be determined, interest is determined on the basis of quoted market prices for other securities subject to the same qualified amortization in terms of maturity and other similar conditions.

Fair value of held to maturity investments are determined through market rates. If market rates cannot be spotted, market rates of securities with similar interest, maturity and other characteristics are used instead.

The fair value of funds provided from other financial institutions, is determined based on discounted cash flows using the current market interest rates.

In the table below; the fair values and the carrying values of some of the financial assets and liabilities are presented. Book value represents the total of cost of subject asset and liabilities and accrued interest.

Current Period	Carrying value	Fair value
Financial Assets	**149,518,512**	**149,058,087**
Receivables from Money Market	3,225,937	3,225,937
Banks	1,103,135	1,097,637
Financial Assets Measured at Fair Value through Other Comprehensive Income	12,346,098	12,346,098
Financial Assets Measured at Amortized Cost	16,181,302	16,127,142
Loans and Receivables	116,662,040	116,261,273
Financial Liabilities	**161,448,902**	**161,199,643**
Bank Deposits	5,406,361	5,406,266
Other Deposits	100,093,892	100,044,871
Funds from Other Financial Institutions	24,851,870	24,807,526
Payable to Money Market	9,148,935	9,148,935
Securities Issued	14,351,547	14,195,748
Other Debts	7,596,297	7,596,297

Prior Period	Carrying value	Fair value
Financial Assets	**123.506.320**	**119.014.699**
Receivables from Money Market	509,711	509,706
Banks	1,242,052	1,241,611
Financial Assets Measured at Fair Value through Other Comprehensive Income	8,445,773	8,445,773
Financial Assets Measured at Amortized Cost	12,932,193	12,088,537
Loans and Receivables	100,376,591	96,729,072
Financial Liabilities	**138,736,397**	**137,831,565**
Bank Deposits	3,677,585	3,677,753
Other Deposits	83,148,631	83,169,436
Funds from Other Financial Institutions	25,368,331	24,650,833
Payable to Money Market	5,333,672	5,333,672
Securities Issued	11,850,077	11,641,770
Other Debts	9,358,101	9,358,101

TFRS 13, “Fair Value Measurement”, requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Classification for fair value is generated as followed below:

a) Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets;

b) Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities; and

c) Level 3: Assets and liabilities where no observable market data can be used for valuation.

According to these classification principles stated, the Group's classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets	**12,252,436**	**8,318,695**	**86,838**	**20,657,969**
Financial Assets at Fair Value through Profit/Loss (*)	293,398	-	86,838	380,236
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) Assets on Trading Derivatives(**)	11,957,666	380,758	-	12,338,424
Derivative Financial Assets	1,372	7,937,937	-	7,939,309
Financial Liabilities	**212**	**5,135,281**	**-**	**5,135,493**
Derivative Financial Liabilities	212	5,135,281	-	5,135,493

(*) The details of the balance are amounting to TL 86,838 under Financial Assets at Fair Value Through Profit and Loss, which is disclosed in Note 6.b.2 of Section Five.
(**) The fair value difference does not include share balance amounting to TL 7,674 which is included in financial assets at financial assets at cost and reflected to other comprehensive income.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets	**8,250,167**	**12,637,762**	**110,032**	**20,997,961**
Financial Assets at Fair Value through Profit/Loss(*)	45,739	-	110,032	155,771
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	8,201,732	239,129	-	8,440,861
Derivative financial assets	2,696	12,398,633	-	12,401,329
Financial Liabilities	**3,073**	**6,447,116**	**-**	**6,450,189**
Derivative Financial Liabilities for Hedging Purposes	3,073	6,447,116	-	6,450,189

(*) The details of the balance are amounting to TL 110,032 under Financial Assets at Fair Value Through Profit and Loss, which is disclosed in Note 6.b.2 of Section Five.
(**) The fair value difference does not include share balance amounting to TL 4,912 which is included in financial assets at financial assets at cost and reflected to other comprehensive income.

Confirmation for fair value of financial assets under Level 3 is as below:

	Current Period	Prior Period
Opening Balance	**110.032**	**-**
Opening Balance	110,032	-
Change in total gain/loss	24,261	-
Accounted in income statement	24,261	-
Accounted in other comprehensive income	-	-
Purchases	-	110,032
Disposals	-	-
Matured Loans	-	-
Closing Balance	**86,838**	**110,032**

IX. Information on the services in the name and account of third parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations And Disclosures Related To Consolidated Assets

1. a) Information on cash equivalents and the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	681,486	944,326	787,020	849,141
T.R. Central Bank	446,072	16,659,924	1,035,698	15,770,333
Others	-	18,734	-	69,251
Total	**1,127,558**	**17,622,984**	**1,822,718**	**16,688,725**

b) Information related to the account of the CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	446,072	8,505,856	1,035,698	4,950,681
Restricted Time Deposits	-	8,154,068	-	10,819,652
Total	**446,072**	**16,659,924**	**1,035,698**	**15,770,333**

As of December 31, 2019, a provision amounting to TL 2,309 (December 31, 2018 - TL 37,141) has been provided to the Central Bank account.

On December 28, 2019, Central Bank of the Republic of Turkey went for a change in required reserves and TL and FX required reserve ratio of banks' foreign currency indexed loans, with the exception of the loans granted to financial institutions, TL denominated cash loans on standard loans and close monitoring are associated with annual growth rates of the total.

Accordingly, excluding foreign currency indexed loans and loans granted to financial institutions, TL-based standard and cash loans in close monitoring will be calculated using the 3-month average values corrected by the Consumer Price Index according to the procedures and principles determined by the CBRT;

a)Annual loan growth rate is beyond 15%, and the adapted annual loan growth rate to be calculated by deducting all the annual change in 5 years and longer maturity loans in home loans, consumer loans and personal loans, which are longer than 2 years, from the share portion of the growth rate. Banks smaller than 15 and

b)Annual loan growth rate is below 15%, and adapted annual loan growth rate, which will be calculated by deducting 50% of the annual change in external consumer loans and consumer credit cards of 5 years and longer-term housing loans from the share of the growth rate, is greater than 5% banks that are

It is stated that Turkish lira required reserve ratios will apply to 2% foreign currency deposit / participation fund liabilities in all maturity brackets except for 1 year and more than 1-year deposit (except foreign bank deposits) and other 3-year maturity liabilities (except foreign bank deposits).

a) Demand deposits, deposit at notice, deposits with maturity; up to 1 month, 3 months, 6 months and up to 1 year 17%

b) Deposits with maturity up to 1 year and more than 1 year 13%

For banks that meet the above mentioned conditions in loan growth rates, the first required reserve following the calculation period will apply the six required reserve ratios specified above, starting from the establishment period. As of October 4, 2019, it is stated that the banks that meet the loan growth conditions will be paid 10% interest on TL required reserves, and 0% interest on banks outside.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

2. Further information on financial assets at fair value through profit/loss (Net amounts are expressed):

a) Information on financial-assets-at fair value through profit/loss given as collateral /blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral/blocked	2,297	6,227	3,676	695
Subject to repurchase agreement	-	-	-	-
Total	**2,297**	**6,227**	**3,676**	**695**

b) Positive differences related to derivative financial assets held-for-trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	65,165	-	138,487	-
Swap Transactions	2,662,334	870,620	4,674,014	428,270
Futures	-	-	-	2,576
Options	1,371	152,948	120	188,916
Other	-	-	-	-
Total	**2,728,870**	**1,023,568**	**4,812,621**	**619,762**

3. a) Information on banks accounts:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	403,520	699,615	205,463	1,036,589
Domestic	403,517	245,357	205,457	1,210
Foreign	3	454,258	6	1,035,379
Foreign Head Offices and Branches	-	-	-	-
Total	**403,520**	**699,615**	**205,463**	**1,036,589**

Amount of TL 5,508 provision is provided for banks account as of December 31, 2019 (December 31, 2018 - 441).

b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount(**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	133,694	228,892	24,603	39,428
USA and Canada	193,790	568,966	79,671	160,682
OECD Countries(*)	3,084	1,535	-	-
Off-shore Banking Regions	-	-	-	-
Other	19,419	35,882	-	-
Total	**349,987**	**835,275**	**104,274**	**200,110**

(*) Include OECD countries other than the EU countries, USA and Canada.
(**) Includes blocked placements amounting to TL 104,274 at foreign banks (December 31, 2018 - TL 200,110) for the funds borrowed from foreign banks.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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4. Information on receivable-from-reverse-repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	**3,128,856**	**-**	**100,070**	**-**
T.R. Central Bank	-	-	-	-
Banks	3,040,962	-	100,070	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	87,894	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	**-**	**-**	**-**	**-**
Central Banks	-	-	-	-
Banks	-	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Total	**3,128,856**	**-**	**100,070**	**-**

As of December 31, 2019, no provision is provided to the accounts receivable from the money markets (December 31, 2018 - TL 5).

5. Information on financial assets measured at fair value through other comprehensive income:

a) Information on financial assets measured at fair value through other comprehensive income subject to repurchase agreements and provided as collateral /blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	307,921	533,272	66,853	654,173
Subject to repurchase agreements	257,608	5,217,454	92,213	2,722,377
Total	**565,529**	**5,750,726**	**159,066**	**3,376,550**

b) Information on financial assets at fair value through other comprehensive income:

	Current Period	Prior Period
Debt Securities	**12,315,104**	**8,742,018**
Traded on Stock Excange(*)	12,315,104	8,742,018
Not traded on Stock Exchange	-	-
Stocks	**192,561**	**119,995**
Traded on Stock Excange	987	1,718
Not traded on StockExchange(*)	191,574	118,277
Provision for Impairment (-)(***)	**(161,567)**	**(416,240)**
Toplam	**12,346,098**	**8,445,773**

(*) The Eurobond Portfolio amounting to TL 2,788,968 (December 31, 2018 - TL 2,654,262) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as financial assets measured at fair value through other comprehensive income in order to be in line with balance sheet presentation.
(**) It includes 11,695 Type C Visa Inc. shares transferred to Main Partner Bank because of exchange of stock as a result of transferring of Visa Europe Ltd to Visa Inc.
(***) As a result of adoption of TFRS 9, as of December 31, 2019 amount of TL 1,958 provision provided for financial assets measured at fair value through other comprehensive income account (December 31, 2018 - TL 19,492).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

6. Information related to loans:

a) Information on all types of loans and advances given to shareholders and employees of the Parent Bank:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	3,192	37,126	1,755	-
Corporate Shareholders	3,192	37,126	1,755	-
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	127,384	-	85,830	-
Total	130,576	37,126	87,585	-

(*) Includes advances given to the bank personnel.

b) Performing loans and loans under follow up including restructured or rescheduled loans, and provisions allocated for such loans:

b.1) Information on financial assets at amortised cost:

