

# **QNB FİNANSBANK ANONİM ŞİRKETİ**

**INDEPENDENT AUDITOR'S AUDIT REPORT,  
UNCONSOLIDATED 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 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 financial performance and unconsolidated 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 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.

#### **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 2 April 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
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| <p><b><i>Recognition of impairment on financial assets within the scope of TFRS 9 “Financial Instruments” Standard and related significant disclosures</i></b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <p>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:</p> <ul style="list-style-type: none"> <li>- Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements.</li> <li>- There are complex and comprehensive requirements of TFRS 9.</li> <li>- 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.</li> <li>- Policies implemented by the Bank management include compliance risk to the regulations and other practices.</li> <li>- Complex and intensive control environment in processes with TFRS 9</li> <li>- Judgements and estimates used in expected credit loss calculation are complex and comprehensive.</li> <li>- Disclosure requirements of TFRS 9 are comprehensive and complex.</li> </ul> | <p>Our audit procedures included among others include:</p> <ul style="list-style-type: none"> <li>- Evaluating the appropriateness of accounting policies as to the requirements of TFRS 9, Bank’s past experience, local and global practices.</li> <li>- Reviewing and testing of processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists.</li> <li>- 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.</li> <li>- 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.</li> <li>- 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.</li> <li>- Assessing the completeness and the accuracy of the data used for expected credit loss calculation.</li> <li>- Testing the mathematical accuracy of expected credit loss calculation on sample basis. <ul style="list-style-type: none"> <li>- Evaluating the judgments and estimates used for the individually assessed financial assets.</li> <li>- Evaluating the accuracy and the necessity of post-model adjustments.</li> </ul> </li> <li>- Auditing of TFRS 9 disclosures.</li> </ul> |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><i>Hedge Accounting</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>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.</p> | <p>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.</p> |
| <b><i>Valuation of Derivative Financial Instruments</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>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.</p> <p>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.</p>                                                                                                                                            | <p>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.</p>                                                                                                                      |

### **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.
- 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.
- 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

30 January 2020  
İstanbul, Türkiye

**THE UNCONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.  
FOR THE YEAR ENDED DECEMBER 31, 2019**

The 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](http://www.qnbfinansbank.com)  
E-mail address : [investor.relations@qnbfinansbank.com](mailto: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 / Financial Reporting Manager  
Phone Number : (0 212) 318 57 80  
Facsimile Number : (0 212) 318 55 78

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**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES  
AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

**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.)*

**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., NBSI 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.

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES  
AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

**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.)

**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 Kurtuluş                       | 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 Erzenin                       | 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.

**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).

**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES  
AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

**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.)*

**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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENTS OF BALANCE SHEET – ASSETS (STATEMENT OF FINANCIAL POSITION)**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**I. BALANCE SHEET – ASSETS**

| ASSETS                                                                                                | Section 5<br>Note I | Audited<br>Current Period<br>31 December 2019 |                   |                    | Audited<br>Prior Period<br>31 December 2018 (*) |                   |                    |
|-------------------------------------------------------------------------------------------------------|---------------------|-----------------------------------------------|-------------------|--------------------|-------------------------------------------------|-------------------|--------------------|
|                                                                                                       |                     | TL                                            | FC                | Total              | TL                                              | FC                | Total              |
| <b>I. FINANCIAL ASSETS (NET)</b>                                                                      |                     | <b>16.357.998</b>                             | <b>26.909.820</b> | <b>43.267.818</b>  | <b>18.368.532</b>                               | <b>22.467.555</b> | <b>40.836.087</b>  |
| <b>1.1 Cash and Cash Equivalents</b>                                                                  |                     | <b>4.561.447</b>                              | <b>18.081.828</b> | <b>22.643.275</b>  | <b>2.087.753</b>                                | <b>17.720.257</b> | <b>19.808.010</b>  |
| 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             |
| <b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>                                      | <b>(2)</b>          | <b>231.713</b>                                | <b>103.236</b>    | <b>334.949</b>     | <b>25.639</b>                                   | <b>112.843</b>    | <b>138.482</b>     |
| 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            |
| <b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>                          | <b>(5)</b>          | <b>4.784.881</b>                              | <b>7.558.560</b>  | <b>12.343.441</b>  | <b>4.545.637</b>                                | <b>3.898.418</b>  | <b>8.444.055</b>   |
| 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             |
| <b>1.4 Derivative Financial Assets</b>                                                                | <b>(12)</b>         | <b>6.779.957</b>                              | <b>1.166.196</b>  | <b>7.946.153</b>   | <b>11.709.503</b>                               | <b>736.037</b>    | <b>12.445.540</b>  |
| 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          |
| <b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)</b>                                          | <b>(7)</b>          | <b>83.819.597</b>                             | <b>42.946.245</b> | <b>126.765.842</b> | <b>72.795.080</b>                               | <b>34.008.026</b> | <b>106.803.106</b> |
| <b>2.1 Loans</b>                                                                                      | <b>(6)</b>          | <b>83.618.617</b>                             | <b>35.353.734</b> | <b>118.972.351</b> | <b>72.347.758</b>                               | <b>28.992.338</b> | <b>101.340.096</b> |
| 2.2 Lease Receivables                                                                                 | (11)                | -                                             | -                 | -                  | -                                               | -                 | -                  |
| 2.3 Factoring Receivables                                                                             |                     | -                                             | -                 | -                  | -                                               | -                 | -                  |
| <b>2.4 Other Financial Assets Measured at Amortized Cost</b>                                          | <b>(6)</b>          | <b>8.588.791</b>                              | <b>7.592.511</b>  | <b>16.181.302</b>  | <b>7.916.505</b>                                | <b>5.015.688</b>  | <b>12.932.193</b>  |
| 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            |
| <b>2.5 Expected Credit Losses (-)</b>                                                                 |                     | <b>8.387.811</b>                              | <b>-</b>          | <b>8.387.811</b>   | <b>7.469.183</b>                                | <b>-</b>          | <b>7.469.183</b>   |
| <b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)</b> | <b>(17)</b>         | <b>-</b>                                      | <b>-</b>          | <b>-</b>           | <b>-</b>                                        | <b>-</b>          | <b>-</b>           |
| 3.1 Held for Sale Purpose                                                                             |                     | -                                             | -                 | -                  | -                                               | -                 | -                  |
| 3.2 Related to Discontinued Operations                                                                |                     | -                                             | -                 | -                  | -                                               | -                 | -                  |
| <b>IV. EQUITY INVESTMENTS</b>                                                                         |                     | <b>1.492.873</b>                              | <b>-</b>          | <b>1.492.873</b>   | <b>1.298.703</b>                                | <b>-</b>          | <b>1,298.703</b>   |
| <b>4.1 Investments in Associates (Net)</b>                                                            | <b>(8)</b>          | <b>5.982</b>                                  | <b>-</b>          | <b>5.982</b>       | <b>5.982</b>                                    | <b>-</b>          | <b>5.982</b>       |
| 4.1.1 Associates Valued Based on Equity Method                                                        |                     | -                                             | -                 | -                  | -                                               | -                 | -                  |
| 4.1.2 Unconsolidated Associates                                                                       |                     | 5.982                                         | -                 | 5.982              | 5.982                                           | -                 | 5.982              |
| <b>4.2 Subsidiaries (Net)</b>                                                                         | <b>(9)</b>          | <b>1.250.114</b>                              | <b>-</b>          | <b>1,250.114</b>   | <b>1,141.248</b>                                | <b>-</b>          | <b>1,141.248</b>   |
| 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             |
| <b>4.3 Entities under Common Control (Joint Venture) (Net)</b>                                        | <b>(10)</b>         | <b>236.777</b>                                | <b>-</b>          | <b>236.777</b>     | <b>151.473</b>                                  | <b>-</b>          | <b>151.473</b>     |
| 4.3.1 Joint Ventures Valued Based on Equity Method                                                    |                     | -                                             | -                 | -                  | -                                               | -                 | -                  |
| 4.3.2 Unconsolidated Joint Ventures                                                                   |                     | 236.777                                       | -                 | 236.777            | 151.473                                         | -                 | 151.473            |
| <b>V. TANGIBLE ASSETS (Net)</b>                                                                       | <b>(13)</b>         | <b>3,376.309</b>                              | <b>40</b>         | <b>3,376.349</b>   | <b>2,861.861</b>                                | <b>61</b>         | <b>2,861.922</b>   |
| <b>VI. INTANGIBLE ASSETS (Net)</b>                                                                    | <b>(14)</b>         | <b>438.280</b>                                | <b>-</b>          | <b>438.280</b>     | <b>397.179</b>                                  | <b>-</b>          | <b>397.179</b>     |
| 6.1 Goodwill                                                                                          |                     | -                                             | -                 | -                  | -                                               | -                 | -                  |
| 6.2 Other                                                                                             |                     | 438.280                                       | -                 | 438.280            | 397.179                                         | -                 | 397.179            |
| <b>VII. INVESTMENT PROPERTY (Net)</b>                                                                 | <b>(15)</b>         | <b>-</b>                                      | <b>-</b>          | <b>-</b>           | <b>-</b>                                        | <b>-</b>          | <b>-</b>           |
| <b>VIII. CURRENT TAX ASSET</b>                                                                        |                     | <b>-</b>                                      | <b>-</b>          | <b>-</b>           | <b>-</b>                                        | <b>-</b>          | <b>-</b>           |
| <b>IX. DEFERRED TAX ASSET</b>                                                                         | <b>(16)</b>         | <b>348.688</b>                                | <b>-</b>          | <b>348.688</b>     | <b>522.283</b>                                  | <b>-</b>          | <b>522.283</b>     |
| <b>X. OTHER ASSETS (Net)</b>                                                                          | <b>(18)</b>         | <b>2,778.178</b>                              | <b>3,212.483</b>  | <b>5,990.661</b>   | <b>2,496.325</b>                                | <b>2,200.130</b>  | <b>4,696.455</b>   |
| <b>TOTAL ASSETS</b>                                                                                   |                     | <b>108.611.923</b>                            | <b>73.068.588</b> | <b>181.680.511</b> | <b>98.739.963</b>                               | <b>58.675.772</b> | <b>157.415.735</b> |