Cash Loans	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Non Specialized Loans	98,593,357	4,434,874	539,791	7,147,798
Enterprise Loans	1,136,921	5,766	-	-
Export Loans	3,359,969	11,204	-	-
Import Loans	6,859	-	-	-
Financial Sector Loans	1,457,759	-	-	-
Consumer Loans	20,799,936	881,456	276,036	841,086
Credit Cards	14,835,816	962,320	-	788,448
Other	56,996,097	2,574,128	263,755	5,518,264
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	98,593,357	4,434,874	539,791	7,147,798

	Standard Loans	Loans Under Close Monitoring
Current Period		
12 Month Expected Credit Losses	926,955	-
Significant Increase in Credit Risk	-	1,598,718
Prior Period		
12 Month Expected Credit Losses	1,078,524	-
Significant Increase in Credit Risk		1,692,123

b.2) Loans at fair value through profit or loss:

As of December 31, 2019, The Bank has classified the loan amounted to TL 86,838 (December 31, 2018 - 110,032) under loans at fair value through profit or loss in accordance with TFRS 9.

c)Loans with amortized cost and other receivables according to their maturity structure:

Cash Loans	Standard Loans	Loans Under CloseMonitoring	
		Loans without Revised Contract Terms	RestructuredLoans
Short-term Loans	37,306,835	962,520	788,448
Medium and Long-term Loans	61,286,522	3,472,354	6,899,141
Total	98,593,357	4,434,874	7,687,589

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short Term	Medium and Long Term	Total
Consumer Loans - TL	**673,229**	**20,147,558**	**20,820,787**
Housing Loans	291	4,345,858	4,346,149
Automobile Loans	115	12,598	12,713
Personal Need Loans	667,482	15,771,996	16,439,478
Other	5,341	17,106	22,447
Consumer Loans - FC Indexed	**-**	**3,455**	**3,455**
Housing Loans	-	3,159	3,159
Automobile Loans	-	-	-
Personal Need Loans	-	296	296
Other	-	-	-
Consumer Loans - FC	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards - TL	**12,384,447**	**679,807**	**13,064,254**
Installment	4,736,499	612,775	5,349,274
Non- Installment	7,647,948	67,032	7,714,980
Individual Credit Cards - FC	**22,481**	**40**	**22,521**
Installment	-	-	-
Non- Installment	22,481	40	22,521
Personnel Loans - TL	**11,188**	**63,437**	**74,625**
Housing Loans	-	324	324
Automobile Loans	-	-	-
Personal Need Loans	11,188	63,113	74,301
Other	-	-	-
Personnel Loans - FC Indexed	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Loans - FC	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Credit Cards - TL	**47,140**	**413**	**47,553**
Installment	17,667	155	17,822
Non-Installment	29,473	258	29,731
Personnel Credit Cards-FC	**177**	**-**	**177**
Installment	-	-	-
Non-Installment	177	-	177
Overdraft Accounts - TL (Real Persons)	**1,800,222**	**99,425**	**1,899,647**
Overdraft Accounts - FC (Real Persons)	**-**	**-**	**-**
Total	**14,938,884**	**20,994,135**	**35,933,019**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

e) Information on commercial installment loans and corporate credit cards:

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility - TL	**265,112**	**16,927,804**	**17,192,916**
Real Estate Loans	-	382,550	382,550
Automobile Loans	1,101	122,875	123,976
Personal Need Loans	264,011	16,422,379	16,686,390
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	**-**	**600,964**	**600,964**
Real Estate Loans	-	11,200	11,200
Automobile Loans	-	26,625	26,625
Personal Need Loans	-	563,139	563,139
Other	-	-	-
Commercial Loans with Installment Facility - FC	**-**	**-**	**-**
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards - TL	**3,367,105**	**83,338**	**3,450,443**
Installment	970,351	62,331	1,032,682
Non-Installment	2,396,754	21,007	2,417,761
Corporate Credit Cards - FC	**1,633**	**3**	**1,636**
Installment	-	-	-
Non-Installment	1,633	3	1,636
Overdraft Accounts - TL (Legal Entities)	**1,055,458**	**8,101**	**1,063,559**
Overdraft Accounts - FC (Legal Entities)	**-**	**-**	**-**
Total	**4,689,308**	**17,620,210**	**22,309,518**

f) Allocation of loans by customers:

	Current Period	Prior Period
Public	-	101,668
Private	110,715,820	95,307,385
Total	**110,715,820**	**95,409,053**

g) Allocation of domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	109,994,925	94,878,795
Foreign Loans	720,895	530,258
Total	**110,715,820**	**95,409,053**

h) Loans to associates and subsidiaries:

	Current Period	Prior Period
Loans granted to directly subsidiaries and associates	1,015,749	548,148
Loans granted to indirectly subsidiaries and associates	-	-
Total	**1,015,749**	**548,148**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

i) Specific provisions for loans:

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	1,101,109	760,596
Loans and Receivables with Doubtful Collectability	938,973	625,240
Uncollectible Loans and Receivables	4,140,245	3,551,336
Total	**6,180,327**	**4,937,172**

j) Non-performing loans (NPLs) (Net):

j.1) Non-performing loans restructured or rescheduled and other receivavles:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period			
Gross Amounts Before the Provisions	16,482	47,994	148,689
Restructured Loans	16,482	47,994	148,689
Prior Period			
Gross Amounts Before the Provisions	4,765	28,339	58,313
Restructured Loans	4,765	28,339	58,313

j.2) Movement of non-performing loans

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Prior Period End Balance	**1,453,936**	**1,018,300**	**4,142,026**
Additions (+)	3,972,703	280,649	253,025
Transfers from Other Categories of Non-Performing Loans (+)	2,097	3,164,746	2,604,564
Transfers to Other Categories of Non-Performing Loans (-)	3,202,374	2,566,991	2,042
Collections (-)	281,536	356,655	776,825
Non-registered (-)	-	-	10,728
Write-offs (-)	**-**	**-**	**963,399**
Corporate and Commercial Loans	-	-	383,167
Consumer Loans	-	-	237,624
Credit Cards	-	-	342,608
Others	-	-	-
Current Period End Balance	**1,944,826**	**1,540,049**	**5,246,621**
Specific Provision (-)	1,101,109	938,973	4,140,245
Net Balances on Balance Sheet	**843,717**	**601,076**	**1,106,376**

(*) The Bank sold TL 959,700 of its NPL portfolio for TL 88,200. TL 41,182 of the sold amount of consists of the expenses of the portfolio sold in previous periods and the collections made during the sales process.

j.3) Information on non-performing loans granted as foreign currency loans:

None (December 31, 2018 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

j.4) Breakdown of non-performing loans according to their gross and net values:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net)	**843.717**	**601.076**	**1.106.376**
Loans to Real Persons and Legal Entities (Gross)	1,944,826	1,540,049	5,120,503
Provision (-)	1,101,109	938,973	4,014,127
Loans to Real Persons and Legal Entities (Net)	843,717	601,076	1,106,376
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	126,118
Provision (-)	-	-	126,118
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	**693,340**	**393,061**	**590,690**
Loans to Real Persons and Legal Entities (Gross)	1,453,936	1,018,301	4,108,905
Specific provision (-)	760,596	625,240	3,518,215
Loans to Real Persons and Legal Entities (Net)	693,340	393,061	590,690
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	33,121
Specific provision (-)	-	-	33,121
Other Loans and Receivables (Net)	-	-	-

(*) Included interest accruals and valuation differences.

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Year (Net)			
Interest accruals and valuation differences	215,934	152,408	332,642
Provision Amount (-)	137,941	98,762	251,187
Prior Period (Net)			
Interest Accruals and Rediscounts and Valuation Differences	154,002	126,042	35,215
Provision Amount (-)	94,342	77,214	21,573

k) Explanation on liquidation policy for uncollectible loans and other receivables:

For the unrecoverable non-performing loans under legal follow up, the loan quality, collateral quality, bona fide of the debtor and assessment of the emergency of legal follow up are considered, before applying the best practice for unrecoverable non-performing loans under legal follow up. The Parent Bank prefers to liquidate the risk through negotiations with the debtors as well as The Parent Bank starts the legal procedures for the liquidation of the risk. Ongoing legal follow up procedures do not prevent negotiations with the debtors. An agreement is made with the debtor at all stage of the negotiations for the liquidation of the risk.

h) Explanations on liquidation policy for uncollectible loans and other receivables:

The Parent Bank's general policy for write-offs of loans and receivables under follow-up is to write of such loans and receivables that are proven to be uncollectible in legal follow-up process.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7. Information on factoring receivables

	Current Period		Prior Period	
	TL	FC	TL	FC
Short Term	1,297,791	221,571	836,590	104,385
Medium and Long Term	32,221	-	32,029	-
Total	**1,330,012**	**221,571**	**868,619**	**104,385**

As of December 31, 2019 and December 31, 2018, changes in provision for non-performing factoring receivables are as follows:

	Current Period	Prior Period
Prior Period End Balance	67,464	41,794
Provided Provision / Rreversal) (Net)	17,428	33,906
Collections	(15,922)	(8,236)
Write-offs	-	-
Provision at the End of Period	**68,970**	**67,464**

8. Information on financial assets measured at amortized cost

a) Information on financial assets measured at amortized cost which are subject to repurchase agreements and given as collateral/blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	364,213	116,736	628,100	363,462
Subject to repurchase agreements	-	6,517,031	-	3,673,636
Total	**364,213**	**6,633,767**	**628,100**	**4,037,098**

b) Information on government securities measured at amortized cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	8,588,791	6,727,312	7,916,505	3,995,358
Treasury Bill	-	-	-	-
Other Public Sector Debt Securities	-	300,871	-	288,169
Total	**8,588,791**	**7,028,183**	**7,916,505**	**4,283,527**

c) Information on investments securities measured at amortized cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Securities	8,588,791	7,592,511	7,916,505	5,015,688
Publicly-traded	8,588,791	7,592,511	7,916,505	5,015,688
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
Total	**8,588,791**	**7,592,511**	**7,916,505**	**5,015,688**

d) Movement of investment measured at amortized cost within the period

	Current Period	Prior Period
Balance at the beginning of the period	**12,932,193**	**8,946,170**
Exchange differences on monetary assets	790,412	1,333,014
Acquisitions during the year	3,406,328	2,201,072
Disposals through sales and redemptions	(1,496,516)	(837,723)
Impairment provision (-)	-	-
Valuation Effect	548,885	1,289,660
The sum of end of the period	**16,181,302**	**12,932,193**

As of December 31, 2019, a provision amounting to TL 11,852 (December 31, 2018 - TL 37,077) is provided for the financial assets measured at amortized cost.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

9. Information on investments in associates (Net)

9.1. Information on unconsolidated associates:

Description	Address (City/ Country)	Bank's Share-If Different, Voting Rights (%)	Bank's Risk Group Share (%)
Bankalararası Kart Merkezi (BKM) (*)	Istanbul/Turkey	9.23%	9.23%

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
147,868	93,468	65,949	4,027	-	28,503	8,630	-

(*) Current year information is based on December 31, 2019 financials. Prior year profit and loss amounts are based on December 31, 2018 financials.