(\*) 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 1 February 2019.

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

QNB FİNANSBANK ANONİM ŞİRKETİ  
UNCONSOLIDATED STATEMENTS OF BALANCE SHEET – LIABILITIES (STATEMENT OF FINANCIAL POSITION)  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

I. BALANCE SHEET – LIABILITIES AND EQUITY

|                          |                                                                                   | Audited<br>31.12.2019   |                   |                    | Audited (*)<br>31.12.2018 |                   |                   |                    |
|--------------------------|-----------------------------------------------------------------------------------|-------------------------|-------------------|--------------------|---------------------------|-------------------|-------------------|--------------------|
|                          |                                                                                   | Section<br>5 Part<br>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                                                             |                         | 205.582           | -                  | 205.582                   | 149.662           | -                 | 149.662            |
| XII.                     | DEFERRED TAX LIABILITY                                                            | (10)                    | -                 | -                  | -                         | -                 | -                 | -                  |
| 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                                                                 |                         | -                 | -                  | -                         | -                 | -                 | -                  |
| <b>TOTAL LIABILITIES</b> |                                                                                   |                         | <b>79.167.967</b> | <b>102.512.544</b> | <b>181.680.511</b>        | <b>73.984.880</b> | <b>83.430.855</b> | <b>157.415.735</b> |

(\*) 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 1 February 2019.