9.2. Movements of investments in associates:

	Current Period	Prior Period
Balance at the Beginning of Period	**5,982**	**3,766**
Movements During the Period	**-**	**2,216**
Acquisitions	-	-
Bonus Shares Received	-	2,216
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	**5.982**	**5.982**
Capital Commitments	**-**	**-**
Share Percentage at the end of the Period	**-**	**-**

9.3. Sectoral information on investment and associates, and the related carrying amounts:

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	5,982	5,982
Total	**5,982**	**5,982**

9.4. Quoted Associates: None (December 31, 2018 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

9.5. Valuation methods of investments in associates:

	Current Period	Prior Period
Valued at Cost	5,982	5,982
Valued at Fair Value	-	-
Valued at Equity Method	-	-
Total	**5,982**	**5,982**

9.6. Investments in associates sold during the current period: None (December 31, 2018 - None).

9.7. Information on subsidiaries (Net):

a) Information on the Parent Bank's unconsolidated subsidiaries:

Subsidiaries below have not been consolidated since they are Non-financial investments, they are instead valued by cost method.

	Title	Address (City/Country)	Bank's Share - If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	Istanbul/Turkey	99.91	99.99
2.	EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.(*)	Istanbul/Turkey	100.00	100.00

	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	56,084	13,560	23,576	-	-	(1,457)	(4,919)	-
2.	23,797	11,430	4,990	2,216		5,403	3,250	-

b) Information on the Parent Bank's consolidated subsidiaries:

b.1) Information on the consolidated subsidiaries :

	Subsidiary	Address (City/Country)	Bank's Share - If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	QNB Finans Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99.80	100.00
2.	QNB Finans Finansal Kiralama A.Ş.	Istanbul/Turkey	99.40	99.40
3.	Hemenal Finansman A.Ş.	Istanbul/Turkey	100.00	100.00
4.	QNB Finans Portföy Yönetimi A.Ş.	Istanbul/Turkey	0.03	100.00
5.	QNB Finans Faktoring A.Ş.	Istanbul/Turkey	99.99	100.00
6.	QNB Finans Varlık Kiralama Şirketi A.Ş.	Istanbul/Turkey	-	100.00

Information on subsidiaries in the order as presented in the table above:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value(*)
1.	680,506	249,602	9,829	136,991	1,532	75,146	45,781	262,353
2.	5,888,176	897,886	9,399	540,397	-	90,966	82,447	624,551
3.	39,919	17,465	718	13,327	-	(11,558)	(20,773)	-
4.	18,075	12,801	275	495	-	3,068	(2,171)	-
5.	1,701,441	170,665	12,482	254,556	-	43,808	37,795	266,769
6.	207	200	-	-	-	-	-	-

(*) The fair value measurement method of the Subsidiary QNB Finans Finansal Kiralama A.Ş. has been amended, and measurement has been made on data not based on market data as of the balance sheet date.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

b.2) Movement schedule for consolidated subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	**1,103,202**	**724,921**
Movements during the Period	**108,866**	**378,281**
Purchases(*)	-	15,000
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Difference	108,866	363,281
Impairment Provision	-	-
Balance at the End of the Period	**1,212,068**	**1,103,202**
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

(*) At the prior period, Finans Faktoring A.Ş. has raised its capital at an amount of TL 15,000.

b.3) Sectoral information on consolidated financial subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Factoring Companies	266,769	105,614
Leasing Companies	624,551	777,308
Finance Companies	58,395	58,395
Other Subsidiaries	262,353	161,885
Total	**1,212,068**	**1,103,202**

The balances of the subsidiaries have been eliminated as part of the consolidation principles.

b.4) Subsidiaries quoted to a stock exchange:

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	624,551(*)	777,308
Quoted on International Stock Exchanges	-	-
Total	**624,551**	**777,308**

(*) Fair value measurement of QNB Finans Leasing was changed and at current period begun start to recognize at level 3.

b.5) Information on shareholders' equity of the significant subsidiaries: None.

10. Information on joint ventures

	Title	Address (City/ Country)	Bank's Share- If different, Voting Rights (%)	Bank' Risk Group Share (%)
1.	Cigna Finans Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	49.00%	49.00%
2.	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	Istanbul/Turkey	33.33%	33.33%

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/ Loss	Prior Period Profit/Loss	Company's Fair Value
1.	1,667,524	240,074	25,968	-	-	154,255	103,384	233,977
2.	131,954	86,601	47,090	-	-	33,356	15,064	-

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

11. Information on lease receivables (Net)

11.1. Maturity analysis of financial lease receivables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	2,365,178	1,115,307	1,745,864	1,380,549
Between 1-4 years	3,649,423	3,121,245	3,558,033	3,017,466
Over 4 years	597,375	551,605	759,925	690,084
Total	**6,611,976**	**4,788,157**	**6,063,822**	**5,088,099**

Finance lease receivables include non-performing finance lease receivables amounting to TL 341,485 (December 31, 2018 - TL 345,070) and specific provisions amounting to TL 147,828 (December 31, 2018 - TL 110,677).

Changes in non-performing finance lease receivables provision as of December 31, 2019 and December 31, 2018, are as follows

	Current Period	Prior Period
End of the prior period	110,677	98,706
Provided provision / (Reversal) (Net)	82,976	55,472
Collections	(944)	(5,140)
Written-off	(44,881)	(38,361)
Provision at the end of the period	**147,828**	**110,677**

11.2. Net financial lease receivables

	Current Period	Prior Period
Gross Finance Lease Investments	5,763,671	6,075,644
Unearned Finance Income (-)	975,514	987,545
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	**4,788,157**	**5,088,099**

11.3. Information of finance lease contracts of the Parent Bank

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

12. Information on the hedging derivative financial assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge(*)	2,693,288	133,741	4,117,133	37,530
Cash Flow Hedge(**)	1,314,595	45,247	2,702,865	111,418
Net Investment Hedge	-	-	-	-
Total	**4,007,883**	**178,988**	**6,819,998**	**148,948**

(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2019, TL 1,927 (December 31, 2018 - TL 31,027) from securities, TL 2,390 (December 31, 2018 - TL 2,049) from funds borrowed, TL 129,424 (December 31, 2018 - TL 4,454) from financial leasing, TL 2,693,288 (December 31, 2018 - TL 4,117,133) represents the fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in loans. There is no fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in securities issued (December 31, 2018 - None).
(**) Represents the fair value of derivatives which are the hedging instruments of deposits and floating dividends' cash flow risk.

13. Explanations on tangible assets

	Land and Buildings	Fixed Assets under Finance Lease	Vehicles	Other Fixed Assets	Total
Prior Period End					
Cost	2,859,204	292,093	52,479	1,560,395	4,764,171
Accumulated Depreciation (-)	61,223	247,572	1,918	1,096,749	1,407,462
Net Book Value	**2,797,981**	**44,521**	**50,561**	**463,646**	**3,356,709**
Current Period End					
Cost at the Beginning of the Period	**2,859,204**	**292,093**	**52,479**	**1,560,395**	**4,764,171**
Costs regarding Subsidiaries	-	-	-	-	-
Additions (-)	204,167	332	19,804	223,067	447,370
Disposals (-)	9,694	-	636	16,417	26,747
Impairment (-) / (increase)	(27,979)	-	-	-	(27,979)
Current Period Cost	**3,025,698**	**292,425**	**71,647**	**1,767,045**	**5,156,815**
Accumulated Depreciation at the Beginning of the Period	**61,223**	**247,572**	**1,918**	**1,096,749**	**1,407,462**
Accumulated Depreciation regarding Subsidiaries	-	-	-	-	-
Disposals (-)	6,486	-	555	15,909	22,950
Transfer (-)	-	-	7	(7)	-
Depreciation amount	208,745	5,708	33,063	137,552	385,068
Accumulated Depreciation at the End of the Period (-)	**263,482**	**253,280**	**34,433**	**1,218,385**	**1,769,580**
Net Book Value at the End of the Period	**2,762,216**	**39,145**	**37,214**	**548,660**	**3,387,235**

(*) As mentioned in Section 3 footnote 4, the fair value currency difference income amounting to TL 27,685 (the amortized) that belongs to the real estate, which is subjected to fair value hedge accounting by the Parent Bank, is shown in the "Additions" line of the Financial Fixed Assets movement table.
(**) TFRS 16 opening balances (TL 439,056 Real Estate and TL 48,653 Vehicles) are shown in the Cost line.

a) If impairment on individual asset recorded or reversed in the current period is material for the overall financial statements:

Events and conditions for recording or reversing impairment and amount of recorded or reversed impairment in the financial statements:

The fair values of the buildings are determined by the licensed expertise companies and as a result of the changes in the fair value of these buildings, the impairment loss of TL 294 has been booked. (December 31, 2018 - TL 402 impairment loss has been booked).

b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially effecting the overall financial statements, and the reason and conditions for this: None (December 31, 2018 - None).

c)Pledges, mortgages and other restrictions (if any) on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None (December 31, 2018 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

14. Explanations on Intangible Assets:

	Rights	Goodwill	Total
Prior Period End			
Cost	1,201,940	-	1,201,940
Accumulated Amortization (-)	790,740	-	790,740
Net Book Value	**411,200**	**-**	**411,200**
Current Period End			
Cost at the Beginning of the Period	**1,201,940**	**-**	**1,201,940**
Costs related to acquisition of subsidiary	-	-	-
Additions	177,046	-	177,046
Disposals (-)	9	-	9
Value Decrease (-) / (increase)	-	-	-
Current Period Cost	**1,378,977**	**-**	**1,378,977**
Acc. Amort. At the Beginning of the Period	**790,740**	**-**	**790,740**
Accrued amortization related to acquisition of subsidiary	-	-	-
Disposals (-)	8	-	8
Amortization charge	134,879	-	134,879
Current Period Accumulated Amortization (-)	**925,611**	**-**	**925,611**
Net Book Value-End of the Period	453,366	-	453,366

a) Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements: None (December 31, 2018 - None).

b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None (December 31, 2018 - None).

c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None (December 31, 2018 - None).

d) The book value of intangible fixed assets that are pledged or restricted for use: None (December 31, 2018 - None).

e)Amount of purchase commitments for intangible fixed assets: None (December 31, 2018 - None).

f)Information on revalued intangible assets according to their types: None (December 31, 2018 - None).

g) Amount of total research and development expenses recorded in income statement within the period if any:

Amount of total research expenses recorded in income statement within the period is TL 11,629 (December 31, 2018 - TL 11,812).

h) Positive or negative consolidation goodwill on entity basis: None (December 31, 2018 - None).

i) Goodwill's book value at beginning , during and end of period:

Explanation about balance sheet's debit accounts and footnotes section specified in number 15 footnote.

15. Information on the investment properties None (December 31, 2018 - None).

16. Information on deferred tax asset

As of December 31, 2019, the Parent Bank has deferred tax asset amounting to TL 445,244.