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

**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES  
AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

**QNB FİNANSBANK ANONİM ŞİRKETİ  
UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)**

**II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES**

|                                               |                                                                             | Audited<br>31.12.2019 |                    |                      | Audited<br>31.12.2018 |                    |                      |
|-----------------------------------------------|-----------------------------------------------------------------------------|-----------------------|--------------------|----------------------|-----------------------|--------------------|----------------------|
| Section 5<br>Part III                         |                                                                             | TL                    | FC                 | TOTAL                | TL                    | FC                 | TOTAL                |
| <b>A.</b>                                     | <b>OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>           | <b>143.090.252</b>    | <b>224.173.699</b> | <b>367.263.951</b>   | <b>130.113.215</b>    | <b>179.084.169</b> | <b>309.197.384</b>   |
| <b>I.</b>                                     | <b>GUARANTEES</b>                                                           | <b>10.270.332</b>     | <b>18.246.772</b>  | <b>28.517.104</b>    | <b>8.744.817</b>      | <b>14.944.429</b>  | <b>23.689.246</b>    |
| 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                                                           | -                     | -                  | -                    | -                     | -                  | -                    |
| <b>II.</b>                                    | <b>COMMITMENTS</b>                                                          | <b>82.440.328</b>     | <b>5.993.806</b>   | <b>88.434.134</b>    | <b>63.658.753</b>     | <b>3.916.979</b>   | <b>67.575.732</b>    |
| 2.1.                                          | Irrevocable commitments                                                     | 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                                                 | -                     | -                  | -                    | -                     | -                  | -                    |
| <b>III.</b>                                   | <b>DERIVATIVE FINANCIAL INSTRUMENTS</b>                                     | <b>50.379.592</b>     | <b>199.933.121</b> | <b>250.312.713</b>   | <b>57.709.645</b>     | <b>160.222.761</b> | <b>217.932.406</b>   |
| 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        | 170.062.822          | 39.799.647            | 111.260.667        | 151.060.314          |
| 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>B.</b>                                     | <b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>                                  | <b>747.368.398</b>    | <b>195.481.762</b> | <b>942.850.160</b>   | <b>674.403.773</b>    | <b>163.091.542</b> | <b>837.495.315</b>   |
| <b>IV.</b>                                    | <b>ITEMS HELD IN CUSTODY</b>                                                | <b>12.140.889</b>     | <b>6.466.621</b>   | <b>18.607.510</b>    | <b>5.970.745</b>      | <b>4.150.268</b>   | <b>10.121.013</b>    |
| 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                                                                  | -                     | -                  | -                    | -                     | -                  | -                    |
| <b>V.</b>                                     | <b>PLEDGED ITEMS</b>                                                        | <b>441.122.637</b>    | <b>119.044.468</b> | <b>560.167.105</b>   | <b>406.901.559</b>    | <b>96.312.753</b>  | <b>503.214.312</b>   |
| 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                                                    | -                     | -                  | -                    | -                     | -                  | -                    |
| <b>VI.</b>                                    | <b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>                       | <b>294.104.872</b>    | <b>69.970.673</b>  | <b>364.075.545</b>   | <b>261.531.469</b>    | <b>62.628.521</b>  | <b>324.159.990</b>   |
| <b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b> |                                                                             | <b>890.458.650</b>    | <b>419.655.461</b> | <b>1.310.114.111</b> | <b>804.516.988</b>    | <b>342.175.711</b> | <b>1.146.692.699</b> |

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

**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES  
AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

**QNB FİNANSBANK ANONİM ŞİRKETİ**

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2019  
(STATEMENT OF INCOME/LOSS)**

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

**III. STATEMENT OF PROFIT OR LOSS**

|               |                                                                            | Section 5   | Audited                            | Audited                          |
|---------------|----------------------------------------------------------------------------|-------------|------------------------------------|----------------------------------|
|               |                                                                            | Part IV     | Current Period<br>01.01-31.12.2019 | Prior Period<br>01.01-31.12.2018 |
| <b>I.</b>     | <b>INTEREST INCOME</b>                                                     | <b>(1)</b>  | <b>18.353.137</b>                  | <b>16.386.451</b>                |
| 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                            |
| <b>II.</b>    | <b>INTEREST EXPENSE (-)</b>                                                | <b>(2)</b>  | <b>10.770.916</b>                  | <b>8.703.078</b>                 |
| 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                            |
| <b>III.</b>   | <b>NET INTEREST INCOME (I - II)</b>                                        |             | <b>7.582.221</b>                   | <b>7.683.373</b>                 |
| <b>IV.</b>    | <b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>                            |             | <b>2.691.464</b>                   | <b>2.139.885</b>                 |
| 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                          |
| <b>V.</b>     | <b>DIVIDEND INCOME</b>                                                     | <b>(3)</b>  | <b>51.187</b>                      | <b>52.196</b>                    |
| <b>VI.</b>    | <b>NET TRADING INCOME/LOSS (Net)</b>                                       | <b>(4)</b>  | <b>(1.516.452)</b>                 | <b>(1.405.760)</b>               |
| 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)                      |
| <b>VII.</b>   | <b>OTHER OPERATING INCOME</b>                                              | <b>(5)</b>  | <b>137.288</b>                     | <b>64.077</b>                    |
| <b>VIII.</b>  | <b>TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)</b>                      |             | <b>8.945.708</b>                   | <b>8.533.771</b>                 |
| <b>IX.</b>    | <b>EXPECTED CREDIT LOSSES (-)</b>                                          | <b>(6)</b>  | <b>1.819.590</b>                   | <b>2.207.465</b>                 |
| <b>X.</b>     | <b>OTHER PROVISION LOSSES (-)</b>                                          |             | <b>74.203</b>                      | <b>4.138</b>                     |
| <b>XI.</b>    | <b>PERSONNEL EXPENSES (-)</b>                                              |             | <b>1.716.360</b>                   | <b>1.425.103</b>                 |
| <b>XII.</b>   | <b>OTHER OPERATING EXPENSES (-)</b>                                        | <b>(7)</b>  | <b>2.155.795</b>                   | <b>1.838.324</b>                 |
| <b>XIII.</b>  | <b>NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>                        |             | <b>3.179.760</b>                   | <b>3.058.741</b>                 |
| <b>XIV.</b>   | <b>INCOME RESULTED FROM MERGERS</b>                                        |             | -                                  | -                                |
| <b>XV.</b>    | <b>INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>                |             | -                                  | -                                |
| <b>XVI.</b>   | <b>GAIN/LOSS ON NET MONETARY POSITION</b>                                  |             | -                                  | -                                |
| <b>XVII.</b>  | <b>OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)</b>                     | <b>(8)</b>  | <b>3.179.760</b>                   | <b>3.058.741</b>                 |
| <b>XVIII.</b> | <b>PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)</b>                     | <b>(9)</b>  | <b>(557.603)</b>                   | <b>(648.912)</b>                 |
| 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)                      |
| <b>XIX.</b>   | <b>NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)</b>                  | <b>(10)</b> | <b>2.622.157</b>                   | <b>2.409.829</b>                 |
| <b>XX.</b>    | <b>INCOME FROM DISCONTINUED OPERATIONS</b>                                 |             | -                                  | -                                |
| 20.1          | Income from assets held for sale                                           |             | -                                  | -                                |
| 20.2          | Income from sale of associates, subsidiaries and joint-ventures            |             | -                                  | -                                |
| 20.3          | Others                                                                     |             | -                                  | -                                |
| <b>XXI.</b>   | <b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>                           |             | -                                  | -                                |
| 21.1          | Expenses on assets held for sale                                           |             | -                                  | -                                |
| 21.2          | Expenses on sale of associates, subsidiaries and joint-ventures            |             | -                                  | -                                |
| 21.3          | Others                                                                     |             | -                                  | -                                |
| <b>XXII.</b>  | <b>PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX+XXI)</b>        |             | -                                  | -                                |
| <b>XXIII.</b> | <b>PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>                  |             | -                                  | -                                |
| 23.1          | Current tax charge                                                         |             | -                                  | -                                |
| 23.2          | Deferred tax charge (+)                                                    |             | -                                  | -                                |
| 23.3          | Deferred tax credit (-)                                                    |             | -                                  | -                                |
| <b>XXIV.</b>  | <b>NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)</b> |             | -                                  | -                                |
| <b>XXV.</b>   | <b>NET PROFIT/LOSS (XIX+XXIV)</b>                                          | <b>(11)</b> | <b>2.622.157</b>                   | <b>2.409.829</b>                 |
| 25.1          | Bank's profit/loss                                                         |             | 2.622.157                          | 2.409.829                        |
| 25.2          | Minority interest                                                          |             | -                                  | -                                |
|               | Earnings Per Share                                                         |             | 0,0783                             | 0,0719                           |

(\*) 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 1 February 2019.

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

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES  
AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE**  
**INCOME FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2019**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

|                                                                                         | Audited<br>Current Period<br>01.01-31.12.2019 | Audited<br>Prior Period<br>01.01 – 31.12.2018 |
|-----------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| <b>I. CURRENT PERIOD PROFIT/LOSS</b>                                                    | <b>2.622.157</b>                              | <b>2.409.829</b>                              |
| <b>II. OTHER COMPREHENSIVE INCOME</b>                                                   | <b>(509.147)</b>                              | <b>228.018</b>                                |
| <b>2.1 Other Income/Expense Items not to be Recycled to Profit or Loss</b>              | <b>228.651</b>                                | <b>397.863</b>                                |
| 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)                                       |
| <b>2.2 Other Income/Expense Items to be Recycled to Profit or Loss</b>                  | <b>(737.798)</b>                              | <b>(169.845)</b>                              |
| 2.2.1 Translation Differences                                                           | -                                             | -                                             |
| Income/Expenses from Valuation and/or Reclassification of Financial Assets              |                                               |                                               |
| 2.2.2 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                                        |
| <b>III. TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (I±II)</b>                        | <b>2.113.010</b>                              | <b>2.637.847</b>                              |

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

**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

**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.)*

**V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

| Audited                                                             | Section 5<br>Part V | Paid-in<br>Capital | Share<br>Premium | Share<br>Cancellation<br>Profits | Other<br>Capital<br>Reserves | Revaluation<br>surplus on<br>tangible and<br>intangible assets | Other Comprehensive Income/Expense Items not<br>to be Recycled to Profit or Loss |                       |                                                                                                       | Translation<br>Differences | Other Comprehensive Income/Expense Items to be<br>Recycled to Profit or Loss |                |                  | Profit<br>Reserves | Prior<br>Periods'<br>Profit/Loss | Current<br>Period's<br>Net<br>Profit/Loss | Total Equity      |
|---------------------------------------------------------------------|---------------------|--------------------|------------------|----------------------------------|------------------------------|----------------------------------------------------------------|----------------------------------------------------------------------------------|-----------------------|-------------------------------------------------------------------------------------------------------|----------------------------|------------------------------------------------------------------------------|----------------|------------------|--------------------|----------------------------------|-------------------------------------------|-------------------|
|                                                                     |                     |                    |                  |                                  |                              |                                                                | Defined Benefit<br>Plans' Actuarial<br>Gains/Losses                              | Others <sup>(*)</sup> | Income/Expenses from<br>Valuation and/or<br>Reclassification of Financial<br>Assets Measured at FVOCI |                            | Others <sup>(**)</sup>                                                       |                |                  |                    |                                  |                                           |                   |
| <b>Prior Period - 01.01 – 31.12.2018</b>                            |                     |                    |                  |                                  |                              |                                                                |                                                                                  |                       |                                                                                                       |                            |                                                                              |                |                  |                    |                                  |                                           |                   |
| 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                                                         |                     | -                  | -                | -                                | -                            | -                                                              | -                                                                                | -                     | -                                                                                                     | -                          | -                                                                            | -              | -                | -                  | -                                | -                                         | -                 |
| <b>Balances at end of the period (III+IV...+X+XI)</b>               |                     | <b>3.350.000</b>   | <b>714</b>       | <b>-</b>                         | <b>-</b>                     | <b>-</b>                                                       | <b>(50.842)</b>                                                                  | <b>795.709</b>        | <b>-</b>                                                                                              | <b>-</b>                   | <b>(497.625)</b>                                                             | <b>397.059</b> | <b>8.167.205</b> | <b>-</b>           | <b>2.409.829</b>                 | <b>-</b>                                  | <b>14.572.049</b> |

| Audited                                                             | Section 5<br>Part V | Paid-in<br>Capital | Share<br>Premium | Share<br>Cancellation<br>Profits | Other<br>Capital<br>Reserves | Revaluation<br>surplus on<br>tangible and<br>intangible assets | Other Comprehensive Income/Expense Items not<br>to be Recycled to Profit or Loss |                       |                                                                                                       | Translation<br>Differences | Other Comprehensive Income/Expense Items to be<br>Recycled to Profit or Loss |                  |                   | Profit<br>Reserves | Prior<br>Periods'<br>Profit/Loss | Current<br>Period's<br>Net<br>Profit/Loss | Total Equity      |
|---------------------------------------------------------------------|---------------------|--------------------|------------------|----------------------------------|------------------------------|----------------------------------------------------------------|----------------------------------------------------------------------------------|-----------------------|-------------------------------------------------------------------------------------------------------|----------------------------|------------------------------------------------------------------------------|------------------|-------------------|--------------------|----------------------------------|-------------------------------------------|-------------------|
|                                                                     |                     |                    |                  |                                  |                              |                                                                | Defined Benefit<br>Plans' Actuarial<br>Gains/Losses                              | Others <sup>(*)</sup> | Income/Expenses from<br>Valuation and/or<br>Reclassification of Financial<br>Assets Measured at FVOCI |                            | Others <sup>(**)</sup>                                                       |                  |                   |                    |                                  |                                           |                   |
| <b>Current Period - 01.01 – 31.12.2019</b>                          |                     |                    |                  |                                  |                              |                                                                |                                                                                  |                       |                                                                                                       |                            |                                                                              |                  |                   |                    |                                  |                                           |                   |
| 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                                                         |                     | -                  | -                | -                                | -                            | -                                                              | -                                                                                | -                     | -                                                                                                     | -                          | -                                                                            | -                | -                 | -                  | -                                | -                                         | -                 |
| <b>Balances at end of the period (III+IV...+X+XI)</b>               |                     | <b>3.350.000</b>   | <b>714</b>       | <b>-</b>                         | <b>-</b>                     | <b>-</b>                                                       | <b>(73.337)</b>                                                                  | <b>1.046.855</b>      | <b>-</b>                                                                                              | <b>-</b>                   | <b>(272.254)</b>                                                             | <b>(566.110)</b> | <b>10.577.034</b> | <b>-</b>           | <b>2.622.157</b>                 | <b>-</b>                                  | <b>16.685.059</b> |

(\*) 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.**

(CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

QNB FİNANSBANK ANONİM ŞİRKETİ  
UNCONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