According to TAS 12, deferred tax assets and liabilities are netted off in the financial statements. As of December 31, 2019, the carrying amount of the assets and liabilities in the balance sheet and the tax basis determined in accordance with the tax legislation and deferred tax asset amounting to TL 1,078,545 calculated over the amounts to be taken into consideration in the calculation of financial profit / loss in the following periods and deferred tax liability amounting to TL 633,301 which are calculated over the amounts to be taken into consideration in the calculation of financial profit / loss in the following periods.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax assets amounting to TL 297,978 are netted under equity. (December 31, 2018 - TL 77,543 deferred tax assets).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Provision for Employee Rights	560,445	452,523	123,298	99,264
Difference Between the Book Value of Financial Assets and Tax Base	1,047,818	2,676,781	230,520	574,438
Other	3,294,221	4,004,908	724,727	878,363
Deferred Tax Assets			**1,078,545**	**1,552,065**
Difference Between the Book Value Financial	(279,982)	(258,548)	(61,596)	(56,846)
Fixed Assets and Tax Base	(1,834,533)	(3,287,163)	(403,597)	(716,346)
Difference Between the Book Value of Financial Assets and Tax Base	(764,133)	(732,184)	(168,108)	(160,792)
Other			**(633,301)**	**(933,984)**
Deferred Tax Liabilities			**445,244**	**618,081**

	Current Period 01.01-31.12.2019	Prior Period 01.01-31.12.2018
Deferred Tax as of January 1 Asset/ (Liability) (Net)	618,081	472,654
Deferred Tax (Loss) / Gain	(393,272)	105,061
Deferred Tax that is Realized Under Shareholder's Equity	220,435	40,366
Deferred Tax Asset/ (Liability) (Net)	**445,244**	**618,081**

17. Information on assets held for sale and discontinued operations

As of December 31, 2019, the Parent Bank does not have any assets held for sale (December 31, 2018 - None).

18. Information on other assets

18.1. Information on prepaid expense, tax and similar items:

	Current Period	Prior Period
Collateral Given for Derivative Transactions	3,148,281	2,175,101
Assets Held for Resale (Net)	1,308,747	879,983
Other Prepaid Expenses	753,795	692,718
Miscellaneous Receivables	300,050	319,200
Cheques Receivables from Other Banks	506,612	714,694
Prepaid rent expenses	310	44,817
Prepaid Agency Commissions	42,170	15,608
Advances Given	7,816	7,522
Other	379,734	98,497
Total	**6,447,515**	**4,948,140**

As of December 31, 2019, TL 9,213 provision has been provided for other assets (December 31, 2018 - TL 2,008).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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18.2. Information on the subaccounts of other assets account that exceeds 20% of the individual other assets account exceeding 10% of the total assets excluding the off-balance sheet items:

Details of the other assets are described in note 19.1 section of disclosure.

19. Information on accrued interest and income

The details of accrued interest and income allocated to the related items on the assets side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Assets	6,736,753	1,202,556	11,632,619	768,710
Loans	3,289,333	477,119	2,533,148	364,154
Securities Measured at Amortized Cost	175,593	112,638	942,576	69,946
Financial Assets Measured at Fair Value through Other Comprehensive Income	258,970	89,025	101,449	(331,209)
Central Bank	5,441	-	60,220	-
Leasing Receivables	-	-	16,800	24,567
Banks	1,567	-	279	-
Financial Assets Measured at Fair Value through Profit/Loss	1,648	347	339	(58)
Other Accruals	3,547	1,913	13,337	8,260
Total	**10,472,852**	**1,883,598**	**15,300,767**	**904,370**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

II. Explanations and Disclosures Related to Consolidated Liabilities

1. Information on maturity structure of deposits:

Current Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	4,749,725	-	8,315,746	18,244,106	214,359	247,901	1,113,219	910	32,885,966
Foreign Currency Deposits	13,163,632	-	5,441,324	24,205,278	3,533,737	2,032,562	1,474,563	2,998	49,854,094
Residents in Turkey	12,648,241	-	5,373,650	23,887,001	3,492,160	1,913,436	1,106,461	2,998	48,423,947
Residents Abroad	515,391	-	67,674	318,277	41,577	119,126	368,102	-	1,430,147
Public Sector Deposits	403,375	-	2,296	9,734	569	19	-	-	415,993
Commercial Deposits	3,470,806	-	4,537,787	4,486,426	82,770	35,395	66,801	-	12,679,985
Other Ins. Deposits	63,232	-	31,454	418,746	1,441	40,772	1,847	-	557,492
Precious Metal Deposits	3,517,505	-	1,068	7,602	1,192	2,780	170,215	-	3,700,362
Bank Deposits	194,282	-	3,244,395	1,864,410	74,941	28,333	-	-	5,406,361
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	5,126	-	-	-	-	-	-	-	5,126
Foreign Banks	183,473	-	3,244,395	1,864,410	74,941	28,333	-	-	5,395,552
Participation Banks	5,683	-	-	-	-	-	-	-	5,683
Other	-	-	-	-	-	-	-	-	-
Total	25,562,557	-	21,574,070	49,236,302	3,909,009	2,387,762	2,826,645	3,908	105,500,253

Prior Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	2,947,836	-	4,403,875	16,913,430	4,014,224	1,658,762	2,408,105	1,782	32,348,014
Foreign Currency Deposits	7,995,756	-	2,407,375	22,134,039	1,565,763	1,394,003	1,152,070	-	36,649,006
Residents in Turkey	7,751,152	-	2,394,949	21,580,333	1,485,330	1,328,027	886,352	-	35,426,143
Residents Abroad	244,604	-	12,426	553,706	80,433	65,976	265,718	-	1,222,863
Public Sector Deposits	313,443	-	472	5,062	346	-	148	-	319,471
Commercial Deposits	2,088,318	-	2,802,222	4,459,722	1,177,734	218,963	480,501	-	11,227,460
Other Ins. Deposits	50,543	-	39,436	597,919	27,309	18,487	8,473	-	742,167
Precious Metal Deposits	1,724,647	-	-	43,459	1,525	10,188	82,694	-	1,862,513
Bank Deposits	555,547	-	272,549	2,007,939	802,759	37,747	1,044	-	3,677,585
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	21,317	-	194,667	-	-	6,187	-	-	222,171
Foreign Banks	45,049	-	77,882	2,007,939	802,759	31,560	1,044	-	2,966,233
Participation Banks	489,181	-	-	-	-	-	-	-	489,181
Other	-	-	-	-	-	-	-	-	-
Total	15,676,090	-	9,925,929	46,161,570	7,589,660	3,338,150	4,133,035	1,782	86,826,216

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

1.1. Information on savings deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund:

	Covered by Deposit Insurance Fund		Exceeding the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	18,451,527	14,252,095	14,447,019	17,151,063
Foreign Currency Savings Deposits	10,426,031	5,146,914	28,403,256	21,042,426
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	**28,877,558**	**19,399,009**	**42,850,275**	**38,193,489**

1.2. Savings deposits in Turkey are not covered under insurance in another country since headquarter of the Group is not located abroad.

1.3. Savings deposits which are not under the guarantee of saving deposit insurance fund:

	Current Period	Prior Period
Deposits and accounts in branches abroad	25,886	14,541
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	149,317	71,157
Deposits obtained through illegal acts defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2024.	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	**175,203**	**85,698**

Information on trading derivative financial liabilities

a) Negative differences table for derivative financial liabilities held for trading:

	Current Period(*)		Prior Period	
	TL	FC	TL	FC
Forwards	110,238	-	132,707	65,035
Swaps	2,559,946	860,117	5,163,588	225,206
Futures	-	-	-	2,596
Options	211	34,565	477	141,101
Other	-	-	-	-
Total	**2,670,395**	**894,682**	**5,296,772**	**433,938**

3. Information on borrowings

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Banks and Institutions	1,561,228	1,093,841	710,513	981,566
Foreign Banks, Institutions and Funds	481,728	16,282,520	391,508	18,468,646
Total	**2,042,956**	**17,376,361**	**1,102,021**	**19,450,212**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

b) Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	1,083,483	1,747,269	612,112	3,700,582
Medium and Long-Term	959,473	15,629,092	489,909	15,749,630
Total	**2,042,956**	**17,376,361**	**1,102,021**	**19,450,212**

Deposit is the most significant fund source of the Bank and does not present any risk concentration with its consistent structure extended to a wide base. Credits obtained predominantly consist of funds provided by financial institutions abroad having different characteristics and maturity-interest structure such as syndication, securitization, post-financing. There exist no risk concentration on the fund sources of the Bank.

c) Additional information on concentrations of the Group's liabilities:

As of December 31, 2019, the Group's liabilities comprise; 56% deposits (December 31, 2018 - 53%), 10% funds borrowed (December 31, 2018 - 13%), 8% issued bonds (December 31, 2018 - 7%) and 5% money market placements (December 31, 2018 - 3%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	**255,279**	**-**	**237,136**	**-**
Financial institutions and organizations	232,383	-	72,397	-
Other institutions and organizations	11,123	-	155,425	-
Real persons	11,773	-	9,314	-
From foreign transactions	**2,393**	**8,797,038**	**1,349**	**4,622,546**
Financial institutions and organizations	-	8,797,038	-	4,622,546
Other institutions and organizations	2,393	-	1,349	-
Real persons	-	-	-	-
Total	**257,672**	**8,797,038**	**238,485**	**4,622,546**

5. Information on marketable securities issued (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	4,459,553	116,648	3,482,767	388,754
Asset backed securities(*)	442,887	-	436,650	-
Bills	168,227	9,164,232	164,757	7,377,149
Total	**5,070,667**	**9,280,880**	**4,084,174**	**7,765,903**

The Parent Bank has government bond issue program (Global Medium Term Note Programme) amounting to USD 5 Billion.

6. Information on the subaccounts of other liabilities account that exceeds 20% of the individual other liabilities account exceeding 10% of the total liabilities excluding the off-balance sheet items

Other liabilities does not exceed 10% of total liabilities excluding the off-balance sheet items (December 31, 2018 - Does not exceed 10%).

7. Criteria used in the determination of lease installments in the financial lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

Interest rate and cash flows of the Group are the main criteria which are taken into consideration for the determination of payment plans in the leasing contracts.

7.1. Explanations of changes in agreements and further commitments arising: No changes have been made to the leasing agreements in the current period (December 31, 2018 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7.2. Financial lease payables:

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

7.3. Liabilities arising from operational lease:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	32,010	25,011	-	-
Between 1-4 years	480,608	412,274	-	-
More than 4 years	-	-	-	-
Total	**512,618**	**437,285**	**-**	**-**

7.4. Explanations and Notes on operating lease:

The Group records the lease payments made in accordance with the operating lease agreements in equal amounts during the lease period. The Parent Bank has operating lease agreements for some branches and ATM machines. The lease agreements are amortized during the lease period by measuring the lease obligation at the present value of the lease payments (lease obligation) that has not been paid at that date and by recording the relevant usage right as of the same date. Lease payments are discounted using this rate if the implicit interest rate in the lease can be easily determined. If the tenant cannot easily determine this rate, he uses the alternative borrowing interest rate. The tenant separately records the interest expense on the rental obligation and the depreciation expense of the right to use asset.

7.5. Information on “Sale -and- lease back” agreements:

The Group does not have any sale-and-lease back transactions in the current period (December 31, 2018 - None).

8. Information on the hedging derivative financial liabilities

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge(*)	290,333	398,907	155,054	228,252
Cash Flow Hedge(**)	487,387	393,789	159,675	176,498
Net Investment Hedge	-	-	-	-
Total	**777,720**	**792,696**	**314,729**	**404,750**

(*) Derivative financial instruments for hedging purposes include swaps. As of December 31, 2019, TL 285,204 (December 31, 2018 - TL 181,259) loan portfolio, TL 355,077 (December 31, 2018 - TL 181,279) the securities, and TL 48,959 (December 31, 2018 - TL 12,589) leasing transactions, represents the fair value of derivatives instruments which are the hedging instruments of fair value hedge.
(**) Represents the fair value of derivatives which are the hedging instruments of deposits and floating dividends’ cash flow risk.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

9. Information on provisions

9.1 Information on provision related with foreign currency difference of foreign indexed loans:

	Current Period	Prior Period
Foreign Exchange Provision for Foreign Currency Indexed Loans(*)	-	-

(*) The foreign exchange provision for foreign currency indexed loans netted against "Loans and Receivables" in asset.

9.2 Information on general provisions:

	Current Period	Prior Period
Provisions for Loans and Receivables in Stage 1	92,437	74,422
Provisions for Loans and Receivables in Stage 2	17,471	16,431
Provisions for Loans and Receivables in Stage 3	45,614	50,116
Total	**155,522**	**140,969**

9.3. Information on reserve for employee rights:

The Group has calculated reserve for employee termination benefits by using actuarial valuations as set out in TAS 19 and reflected these accompanying financial statements.

As of December 31, 2019, TL 240,184 (December 31, 2018 - TL 181,087) reserve for employee termination benefits was provided in the accompanying financial statements.

As of December 31, 2019, the Group accrued TL 52,660 (December 31, 2018 - TL 48,169) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of December 31, 2019, TL 267,601 (December 31, 2018 - TL 223,267) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

9.3.1 Movement of employee termination benefits:

	Current Period 01.01-31.12.2019	Prior Period 01.01-31.12.2018
As of January 1	181,087	182,090
Service cost	22,726	24,207
Interest Cost	28,543	20,755
Settlement / curtailment / termination loss	10,213	7,341
Actuarial differences	29,985	(19,691)
Paid during the period	(32,370)	(33,615)
Total	**240,184**	**181,087**

9.4. Information on other provisions

9.4.1 Information on provisions for possible risks

Apart from the information provided in 9.3, the other provisions are given below as follows:

	Current Period	Prior Period
Provision for Promotion Expenses of Credit Cards	-	10,982
Other Provisions	205,940	221,587
Total	**205,940**	**232,569**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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10. Explanations on tax liabilities

10.1 Information on current tax liability

10.1.1 Information on tax provision:

The current tax liability and the prepaid taxes of the consolidated subsidiaries have been offset separately in their financial statements. As of December 31, 2019, after the offsetting, the current tax liability amounting to TL 213,410 (December 31, 2018 - TL 159,866) is disclosed with current tax receivable TL 6,248 (December 31, 2018 - TL 77,001).

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	213,410	159,866
Taxation on Securities Income	84,849	70,842
Taxation on Real Estates Income	3,002	2,349
Banking and Insurance Transaction Tax (BITT)	95,128	103,829
VAT Payable	21	6,008
Other	35,166	29,414
Total	**431,576**	**372,308**

The Group presents The "Corporate Taxes Payable" balance in the "Current Tax Liability" account and other taxes are presented in the "Other Liabilities" account in the accompanying consolidated financial statements.

10.1.3. Information on premium payables:

	Current Period	Prior Period
Social Security Premiums - Employee Share	12,318	10,156
Social Security Premiums - Employer Share	13,826	11,078
Pension Fund Fee and Provisions - Employee Share	19	14
Pension Fund Fee and Provisions - Employer Share	58	44
Unemployment Insurance - Employee Share	870	714
Unemployment Insurance - Employer Share	1,738	1,428
Other	46	35
Total	**28,875**	**23,469**

11. Information on payables related to assets held for sale None (December 31, 2018 - None).

12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt Instruments subject to common equity	-	**3,120,203**	-	-
Subordinated Loans	-	3,120,203	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Insturments subject to Tier 2 common equity	-	**2,312,350**	-	**4,816,098**
Subordinated Loans	-	2,312,350	-	4,816,098
Subordinated Debt Instruments	-	-	-	-
Total	-	**5,432,553**	-	**4,816,098**

On April 1, 2019, the subordinated loan of USD 125 million was renewed as the current valuation 2029 in line with Basel III.

On June 30, 2019,the subordinated loan of USD 525 million was renewed by doing necessary arrangments in credit prospectus.

13. Information on shareholder's equity

13.1. Presentation of paid-in capital:

	Current Period	Prior Period
Common Stock	3,350,000	3,350,000
Preferred Stock	-	-

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

13.2. Amount of paid-in capital, explanations as to whether the registered share capital system is applied, if so the amount of registered share capital ceiling:

Capital System	Paid-in Capital	Ceiling
Registered Capital System	3,350,000	12,000,000

1313.3 Capital increases and sources in the current period and other information based on increased capital shares: None (December 31, 2018 - None).

13.4 Information on share capital increases from revaluation fund during the current period: None (December 31, 2018 - None).

13.5 Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period:

The Group does not have any capital commitments, all of the capital is fully paid-in.

13.6 Information on prior period's indicators on the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties of these indicators: None (December 31, 2018 - None).

13.7 Information on the privileges given to stocks representing the capital None (December 31, 2018 - None).

14. Information on common stock issue premiums, shares and equity instruments

	Current Period	Prior Period
Number of Stocks (Thousands)	33,500,000	33,500,000
Preferred Capital Stock	-	-
Common Stock Issue Premiums (*)	714	714
Common Stock Withdrawal Profits	-	-

(*) Due to the Parent Bank's capital increase at the prior periods, common stock issue premium accounted amounting to TL 714.

15. Information on securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control	**1,283**	**-**	**-**	**-**
Valuation Differences	1,283	-	-	-
Foreign Exchange Rate Differences	-	-	-	-
Securities Measured at Fair Value Through Other Comprehensive Income (FVOCI)	**210,214**	**(381,200)**	**80,775**	**(534,108)**
Valuation Differences	210,214	(381,200)	80,775	(534,108)
Foreign Exchange Rate Differences	-	-	-	-
Total	**211,497**	**(381,200)**	**80,775**	**(534,108)**

16. Information on accrued interest and expenses

The details of accrued interest and expenses allocated to the related items on the liabilities side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Liabilities	3,448,115	1,687,378	5,611,501	838,688
Deposits	234,755	76,634	643,659	86,485
Funds Borrowed	121,497	118,564	34,733	182,567
Money Market Borrowings	74	55,717	173	23,636
Issued Securities	22,382	188,376	4,675	52,478
Other Accruals	175,722	159,239	147,980	149,556
Total	**4,002,545**	**2,285,908**	**6,442,721**	**1,333,410**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

III. Explanations And Disclosures Related To Consolidated Off-Balance Sheet Items

1. Explanations on off-balance-sheet-commitments

1.1. Type and amount of irrevocable commitments

	Current Period	Prior Period
Credit Cards Limit Commitments	28,781,240	22,362,300
Commitment For Use Guaranteed Credit Allocation	14,309,950	10,852,185
Payment Commitments for Cheques	5,330,542	2,146,211
Forward Asset Purchase Commitments	2,377,515	2,181,264
Other Irrevocable Commitments	2,045,048	1,188,454
Commitments for Promotions Related with Credit Cards and Banking Activities	71,447	29,958
Tax and Fund Liabilities due to Export Commitments	29,197	28,728
Total	**52,944,939**	**38,789,100**

1.2. Type and amount of probable losses and obligations arising from off-balance sheet items:

Specific provision is provided for the non-cash loans amounting to TL 155,522 (December 31, 2018 - TL 140,969) followed in the off-balance sheet accounts that are not indemnified and not liquidated yet.

1.3. Non-cash loans including guarantees, bank acceptance loans, collaterals that are accepted as financial guarantees and other letter of credits:

	Current Period	Prior Period
Bank Loans	5,822,343	4,476,254
Other Letters of Guarantee	2,667,496	1,727,806
Total	**8,489,839**	**6,204,060**

1.4. Guarantees, suretyships and other similar transactions:

	Current Period	Prior Period
Provisional Letters of Guarantee	990,557	679,218
Final Letters of Guarantee	9,374,933	7,374,286
Advance Letters of Guarantee	2,421,977	1,422,077
Letters of Guarantee Given to Customs Offices	483,839	407,385
Other Letters of Guarantee	6,742,099	7,602,220
Total	**20,013,405**	**17,485,186**

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	**2,009,077**	**3,913,293**
Less Than or Equal to One Year with Original Maturity	341,272	1,305,237
More Than One Year with Original Maturity	1,667,805	2,608,056
Other Non-Cash Loans	26,494,167	19,775,953
Total	**28,503,244**	**23,689,246**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

3. Other information on non-cash loans

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	**37,497**	**0.37**	**69,559**	**0.38**	**28,886**	**0.33**	**40,184**	**0.27**
Farming and Raising Livestock	32,555	0.32	9,636	0.05	28,886	0.33	22,864	0.15
Forestry	3,919	0.04	-	-	-	-	-	-
Fishing	1,023	0.01	59,923	0.33	-	-	17,320	0.12
Manufacturing	**1,645,765**	**16.04**	**8,248,440**	**45.21**	**2,318,397**	**26.51**	**7,534,257**	**50.42**
Mining and Quarrying	73,698	0.72	39,774	0.22	14,211	0.16	25,627	0.17
Production	1,429,199	13.93	8,147,353	44.65	2,156,385	24.66	6,766,518	45.28
Electricity, gas and water	142,868	1.39	61,313	0.34	147,801	1.69	742,112	4.97
Construction	**3,132,469**	**30.54**	**2,776,877**	**15.22**	**2,953,023**	**33.77**	**1,791,908**	**11.99**
Services	**5,271,352**	**51.39**	**7,068,110**	**38.74**	**2,718,719**	**31.09**	**5,483,620**	**36.69**
Wholesale and Retail Trade	3,305,446	32.22	2,917,959	15.99	932,803	10.67	1,252,602	8.38
Hotel, Food and Beverage Services	150,928	1.47	661,151	3.63	109,159	1.25	687,370	4.60
Transportation&Communication	411,693	4.01	901,782	4.94	307,762	3.52	1,087,830	7.28
Financial Institutions	1,014,605	9.89	2,028,298	11.12	1,031,711	11.80	1,619,277	10.84
Real Estate and Renting Services	13,138	0.13	665	0.00	-	-	236	-
Self Employment Services	213,365	2.08	98,682	0.54	96,221	1.10	24,265	0.16
Educational Services	7,721	0.08	13,334	0.07	5,832	0.07	6,028	0.04
Health and Social Services	154,456	1.51	446,239	2.45	235,231	2.68	806,012	5.39
Other	**170,694**	**1.66**	**82,481**	**0.45**	**725,792**	**8.30**	**94,460**	**0.63**
Total	**10,257,777**	**100.00**	**18,245,467**	**100.00**	**8,744,817**	**100.00**	**14,944,429**	**100.00**

4. Information on non-cash loans classified under group I and II

	I. Group		II. Group	
Current Period(*)	TL	FC	TL	FC
Letters of Guarantee	9,959,260	9,790,859	162,338	55,334
Bill of Exchange and Acceptances	22,742	5,782,178	-	17,423
Letters of Credit	67,823	2,563,908	-	35,765
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**10,049,825**	**18,136,945**	**162,338**	**108,522**

(*) Does not include non-cash loans amounting to TL 45,614, for which specific provision is provided, but which are not indemnified and not liquidated yet.