VI. STATEMENT OF CASH FLOWS

|                                                                                                   | Section 5<br>Part VI | Audited<br>01.01 –<br>31.12.2019 | Audited<br>01.01 –<br>31.12.2018 |
|---------------------------------------------------------------------------------------------------|----------------------|----------------------------------|----------------------------------|
| <b>A. CASH FLOWS FROM / (TO) BANKING OPERATIONS</b>                                               |                      |                                  |                                  |
| <b>1.1 Operating profit before changes in operating assets and liabilities</b>                    |                      | <b>10.116.709</b>                | <b>6.205.042</b>                 |
| 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)                      |
| <b>1.2 Changes in operating assets and liabilities</b>                                            |                      | <b>(2.680.011)</b>               | <b>269.489</b>                   |
| 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                        |
| <b>I. Net cash provided from / (used in) banking operations</b>                                   |                      | <b>7.436.698</b>                 | <b>6.474.531</b>                 |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                    |                      |                                  |                                  |
| <b>II. Net cash provided from / (used in) investing activities</b>                                |                      | <b>(4.969.543)</b>               | <b>(2.896.918)</b>               |
| 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)                        |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                    |                      |                                  |                                  |
| <b>III. Net cash provided from / (used in) financing activities</b>                               |                      | <b>2.797.253</b>                 | <b>(722.659)</b>                 |
| 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)                        | -                                |
| <b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>                 |                      | <b>356.419</b>                   | <b>(40.687)</b>                  |
| <b>V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)</b>                    |                      | <b>5.620.827</b>                 | <b>2.814.267</b>                 |
| <b>VI. Cash and cash equivalents at beginning of the period</b>                                   | (2)                  | <b>8.767.065</b>                 | <b>5.952.798</b>                 |
| <b>VII. Cash and cash equivalents at end of the period (V+VI)</b>                                 |                      | <b>14.387.892</b>                | <b>8.767.065</b>                 |

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

(CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

QNB FİNANSBANK ANONİM ŞİRKETİ  
STATEMENT OF UNCONSOLIDATED PROFIT APPROPRIATION  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

VII. STATEMENT OF UNCONSOLIDATED PROFIT APPROPRIATION

|                                                                    | Audited<br>Current Period<br>31.12.2019(*) | Audited<br>Prior period<br>31.12.2018 |
|--------------------------------------------------------------------|--------------------------------------------|---------------------------------------|
| <b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>                      |                                            |                                       |
| 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)                              |
| <b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>                        | <b>2.622.157</b>                           | <b>2.409.829</b>                      |
| 1.3 Prior Year Losses(-)                                           | -                                          | -                                     |
| 1.4 First Legal Reserves(-)                                        | -                                          | 85.130                                |
| 1.5 Other Statutory Reserves (-)                                   | -                                          | -                                     |
| <b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]</b> | <b>2.622.157</b>                           | <b>2.324.699</b>                      |
| 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                                                 | -                                          | -                                     |
| <b>II. DISTRIBUTION OF RESERVES</b>                                |                                            |                                       |
| 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(-)                             | -                                          | -                                     |
| <b>III. EARNINGS PER SHARE</b>                                     |                                            |                                       |
| 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 ( % )                           | -                                          | -                                     |
| <b>IV. DIVIDEND PER SHARE</b>                                      |                                            |                                       |
| 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

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**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 1 November 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 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 28 June 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.

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**2.1.2. The standards which are effective as of 1 January 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;
- 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.

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**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.

**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

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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:

|           | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|-----------|--------------------------|--------------------------|
| 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.

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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

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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.

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**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.

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**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.

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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 22 June 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans" effective from 1 January 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:

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**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.
- 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 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.

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**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 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
- Five year government bond interest rate of Turkey

Stages were determined through the models created using internal information for the Bank and QNB Finans 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.

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**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
- 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.

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**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).
- 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,
- 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,
- 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).

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**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 lend 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.

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**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.

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**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.

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**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 Communiqué on Disguised Profit Distribution by way of Transfer Pricing” published on November 18, 2007 explains the application related issues in detail. According to this Communiqué, 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 Communiqué’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. Explanations on 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).

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**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.

| <b>Current Period (January 1 – December 31, 2019)</b>                       | <b>Retail<br/>Banking</b> | <b>Corporate<br/>and<br/>Commercial<br/>Banking</b> | <b>Treasury<br/>and Head<br/>Office</b> | <b>Total<br/>Operations<br/>of the Bank</b> |
|-----------------------------------------------------------------------------|---------------------------|-----------------------------------------------------|-----------------------------------------|---------------------------------------------|
| 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                                      |
| <b>Operating Income</b>                                                     | <b>4.686.216</b>          | <b>3.387.400</b>                                    | <b>872.092</b>                          | <b>8.945.708</b>                            |
| 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                                   |
| <b>Profit Before Taxes</b>                                                  | <b>2.082.010</b>          | <b>474.245</b>                                      | <b>623.505</b>                          | <b>3.179.760</b>                            |
| <b>Provision Tax (-)</b>                                                    | -                         | -                                                   | -                                       | <b>557.603</b>                              |
| <b>Net Profit/Loss</b>                                                      | -                         | -                                                   | -                                       | <b>2.622.157</b>                            |
| <b>Total Assets</b>                                                         | <b>39.730.429</b>         | <b>70.865.962</b>                                   | <b>57.792.723</b>                       | <b>181.680.511</b>                          |
| 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                                  |
| <b>Total Liabilities</b>                                                    | <b>68.846.852</b>         | <b>31.372.536</b>                                   | <b>53.278.117</b>                       | <b>181.680.511</b>                          |
| Segment Liabilities                                                         | 68.846.852                | 31.372.536                                          | 53.278.117                              | 153.497.505                                 |
| Undistributed Liabilities                                                   | -                         | -                                                   | -                                       | 11.497.947                                  |
| Equity                                                                      | -                         | -                                                   | -                                       | 16.685.059                                  |
| <b>Other Segment Accounts</b>                                               | <b>441.430</b>            | <b>233.130</b>                                      | <b>(144.413)</b>                        | <b>530.147</b>                              |
| Capital Expenditures                                                        | 25.694                    | 13.569                                              | (8.415)                                 | 30.848                                      |
| Depreciation and Amortization                                               | 415.736                   | 219.561                                             | (135.998)                               | 499.299                                     |