	I. Group		II. Group	
Prior Period(*)	TL	FC	TL	FC
Letters of Guarantee	8,514,934	8,715,903	163,828	40,405
Bill of Exchange and Acceptances	15,820	4,455,338	-	5,096
Letters of Credit	119	1,723,573	-	4,114
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	**8,530,873**	**14,894,814**	**163,828**	**49,615**

(*) Does not include non-cash loans amounting to TL 50,116 for which specific provision is provided, but which are not indemnified and not liquidated yet.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

5. Information on derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	**114,822,334**	**111,507,211**
Forward transactions(*)	13,396,912	9,245,005
Swap transactions	87,985,455	89,696,716
Futures transactions	197,110	237,014
Option transactions	13,242,857	12,328,476
Interest Related Derivative Transactions (II)	**58,871,980**	**41,650,654**
Forward rate transactions	-	-
Interest rate swap transactions	58,871,980	41,650,654
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	**1,217,741**	**815,440**
A. Total Trading Derivative Transactions (I+II+III)	**174,912,055**	**153,973,305**
Types of hedging transactions		
Fair value hedges	30,105,102	24,232,920
Cash flow hedges	50,106,695	41,249,602
Net investment hedges	-	-
B. Total Hedging Related Derivatives	**80,211,797**	**65,482,522**
Total Derivative Transactions (A+B)	**255,123,852**	**219,455,827**

(*) This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

Breakdown of the Parent Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

Current Period	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
TL	3,137,983	1,025,504	10,336,647	31,944,301	1,385,083	4,320,320	99,198	-	-
USD	1,386,439	4,949,705	85,799,941	51,545,436	4,580,793	1,983,433	-	97,912	1,217,741
Euro	1,716,130	475,852	15,255,300	27,592,548	625,884	287,800	-	-	-
Other	437,012	268,287	4,540,838	54,221	12,948	46,596	-	-	-
Total	**6,677,564**	**6,719,348**	**115,932,726**	**111,136,506**	**6,604,708**	**6,638,149**	**99,198**	**97,912**	**1,217,741**

(*) This column also includes hedging purpose derivatives.
(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

Prior Period	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
TL	1,586,501	1,358,560	17,160,920	33,366,298	2,341,028	3,164,010	-	-	-
USD	1,319,717	2,473,590	68,271,283	41,998,934	2,748,096	2,370,999	118,507	118,507	815,440
Euro	1,690,980	733,850	14,489,926	19,163,409	1,009,924	575,077	-	-	-
Other	34,998	46,809	2,354,769	24,353	31,116	88,226	-	-	-
Total	**4,632,196**	**4,612,809**	**102,276,898**	**94,552,994**	**6,130,164**	**6,198,312**	**118,507**	**118,507**	**815,440**

(*) This column also includes hedging purpose derivatives.
(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

5.1. Fair value hedge accounting

a) Loans

The Parent Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the mortgage loans amounting to TL 8,122,097 (December 31, 2018 - TL 6,055,337) were subject to hedge accounting by swaps with a nominal of TL 6,608,353 (December 31, 2018 - TL 6,922,598). On December 31, 2019 the net market valuation difference gain amounting to TL 55,574 (December 31, 2018, TL 1,576) due to the gain from the loans amounting to TL 919,613 (December 31, 2018 - TL 173,326 loss) and loss from swaps amounting to TL 864,039 (December 31, 2018 - TL 171,750 gain) is accounted for under "gain / (loss) from financial derivatives transactions" line in the accompanying financial statements.

As of 30.06.2019, the Bank ended its hedge accounting that it has been applying for the purpose of hedging the fair value risk in relation to the project financing loan it has extended in foreign currency in previous periods. According to this; In the loans item of the balance sheet, fair value difference income amounting to TL 26,339 is accounted for and the fair value difference amount is amortized over the term of the loan subject to hedging transaction.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 136,590 (December 31, 2018 - TL 51,313) related to the loans that are ineffective for hedge accounting under "gain / (loss) from financial derivatives transactions" as loss during the current period.

b) Financial assets at fair value through other comprehensive income

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Parent Bank using swaps as hedging instruments. As at the balance sheet date; Eurobonds with a nominal of USD 373,663 million and EUR 49.8 million (December 31, 2018 - USD 404.7 million and EUR 75,4 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On December 31, 2019, the net market valuation difference gain amounting to TL 695 (December 31, 2018 - TL 12) due to gain from Eurobonds amounting to TL 215,945 (December 31, 2018 - TL 6,814 loss) and loss from swaps amounting to TL 215,250 (December 31, 2018 - TL 6,826 gain) is accounted for under "gain / (loss) from financial derivatives transactions" line in the accompanying financial statements.

The Parent Bank does not apply fair value hedge on TL government bonds in the current period (December 31, 2018 - None).

c) Marketable securities issued

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 780 million (December 31, 2018 - USD 283 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of December 31, 2019, TL 38 (December 31, 2018 - TL 179 loss) net fair valuation difference gain, due to net of TL 69,763 (December 31, 2018 - TL 1,142 gain) loss from issued bonds and TL 69,801 (December 31, 2018 - TL 1,321 loss) gain from swaps, has been recorded under "Gain / (loss) from financial derivatives transactions" on accompanying financial statements.

d) Borrowings

The Parent Bank implements fair value hedge accounting through interest swaps aiming to provide hedging from anges in interest rates related to fixed rate foreign exchange credits used. Credit at an amount of EUR 30 million (December 31, 2018 - EUR 30 million) is subjected to hedge accounting with a swap having the same amount. As of December 31, 2019, a net mark to market difference loss at an amount of TL 10 (December 31, 2018 - TL 11 loss) sourcing from loss at an amount of TL 324 (December 31, 2018 - TL 1,239 loss) from aforementioned credit and gain at an amount of TL 314 (December 31, 2018 - TL 1,228 gain) from swaps is recognized under "Gain/Loss from Derivative Financial Transactions."

QNB Finans Finansal Kiralama AŞ., the subsidiary of The Parent Bank, implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate TL credits used. Credit at an amount of TL 429,842 (December 31, 2018 - TL 49,998) is subjected to hedge accounting with a swap having same amount. On December 31, 2019, the net market valuation difference gain amounting to TL 58 (December 31, 2018 - TL 28) due to loss at an amount of TL 7,384 (December 31, 2018 - TL 467 loss) from aforementioned credit and gain from swaps amounting to TL 7,442 (December 31, 2018 - TL 495 gain) is recognized under "Gain/Loss from Derivative Financial Transactions.

5.2 Cash flow hedge accounting

a) Variable Rate Loans

The Parent Bank is subject to cash flow hedge accounting through interest swaps in order to protect a certain part of its long term floating interest rate loans from changes in market interest rates. The Bank conducts effectiveness tests for hedge accounting on every balance sheet date, the active segments are accounted in the "Hedge Funds" account item in the financial statements as defined in TAS 39, and the amount related to the inactive part is associated with the income statement. As of balance sheet date, swaps of nominal amount of USD 875 Million (December 31, 2018 - None) have been subject to hedge accounting as hedging instruments. As a result of the mentioned hedge accounting, in the current period, fair value income amounting to TL 20,790 (December 31, 2018 - None) before tax was recognized under equity.

b) Deposit

The Parent Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity of 3 months, the Bank implements cash flow hedge accounting with interest rate swaps. The Parent Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 1,600,000, are subject to hedge accounting as hedging instruments (December 31, 2018 - TL 2,150,000). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TL 243,972 are accounted for under equity during the current period (December 31, 2018 - TL 37,466 gain). The amounts for the ineffective portion of revenues in the amount of TL 182 gain is associated with the income statement (December 31, 2018 - TL 795 gain).

As of the balance sheet date, swaps with a nominal amount of USD 2,529 Million (December 31, 2018 - USD 2,519 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 104 Million (December 31, 2018 - EUR 289 Million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value loss before taxes amounting to TL 790,817 are accounted under equity during the current period (December 31, 2018 - TL 181,006 gain). The loss amounting to TL 1,525 (December 31, 2018 - TL 1,302 gain) relating to the ineffective portion is accounted under at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness at periods when the expected cash flows subject to hedge accounting affect profit or loss (as in periods when interest income or expense is recognized). In the current period there is gain of TL 20,045 transferred amount from equity to income statement due to ineffectiveness or matured swaps (December 31, 2018 - TL 4,969 loss).

c) Floating Rate Liabilities

The Parent Bank applies cash flow hedge accounting through interest rate swaps in order to protect its subordinated loans with variable interest payments from changes in interest rates. The Bank conducts effectiveness tests for hedge accounting on every balance sheet date, the active segments are accounted in the "Hedge Funds" account item in the financial statements as defined in TAS 39, and the amount related to the inactive part is associated with the income statement. As of the balance sheet date, the nominal amount of USD 485 Million (December 31, 2018 - USD 810 Million) was subject to hedge accounting as hedging instrument. As a result of the mentioned hedge accounting, the fair value expense amounting to TL 94,034 (December 31, 2018 - TL 6,909) before tax was recognized under equity. The 390 TL expense related to the ineffective portion is associated with the income statement.

On the other hand; Accounting application is terminated when cash flow hedge accounting is not effectively maintained as defined in TAS 39. The effective amounts classified under equity due to hedge accounting are reclassified into profit or loss as the reclassification adjustments during periods or periods when the estimated cash flows subject to hedging in case of deterioration of the event affect profit or loss (such as the periods when interest income or expense is accounted for). . In this context; In the current year, the Bank ended the hedge accounting practice of the USD 325 million subordinated loan it used for the purpose of hedging cash flow due to the change in the contract conditions. Due to hedge accounting practices terminated in the current year, a loss amounting to TL 4,568 (December 31, 2018 - None) was transferred from the equity to the income statement.