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| Prior Period (January 1 – December 31, 2018)                                | Retail<br>Banking | Corporate and<br>Commercial<br>Banking | Treasury and<br>Head Office | Total<br>Operations<br>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                             |
| <b>Operating Income</b>                                                     | <b>3.695.067</b>  | <b>3.356.405</b>                       | <b>1.482.299</b>            | <b>8.533.771</b>                   |
| 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                          |
| <b>Profit Before Taxes</b>                                                  | <b>1.314.366</b>  | <b>727.041</b>                         | <b>1.017.334</b>            | <b>3.058.741</b>                   |
| <b>Provision Tax (-)</b>                                                    | <b>-</b>          | <b>-</b>                               | <b>-</b>                    | <b>648.912</b>                     |
| <b>Net Profit/Loss</b>                                                      | <b>-</b>          | <b>-</b>                               | <b>-</b>                    | <b>2.409.829</b>                   |
| <b>Total Assets</b>                                                         | <b>33.403.626</b> | <b>60.614.395</b>                      | <b>51.913.752</b>           | <b>157.415.735</b>                 |
| 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                         |
| <b>Total Liabilities</b>                                                    | <b>56.362.699</b> | <b>27.049.207</b>                      | <b>46.618.573</b>           | <b>157.415.735</b>                 |
| Segment Liabilities                                                         | 56.362.699        | 27.049.207                             | 46.618.573                  | 130.030.479                        |
| Undistributed Liabilities                                                   | -                 | -                                      | -                           | 12.813.207                         |
| Equity                                                                      | -                 | -                                      | -                           | 14.572.049                         |
| <b>Other Segment Accounts</b>                                               | <b>419.024</b>    | <b>228.292</b>                         | <b>(97.228)</b>             | <b>550.088</b>                     |
| Capital Expenditures                                                        | 230.912           | 125.805                                | (60.075)                    | 296.642                            |
| Depreciation and Amortization                                               | 188.112           | 102.487                                | (37.153)                    | 253.446                            |

**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    |
| <b>Earnings Per Share</b>                            | <b>0,0783</b>  | <b>0,0719</b> |

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).

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**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 19 January 2017 in lieu of TAS 39 Financial Instruments: "Accounting and Measurement" starting from 1 January 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 1 January 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**

| Financial Assets                                                               | Book Value Before          | Reclassifications | Re-measures | TFRS 9 book value | Tax Effect | Equity Effect |
|--------------------------------------------------------------------------------|----------------------------|-------------------|-------------|-------------------|------------|---------------|
|                                                                                | TFRS9<br>December 31, 2017 |                   |             |                   |            |               |
| <b>Measured at amortized cost</b>                                              |                            |                   |             |                   |            |               |
| 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         | -          | -             |
| <b>Measured at Fair Value through Other Comprehensive Income</b>               |                            |                   |             |                   |            |               |
| 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         |
| <b>Loans and Other Receivables Measured at Amortized Cost (Gross)</b>          |                            |                   |             |                   |            |               |
| 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.

**3. Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9**

|                                    | Book Value Before TFRS 9 | Remeasurements  | Book Value After TFRS 9 |
|------------------------------------|--------------------------|-----------------|-------------------------|
|                                    | December 31, 2017        |                 | January 1, 2018         |
| <b>Loans and Other Receivables</b> | <b>4.883.424</b>         | <b>605.658</b>  | <b>5.489.082</b>        |
| 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               |
| <b>Financial Assets (*)</b>        | <b>59.270</b>            | <b>(18.424)</b> | <b>40.846</b>           |
| <b>Non-Cash Loans (**)</b>         | <b>158.559</b>           | <b>64.327</b>   | <b>222.886</b>          |
| Stage 1 and 2                      | 91.845                   | 120.072         | 211.917                 |
| Stage 3                            | 66.714                   | (55.745)        | 10.969                  |
| <b>Total</b>                       | <b>5.101.253</b>         | <b>651.561</b>  | <b>5.752.814</b>        |

(\*)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

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**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 19 January 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 1 January 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 1 January 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 1 January 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".

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**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:**

|                                                                                                                                                                                                                                                                     | <b>Current Period<br/>December 31, 2019</b> | <b>1/1/2014 Amounts<br/>related to previous<br/>application<sup>(7)</sup></b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|-------------------------------------------------------------------------------|
| <b>COMMON EQUITY TIER 1 CAPITAL</b>                                                                                                                                                                                                                                 |                                             |                                                                               |
| 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                                       |                                                                               |
| <b>Common Equity Tier 1 Capital Before Deductions</b>                                                                                                                                                                                                               | <b>17.776.950</b>                           |                                                                               |
| <b>Deductions from Common Equity Tier 1 Capital</b>                                                                                                                                                                                                                 |                                             |                                                                               |
| 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                                                                                                                                                           | -                                           |                                                                               |
| <b>Total Deductions From Common Equity Tier 1 Capital</b>                                                                                                                                                                                                           | <b>996.571</b>                              |                                                                               |
| 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                                     |                                                                               |
| <b>Total Common Equity Tier 1 Capital</b>                                                                                                                                                                                                                           | <b>17.171.315</b>                           |                                                                               |

**(CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Current Period<br>December 31, 2019 | 1/1/2014 Amounts<br>related to previous<br>application(*) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------------------------------|
| <b>ADDITIONAL TIER I CAPITAL</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                     |                                                           |
| 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)                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | -                                   | -                                                         |
| <b>Additional Tier I Capital before Deductions</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>3.118.605</b>                    | -                                                         |
| <b>Deductions from Additional Tier I Capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                     |                                                           |
| 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | -                                   | -                                                         |
| <b>Transition from the Core Capital to Continue to deduce Components</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                     |                                                           |
| 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 (-)                                                                                                                                                                                                                                                                                                                                                                                                      | -                                   | -                                                         |
| <b>Total Deductions From Additional Tier I Capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | -                                   | -                                                         |
| <b>Total Additional Tier I Capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>3.118.605</b>                    | -                                                         |
| <b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>20.289.920</b>                   | -                                                         |
| <b>TIER II CAPITAL</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                     |                                                           |
| 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                           | -                                                         |
| <b>Tier II Capital Before Deductions</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>4.018.912</b>                    | -                                                         |
| <b>Deductions From Tier II Capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                     |                                                           |
| 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 (-)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | -                                   | -                                                         |
| <b>Total Deductions from Tier II Capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | -                                   | -                                                         |
| <b>Total Tier II Capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>4.018.912</b>                    | -                                                         |
| <b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>24.308.832</b>                   | -                                                         |
| <b>Deductions from Total Capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                     |                                                           |
| 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                              | -                                                         |
| <b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>                                                                                                                                                                                                                                                                                                                                                                                                                   |                                     |                                                           |
| 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                       | -                                   | -                                                         |