In the measurements made as of December 31, 2019, it has been determined that the above-mentioned cash flow hedging transactions are effective.

d) Funds Borrowed

As a subsidiary Company QNB Finans Finansal Kiralama A.Ş. is to be protected from changes in the interest rate in accordance with the variable interest rate exchange loans and variable interest rate TL securities. The Company includes the effective amount of the mutual transaction on the balance sheet date, without being recognized in the "Hedging Funds" account item. The balance sheet date amounting to TL 419,434 (December 31, 2018 - TL 442,239) is subject to hedge accounting as a hedging tool. Under this hedge accounting, fair value expense amounting to TL 1,628 (December 31, 2018 - TL 753 income) before tax was recognized under equity.

Affiliated Company QNB Finans Finansal Kiralama A.Ş. is to be protected from changes in the interest rate with respect to variable interest rate TL loans. Under the balance sheet date, swaps amounting to TL 207,810 are subject to hedge accounting as hedging instruments. Under the aforementioned hedge accounting, the net market valuation difference income amounting to TL 427 before tax is recognized in the financial statements under the "Profit / Loss from Derivative Financial Transactions" account item.

In the measurements made on December 31, 2019, it has been determined that it is effective to hedge cash flow transactions.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

6. Credit derivatives and risk exposures on credit derivatives

As of December 31, 2019, the Bank has no commitments “Credit Linked Notes” (As of December 31, 2018 - None).

As of December 31, 2019, “Other Derivative Financial Instruments” with nominal amount of USD 205,000,000 (December 31, 2018 - USD 155,000,000) are included in Bank’s “Swap Interest Sell Transactions.” In aforementioned transaction, The Bank is the seller of the protection for USD 205,000,000.

7. Information on contingent liabilities and assets

In accordance with the precautionary principle, a provision amounting to TL 106,152 (December 31, 2018 - TL 117,185) has been provided for in the lawsuits filed against the Parent Bank, and these provisions are shown under Note “Other Provisions” in Section Five Note II.9.5. Except those for which provision is made, other ongoing lawsuits do not appear to have a high probability of termination and cash outflow is not anticipated.

8. Information on the services in the name and account of third parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

9. Information on the Bank’s rating by international rating institutions

MOODY’S June 2019		Fitch November 2019		CI August 2019	
Long-Term FC Deposit Rating	B3	Long -Term FC IDR	B+	Long-Term Foreign Curr.	BB-
Long-Term LC Deposit Rating	B1	Short-Term FC IDR	B	Short-Term Foreign Curr.	B
Short-Term FC Deposit Rating	NP	Long-Term LC IDR	BB-	FC Appearance	Negative
Short-Term LC Deposit Rating	NP	Short-Term LC IDR	B	Core Financial Strength	bb-
Baseline Credit Rating	b3	Long-Term National Rating	AA(tur)	Financial Strength Appearance	Negative
Adjusted Baseline Credit Rating	b1	Appearance	Negative	Support Level	High
Appearance	Negative	Long-Term Senior Unsecured Debt	B+		
Long-term FC Senior Unsecured Debt / Issuer Rating	B1	Support Rating	4		
Long-term LC Senior Unsecured Debt / Issuer Rating	B1	Viability Rating	b+		

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

IV. Explanations And Disclosures Related To Consolidated Income Statement

1. a) Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	6,221,810	304,902	5,360,978	115,446
Medium and Long-Term Loans	6,882,758	1,726,087	6,383,610	1,443,979
Non-Performing Loans	74,324	-	101,211	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total(*)	**13,178,892**	**2,030,989**	**11,845,799**	**1,559,425**

(*) Includes fees and commissions income from cash loans.

b) Information on interest income from banks:

	Current Period		Prior Periodiod	
	TL	FC	TL	FC
T.R. Central Bank(*)	-	-	-	-
Domestic Banks	173,274	5,070	157,670	595
Foreign Banks	2,083	78,167	3,147	40,231
Foreign Headquarters and Branches	-	-	-	-
Total	**175,357**	**83,237**	**160,817**	**40,826**

(*) The interest income on Required Reserve amounting TL 190,664 excluded from interest income on Banks. (December 31, 2018 - TL 200,684).

c) Information on interest income on marketable securities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss	19,218	873	1,829	423
Financial Assets Measured at Fair Value through Other Comprehensive Income	808,182	279,856	643,642	177,000
Financial Assets Measured at Amortized Cost	981,116	337,801	1,474,184	254,652
Total	**1,808,516**	**618,530**	**2,119,655**	**432,075**

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost portfolios. As disclosed in ‘Inflation Indexed Bonds Manual’ published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary. The estimated inflation rate used in the valuation of these securities has been updated and updated according to the inflation rate of 8.55% as of December 31, 2018.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

d) Information on interest income received from associates and subsidiaries:

	Current Period	Prior Period
Interest income received from associates and subsidiaries	-	1

2. a) Information on interest expense on borrowings(*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	**240,123**	**1,254,056**	**249,187**	**1,090,536**
T.R. Central Bank	-	-	-	-
Domestic Banks	157,495	49,476	184,113	28,677
Foreign Banks	82,628	1,204,580	65,074	1,061,859
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	**240,123**	**1,254,056**	**249,187**	**1,090,536**

(*) Includes fees and commissions expenses related to the cash loans.

b) Information on interest expense paid to associates and subsidiaries:

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	3,376	2,881

c) Information on interest expense paid to securities issued:

As of December 31, 2019 the amount paid to securities issued is TL 1,491,444 (December 31, 2018 - TL 1,047,798).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

d) Information on maturity structure of interest expenses on deposits:

Current Period		Time Deposits						
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	26,051	126	-	-	-	-	26,177
Saving Deposits	42	950,396	3,075,716	214,628	188,647	467,416	-	4,896,845
Public Sector Deposits	-	107	744	124	9	11	-	995
Commercial Deposits	617	796,185	889,521	84,479	30,566	45,345	-	1,846,713
Other Deposits	-	14,002	119,716	3,911	2,848	1,840	-	142,317
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**659**	**1,786,741**	**4,085,823**	**303,142**	**222,070**	**514,612**	**-**	**6,913,047**
Foreign Currency								
Deposits	3	65,112	573,710	68,374	49,401	34,811	-	791,411
Bank Deposits	576	67,990	40,397	1,615	612	-	-	111,190
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1,160	-	-	-	-	-	1,160
Total	**579**	**134,262**	**614,107**	**69,989**	**50,013**	**34,811**	**-**	**903,761**
Grand Total	**1,238**	**1,921,003**	**4,699,930**	**373,131**	**272,083**	**549,423**	**-**	**7,816,808**

Prior Period		Time Deposits						
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year	Accumulated Deposit Account	Total
Turkish Lira								
Bank Deposits	-	39,264	382	839	1,677	-	-	42,162
Saving Deposits	3	528,352	2,984,296	233,837	109,986	188,609	-	4,045,083
Public Sector Deposits	-	493	1,687	113	15	13	-	2,321
Commercial Deposits	156	476,465	542,771	61,017	57,086	91,675	-	1,229,170
Other Deposits	-	7,084	47,884	3,449	2,394	341	-	61,152
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	**159**	**1,051,658**	**3,577,020**	**299,255**	**171,158**	**280,638**	**-**	**5,379,888**
Foreign Currency								
Deposits	3	53,044	812,914	51,152	52,114	27,161	-	996,388
Bank Deposits	326	71,865	20,545	970	515	-	-	94,221
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	**-**	**1,635**	**-**	**-**	**-**	**-**	**-**	**1,635**
Total	**329**	**126,544**	**833,459**	**52,122**	**52,629**	**27,161**	**-**	**1,092,244**
Grand Total	**488**	**1,178,202**	**4,410,479**	**351,377**	**223,787**	**307,799**	**-**	**6,472,132**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

e) Information on interest expenses on repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expenses on Repurchase Agreements(*)	186,092	199,000	209,187	145,294

(*) "Disclosed in "Interest on Money Market Transactions",

f) Information on financial lease expenses None (December 31, 2018 - None).

g) Information on interest expenses on factoring payables None (December 31, 2018 - None).

3. Information on dividend income

	Current Period	
Derivative Financial Assets at Fair Value Through Profit or Loss	-	966
Financial Assets at Fair Value Through Profit or Loss	172	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Other	2,762	4,750
Total	**2,934**	**5,716**

4. Information on trading income/loss

	Current Period	Prior Period
Trading Gain	**13,499,674**	**23,220,180**
Trading account gain	136,345	66,460
Gain from derivative transactions	9,467,493	12,726,166
Foreign exchange gain/losses	3,895,836	10,427,554
Trading Loss (-)	**14,840,360**	**24,442,347**
Losses on Capital Market Operations	71,242	49,236
Derivative Financial Instruments	10,725,825	12,023,619
Foreign Exchange Losses	4,043,293	12,369,492
Net Trading Income/Loss	**(1,340,686)**	**(1,222,167)**

5. Information on other operating income

The Group recorded the current year collections from loans written off in the previous periods, portfolio management fees and expense accruals cancelations in "Other Operating Income" account.

6. Information on expected credit losses and other provision expenses:

	Current Period	Prior Period
Expected Credit Losses Provisions	**1,936,292**	**2,158,806**
12 Month Expected Credit Loss (Stage 1)	(190,454)	52,832
Significant Increase in Credit Risk (Stage 2)	(75,064)	675,373
Lifetime ECL Impaired Credits (Stage 3)	2,201,810	1,430,601
Marketable Securities Impairment Provision	**(17,533)**	**8,369**
Financial Assets Measured at Fair Value Through Profit/Loss	-	-
Financial Assets Measured at Other Comprehensive Income	(17,533)	8,369
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	**47,455**	**-**
Investment in Associates	47,455	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	**27,464**	**150,275**
Total	**1,993,678**	**2,317,450**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

7. Information on other operating expenses

	Current Period	Prior Period
Personnel expenses (*)	29,112	18,693
Reserve for employee termination benefits (*)	-	-
Bank social aid fund deficit provision	-	402
Impairment expenses on tangible fixed asset	385,068	136,498
Depreciation expenses on intangible fixed asset	-	-
Impairment expenses on intangible fixed asset	-	-
Goodwill impairment expenses	134,879	121,436
Amortization expenses of intangible asset	-	-
Impairment expenses of equity participation for which equity method is applied	-	-
Impairment expenses of assets held for resale	-	-
Depreciation expenses of assets held for resale		
Impairment expenses of fixed assets held for sale	-	-
Other Operating Expenses	1,231,423	1,210,634
Operational Leasing expenses	5,872	237,759
Maintenance expenses	248,895	186,095
Advertisement expenses	114,314	94,868
Other expenses	862,342	691,912
Loss on sales of assets	491	138
Other (**)	500,029	454,538
Total	**2,281,002**	**1,942,339**

(*) "Personnel Expenses", which is not included in "Other Operating Expenses" in the income statement as a separate item, is also included this table.
(**) Comprising repayments amounting to TL 5,806 (December 31, 2018 - TL 8,915) in respect of Consumer Arbitration Committee and courts' decision, which was fees and commissions recognized in previous year as income.

8. Information on profit/loss before taxes from continued and discontinued operations

Net interest income is TL 7,840,099 (December 31, 2018 - TL 7,877,781), net fee and commission income is TL 2,823,540 (December 31, 2018 - TL 2,252,137) among the income items related to the activities ending on December 31, 2019) and other operating revenues have an important place with TL 165,158 (December 31, 2018 - TL 75,007).

9. Information on provision for taxes from continued and discontinued operations

9.1. Current period taxation benefit or charge and deferred tax benefit or charge

As of December 31, 2019, the Group recorded current tax charge of TL 231,430 (December 31, 2018 - TL 802,797 current tax charge) and a deferred tax charge of TL 393,272 (December 31, 2018 - TL 105,061 deferred tax loss).

	Current Period	Prior Period
Current Tax Provision	(231,430)	(802,797)
Correction in regards to Corporate Tax from Prior Period	-	-
Deferred Tax Income/Expense	(393,272)	105,061
Total	**(624,702)**	**(697,736)**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

9.2. Explanations on operating profit/loss after taxes
None (December 31, 2018 - None).

10. Explanations on current period net profit and loss of continued and discontinued operations:

Net profit of the Group from continued operations is TL 2,864,640 (December 31, 2018 - TL 2,573,205).

11. Explanations on net income/loss for the period

11.1. Any further explanation on operating results needed for better understanding of the nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance None (December 31, 2018 - None).

11.2. Any changes in the Group's estimations that might have a material effect on current period results: None.

11.3. Profit or loss attributable to minority shares:

	Current Period	Prior Period
Profit / Loss Attributable to Minority Shares	546	497

11.4. There is no change in the accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.

12. Information on the subaccounts of other items in the income statement account that exceeds 20% of the individual other item exceeding 10% of the income

Fees and commissions from credit cards, transfers and insurance intermediaries are recorded in the "Others" line under "Fees and Commissions Received" account, while fees and commissions given to credit cards are recorded in the "Others" line under "Fees and Commissions Paid" account by the Parent Bank.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

V. Explanations and Disclosures Related to Statement of Changes in Consolidated Shareholders' Equity

1. Changes resulting from valuation of fair value through profit or loss

Net increase of TL 283,630 (December 31, 2018 - TL 223,758 net increase) after tax effect resulting from fair value through profit or loss in "Securities Value Increase Fund" account under shareholders equity.

2. Explanations on foreign exchange differences None.

3.Explanations on dividends

3.1 Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2018 profit as stated below at the Ordinary General Assembly held on March 28, 2019

2018 profit distribution table:

Current Year Profit	2,409,829
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	(85,130)
B - The First Dividend for Shareholders(*)	-
C - Profit from Disposal of Associates	-
D- II. Legal Reserves	-
E- Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(2,324,699)

(*) Has been distributed as Bonus Shares.

3.2. 3.2 Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date (December 31, 2018 - Profit distribution is detailed in footnote 3.1).

3.3. Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained	86,943	84,457

4. Information on issuance of share certificates

4.1. The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital None (December 31, 2018 - None).

5. Information on the other capital increase items in the statement of changes in shareholders' equity

There was no capital increase in 2019 (December 31, 2018 - None).

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

VI. Explanations and Disclosures Related to Consolidated Cash Flows Statement

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

“Other items” amounting to TL 1,800,114 (December 31, 2018 - TL 3,187,788) in “Operating profit before changes in operating assets and liabilities” consist of decrease in commissions paid amounting to TL 685,172 (December 31, 2018 - TL 397,649), net trading income/loss decrease in amounting to TL5,789,170 (December 31, 2018 - TL 732,114 net trading income/loss) and other operating expenses amounting to TL 3,303,884 (December 31, 2018 - TL 2,058,025).

“Other” item in the “Change in other assets of the field of banking” amounting to TL 1,718,085 (December 31, 2018 - TL 3,610,949), guarantees given to TL 976,455 (December 31, 2018 - TL 1,769,189), rental amounting to TL 258,575 Receivables from transactions (December 31, 2018 - TL 4,294,594), factoring receivables amounting to 578,579 TL (December 31, 2018 - TL 1,339,014) and other assets of TL 421,626 (December 31, 2018 - TL 7,475,368).

The “Other” item amounting to TL 449,136 (December 31, 2018 - TL 3,141,106) included in the “change in other debts subject to banking activity”, TL 3,816,627 (December 31, 2018 - TL 1,671,698) to money markets and TL 3,367,491 (December 31, 2018 - TL 4,812,804) includes other liabilities.

“Other” item amounting to TL 177,046 (December 31, 2018 - TL 193,874) included in “Net cash flow from investment activities” includes TL 134,879 intangible assets (December 31, 2018 - TL 121,436).

The effect of change in foreign exchange rate on cash and cash equivalents is the sum of the foreign exchange differences arising from the conversion of the average balances of cash and cash equivalents in foreign currency to TL at the beginning of the period and at the end of the period. As of December 31, 2019, TL 356,419 (December 31, 2018 - TL 39,314).

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	December 31, 2018
Cash	**1,705,412**
Cash in TL	787,020
Cash in Foreign Currencies	849,141
Other	69,251
Cash Equivalents	**7,479,040**
Balances with the T.R. Central Bank	5,986,379
Banks and Other Financial Institutions	1,043,528
Money Market Placements	509,711
Less: Placements with Banks with Maturities Longer than 3 Months	(60,499)
Less: Accruals	(79)
Cash and Cash Equivalents	**9,184,452**

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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3. Information regarding the balances of cash and cash equivalents at the end of the period

	December 31, 2019
Cash	**1,644,546**
Cash in TL	681,486
Cash in Foreign Currencies	944,326
Other	18,734
Cash Equivalents	**13,170,364**
Balances with the T.R. Central Bank	8,951,928
Banks and Other Financial Institutions	999,507
Money Market Placements	3,225,937
Less: Placements with Banks with Maturities Longer than 3 Months	(7,008)
Less: Accruals	-
Cash and Cash Equivalents	**14,814,910**

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL 103,628 (December 31, 2018 - TL 198,524) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the potential borrowings that can be used for banking operations or capital commitment None.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION FIVE

VII. Explanations And Disclosures Related To The Parent Bank's Risk Group

1. The volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period:

1.1. As of December 31, 2019, the Parent Bank's risk group has deposits amounting to TL 226,069 (December 31, 2018 - TL 186,992), cash loans amounting to TL 3,213 (December 31, 2018 - TL 1,851) and non-cash loans amounting to TL 42,650 (December 31, 2018 - TL 25,469).

Current Period

Parent Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non- Cash	Cash	Non- Cash	Cash	Non- Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	10	1,755	16,572	96	8,887
Balance at the End of the Period	-	-	3,192	37,126	21	5,524
Interest and Commission Income	-	-	-	5	8	64

Prior Period

Parent Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Cash	Non- Cash	Cash	Non- Cash	Cash	Non- Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	20	613	-	146	6,441
Balance at the End of the Period	-	10	1,755	16,572	96	8,887
Interest and Commission Income (**)	-	1	26	37	32	64

(*) As described in the Article 49 of Banking Law No 5411.
(**) Represents the balances of December 31, 2018.

1.2. Information on deposits of the Parent Bank's risk group

Parent Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	27,885	18,054	-	-	159,107	172,990
Balance at the End of the Period	17,880	27,885	-	-	208,189	159,107
Interest on deposits (**)	3,376	2,881	-	-	21,281	21,266

(*) As described in the Article 49 of Banking Law No 5411.
(**) Previous period's balances represent December 31, 2018 balances.

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

1.3. Information on forward and option agreements and other derivative instruments with the Parent Bank's risk group

Parent Bank's Risk Group(*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading Purposes						
Beginning of the Period	-	-	-	1,046	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss(**)	-	-	(191)	15	147	-
Transactions for Hedging Purposes					-	
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss(**)	-	-	-	-	-	-

(*) As described in the Article 49 of Banking Law No 5411.
(**) Previous period's balances represent December 31, 2018 balances.

1.4. Information regarding benefits provided to theGroup's top management:

As of December 31, 2019, the total amount of remuneration and bonuses paid to top management of the Group is TL 133,128 (December 31, 2018 - TL 102,819).

2.Disclosures of transactions with the Parent Bank's risk group

2.1. Relations with entities in the risk group of / or controlled by the Parent Bank regardless of the nature of relationship among the parties:

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

2.2. In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other matters:

As of December 31, 2019, the rate of cash loans of the risk group divided by to total loans is 0%; (December 31, 2018 - 0%); the deposits represented 2% (December 31, 2018 - 0.5%) The ratio of total derivative transactions with derivatives is 0%. (December 31, 2018 - 0%)

2.3. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts:

The Parent Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş.

The Parent Bank has signed an agreement with Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Parent Bank participated with 33.33% shareholding, provides cash transfer services to the Parent Bank.

Information in regards to subordinate loans the Bank received from Parent's Bank is explained in Section 5 Note II. 12.

The Parent Bank offers agency services to Cigna Finans Emeklilik and Hayat A.Ş. that is 49.00% jointly controlled for its insurance services.

VIII. Explanations On The Parent Bank's Domestic, Foreign And Off-Shore Banking Branches And Foreign Representatives Of The Group

1. Information relating to the Parent Bank's domestic and foreign branch and representatives

	Number	Employees			
Domestic Branch	524	12,079			
			Country		
Foreign Representation	-	-	-		
				Total Assets	Capital
Foreign Branch	1	8	1- Bahrain	18,677,412	-
Off-shore Banking and Region Branches	-	-	-	-	-

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations Related To The Parent Bank's Operations

1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements

Issue Date	Currency	Nominal Amount	Rate (%)	Maturity
02.01.2020	TL	77,145	10.71	89
03.01.2020	TL	99,035	Variable	371
10.01.2020	TL	71,340	Variable	182
13.01.2020	TL	32,089	10.42	65
14.01.2020	TL	27,194	10.49	64
15.01.2020	TL	98,400	10.49	64
16.01.2020	TL	50,075	10.45	62
17.01.2020	TL	213,380	10.45	84
21.01.2020	TL	62,200	10.11	54
22.01.2020	TL	83,301	10.27	62
23.01.2020	TL	20,700	10.04	69
24.01.2020	TL	316,000	10.07	84
29.01.2020	TL	71,710	10.23	69

2. Information on the effects of significant changes in foreign exchange rates after balance sheet date on the items denominated in foreign currency and financial statements and the Group's operations abroad that would affect decision making process of users and foreign operations of the Bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements

3. Other matters

During the acquisition of the shares of JCR Eurasia Rating Corporation (JCR) from its founding partners, the Parent Bank participated in the capital with a 2.86% share acquisition. JCR was registered as of January 22, 2020 in accordance with the Turkish Commercial Code.

SECTION SEVEN

EXPLANATION ON AUDITOR'S REPORT

I. Explanations on Independent Audit Report

The consolidated financial statements for the year ended December 31, 2019 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor's audit report dated January 30, 2020 is presented preceding the consolidated financial statements.

II. Explanations And Notes Prepared by Independent Auditors

None (December 31, 2018 - None).

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