**(CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

|                                                                                                                                                                                                                                              | <b>Current Period<br/>December 31, 2019</b> | <b>1/1/2014 Amounts<br/>related to previous<br/>application (*)</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------------------------------|
| <b>TOTAL CAPITAL</b>                                                                                                                                                                                                                         |                                             |                                                                     |
| Total Capital                                                                                                                                                                                                                                | 24.280.307                                  |                                                                     |
| Total risk weighted amounts                                                                                                                                                                                                                  | 154.338.272                                 |                                                                     |
| <b>Capital Adequacy Ratios</b>                                                                                                                                                                                                               |                                             |                                                                     |
| Core Capital Adequacy Ratio (%)                                                                                                                                                                                                              | 11,13                                       |                                                                     |
| Tier I Capital Adequacy Ratio (%)                                                                                                                                                                                                            | 13,15                                       |                                                                     |
| Capital Adequacy Ratio (%)                                                                                                                                                                                                                   | 15,73                                       |                                                                     |
| <b>BUFFERS</b>                                                                                                                                                                                                                               |                                             |                                                                     |
| Bank specific total common equity tier I 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 I 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                                        |                                                                     |
| <b>Amounts below the Excess Limits as per the Deduction Principles</b>                                                                                                                                                                       |                                             |                                                                     |
| 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                                                                                                                                                                       | -                                           |                                                                     |
| <b>Limits related to provisions considered in Tier II calculation</b>                                                                                                                                                                        |                                             |                                                                     |
| 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                                               | -                                           |                                                                     |
| <b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>                                                                                                                               |                                             |                                                                     |
| 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.

**(CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

| Information on equity accounts:                                                                                                                                                                                                                                     | Prior Period<br>December<br>31,2018 | 1/1/2014 Amounts<br>related to previous<br>application (*) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------------------------------|
| <b>COMMON EQUITY TIER 1 CAPITAL</b>                                                                                                                                                                                                                                 |                                     |                                                            |
| 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                               |                                                            |
| <b>Common Equity Tier 1 Capital Before Deductions</b>                                                                                                                                                                                                               | <b>14.790.225</b>                   |                                                            |
| <b>Deductions from Common Equity Tier 1 Capital</b>                                                                                                                                                                                                                 |                                     |                                                            |
| 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                                                                                                                                                           | -                                   |                                                            |
| <b>Total Deductions From Common Equity Tier 1 Capital</b>                                                                                                                                                                                                           | <b>1.054.074</b>                    |                                                            |
| The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9                                                                                                           | 521.248                             |                                                            |
| <b>Total Common Equity Tier 1 Capital</b>                                                                                                                                                                                                                           | <b>14.257.399</b>                   |                                                            |

**(CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Prior Period<br>December 31,<br>2018 | 1/1/2014<br>Amounts<br>related to<br>previous<br>application<br>(*) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------------------------------------------|
| <b>ADDITIONAL TIER I CAPITAL</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                      |                                                                     |
| 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)                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | -                                    |                                                                     |
| <b>Additional Tier I Capital before Deductions</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | -                                    |                                                                     |
| <b>Deductions from Additional Tier I Capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                      |                                                                     |
| 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | -                                    |                                                                     |
| <b>Transition from the Core Capital to Continue to deduce Components</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                      |                                                                     |
| 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 (-)                                                                                                                                                                                                                                                                                                                                                                                                            | -                                    |                                                                     |
| <b>Total Deductions From Additional Tier I Capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | -                                    |                                                                     |
| <b>Total Additional Tier I Capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | -                                    |                                                                     |
| <b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>14.257.399</b>                    |                                                                     |
| <b>TIER II CAPITAL</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                      |                                                                     |
| 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                            |                                                                     |
| <b>Tier II Capital Before Deductions</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>4.690.411</b>                     |                                                                     |
| <b>Deductions From Tier II Capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                      |                                                                     |
| 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 (-)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | -                                    |                                                                     |
| <b>Total Deductions from Tier II Capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | -                                    |                                                                     |
| <b>Total Tier II Capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>4.690.411</b>                     |                                                                     |
| <b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>18.947.810</b>                    |                                                                     |
| <b>Deductions from Total Capital</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                      |                                                                     |
| 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                               |                                                                     |
| <b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>                                                                                                                                                                                                                                                                                                                                                                                                                         |                                      |                                                                     |
| 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 (-)                | -                                    |                                                                     |

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|                                                                                                                                                                                                                                              | Prior Period<br>December 31, 2018 | 1/1/2014 Amounts<br>related to previous<br>application (*) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------|
| <b>TOTAL CAPITAL</b>                                                                                                                                                                                                                         |                                   |                                                            |
| Total Capital                                                                                                                                                                                                                                | 18.864.272                        |                                                            |
| Total risk weighted amounts                                                                                                                                                                                                                  | 122.314.929                       |                                                            |
| <b>Capital Adequacy Ratios</b>                                                                                                                                                                                                               |                                   |                                                            |
| Core Capital Adequacy Ratio (%)                                                                                                                                                                                                              | 11,66                             |                                                            |
| Tier 1 Capital Adequacy Ratio (%)                                                                                                                                                                                                            | 11,66                             |                                                            |
| Capital Adequacy Ratio (%)                                                                                                                                                                                                                   | 15,42                             |                                                            |
| <b>BUFFERS</b>                                                                                                                                                                                                                               |                                   |                                                            |
| Bank specific total common equity tier I 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                              |                                                            |
| <b>Amounts below the Excess Limits as per the Deduction Principles</b>                                                                                                                                                                       |                                   |                                                            |
| 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                                                                                                                                                                       | -                                 |                                                            |
| <b>Limits related to provisions considered in Tier II calculation</b>                                                                                                                                                                        |                                   |                                                            |
| 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                                              | -                                 |                                                            |
| <b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>                                                                                                                               |                                   |                                                            |
| 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

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**Information on debt instruments included in the calculation of equity:**

| <b>Information on debt instruments included in the calculation of equity:</b>                   |                                                                      |                                                |                                                |
|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------|------------------------------------------------|
|                                                                                                 | <b>1</b>                                                             | <b>2</b>                                       | <b>3</b>                                       |
| 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 01, 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                                                             | -                                              | -                                              |

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|                                                                                                               | <b>1</b>                                                                  | <b>2</b>                                                                           | <b>3</b>                                                                           |
|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| 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.

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**Information on Article 5 of the Regulation on Equities of Banks:**

| <b>EQUITY ITEMS</b>                                                  | <b>T</b>    | <b>T-1</b>  | <b>T-2</b>  | <b>T-3</b>  |
|----------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| 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  |
| <b>TOTAL RISK WEIGHTED AMOUNTS</b>                                   |             |             |             |             |
| Total Risk Weighted Amounts                                          | 154.338.272 | 154.338.272 | 154.338.272 | 154.338.272 |
| <b>CAPITAL ADEQUACY RATIO</b>                                        |             |             |             |             |
| 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 %     |
| <b>LEVERAGE</b>                                                      |             |             |             |             |
| 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 %      |

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**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, losses 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.

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.

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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   |                          |
|----------------------------------------------------------------------------------------------------|----------------|-------------------------|----------------|--------------------------|
|                                                                                                    | 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").

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**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              |
| <b>Current Period</b>                                      |                        |               |                |          |          |                   |                   |                   |                  |                  |                |          |          |          |          |                  |                  |                    |
| 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(***)                    | -                      | -             | -              | -        | -        | -                 | -                 | -                 | -                | -                | -              | -        | -        | -        | -        | -                | -                | -                  |
| <b>Total</b>                                               | <b>45.141.846</b>      | <b>83.191</b> | <b>227.552</b> | <b>-</b> | <b>-</b> | <b>26.735.151</b> | <b>65.142.650</b> | <b>61.089.766</b> | <b>5.346.690</b> | <b>2.094.857</b> | <b>237.429</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>1.682.670</b> | <b>7.829.811</b> | <b>215.611.613</b> |
|                                                            | Exposure Categories(*) |               |                |          |          |                   |                   |                   |                  |                  |                |          |          |          |          |                  |                  |                    |
|                                                            | 1                      | 2             | 3              | 4        | 5        | 6                 | 7                 | 8                 | 9                | 10               | 11             | 12       | 13       | 14       | 15       | 16               | 17               | Total              |
| <b>Prior Period Period</b>                                 |                        |               |                |          |          |                   |                   |                   |                  |                  |                |          |          |          |          |                  |                  |                    |
| 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(***)                    | -                      | -             | -              | -        | -        | -                 | -                 | -                 | -                | -                | -              | -        | -        | -        | -        | -                | -                | -                  |
| <b>Total</b>                                               | <b>37.533.317</b>      | <b>83.606</b> | <b>224.563</b> | <b>-</b> | <b>-</b> | <b>21.259.608</b> | <b>54.205.109</b> | <b>52.335.034</b> | <b>6.096.008</b> | <b>1.308.493</b> | <b>120.409</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>1.416.874</b> | <b>7.099.718</b> | <b>181.682.739</b> |

(\*) 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

(CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**Risk profile by sectors or counterparties:**

| Current Period                    | Exposure Categories(*) |               |                |   |   |                   |                   |                   |                  |                  |                |    |    |    |    |                  |                  | TL                 | FC                | Total              |
|-----------------------------------|------------------------|---------------|----------------|---|---|-------------------|-------------------|-------------------|------------------|------------------|----------------|----|----|----|----|------------------|------------------|--------------------|-------------------|--------------------|
|                                   | 1                      | 2             | 3              | 4 | 5 | 6                 | 7                 | 8                 | 9                | 10               | 11             | 12 | 13 | 14 | 15 | 16               | 17               |                    |                   |                    |
| <b>Agriculture</b>                | -                      | -             | 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            |
| <b>Industrial</b>                 | -                      | <b>35.048</b> | <b>10</b>      | - | - | -                 | <b>22.066.676</b> | <b>5.130.777</b>  | <b>518.977</b>   | <b>301.702</b>   | <b>21.918</b>  | -  | -  | -  | -  | -                | -                | <b>11.033.307</b>  | <b>17.041.801</b> | <b>28.075.108</b>  |
| 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          |
| <b>Construction</b>               | -                      | -             | -              | - | - | -                 | <b>5.387.232</b>  | <b>3.032.871</b>  | <b>354.812</b>   | <b>242.243</b>   | <b>149.722</b> | -  | -  | -  | -  | -                | -                | <b>6.832.350</b>   | <b>2.334.530</b>  | <b>9.166.880</b>   |
| <b>Services</b>                   | <b>17.338.120</b>      | <b>33</b>     | <b>30.945</b>  | - | - | <b>24.445.719</b> | <b>34.766.341</b> | <b>12.136.169</b> | <b>1.939.170</b> | <b>851.262</b>   | <b>41.023</b>  | -  | -  | -  | -  | -                | -                | <b>30.905.396</b>  | <b>60.643.386</b> | <b>91.548.782</b>  |
| 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          |
| <b>Other</b>                      | <b>27.803.726</b>      | <b>48.110</b> | <b>195.812</b> | - | - | <b>2.289.432</b>  | <b>2.514.364</b>  | <b>38.758.540</b> | <b>2,515.710</b> | <b>570.512</b>   | <b>17.833</b>  | -  | -  | -  | -  | <b>1.682.670</b> | <b>7.829.811</b> | <b>64.818.774</b>  | <b>19,407.746</b> | <b>84,226.520</b>  |
| <b>Total</b>                      | <b>45.141.846</b>      | <b>83.191</b> | <b>227.552</b> | - | - | <b>26.735.151</b> | <b>65.142.650</b> | <b>61.089.766</b> | <b>5.346.690</b> | <b>2.094.857</b> | <b>237.429</b> | -  | -  | -  | -  | <b>1.682.670</b> | <b>7.829.811</b> | <b>115.974.644</b> | <b>99.636.969</b> | <b>215.611.613</b> |

(\*)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
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(CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
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**FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

| Prior Period                      | Exposure Categories(*) |               |                |   |   |                   |                   |                   |                  |                  |                |    |    |    |    |                  |                  | TL                 | FC                | Total              |
|-----------------------------------|------------------------|---------------|----------------|---|---|-------------------|-------------------|-------------------|------------------|------------------|----------------|----|----|----|----|------------------|------------------|--------------------|-------------------|--------------------|
|                                   | 1                      | 2             | 3              | 4 | 5 | 6                 | 7                 | 8                 | 9                | 10               | 11             | 12 | 13 | 14 | 15 | 16               | 17               |                    |                   |                    |
| <b>Agriculture</b>                | -                      | -             | <b>61.801</b>  | - | - | -                 | <b>445.446</b>    | <b>2.088.263</b>  | <b>15.333</b>    | <b>97.049</b>    | <b>11.759</b>  | -  | -  | -  | -  | -                | -                | <b>2.487.667</b>   | <b>231.984</b>    | <b>2.719.651</b>   |
| 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            |
| <b>Industrial</b>                 | -                      | <b>31.103</b> | -              | - | - | -                 | <b>18.112.507</b> | <b>4.435.765</b>  | <b>510.692</b>   | <b>242.984</b>   | <b>34.449</b>  | -  | -  | -  | -  | -                | -                | <b>9.033.259</b>   | <b>14.334.241</b> | <b>23.367.500</b>  |
| 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          |
| <b>Construction</b>               | -                      | -             | -              | - | - | -                 | <b>4.323.179</b>  | <b>3.031.745</b>  | <b>574.655</b>   | <b>173.770</b>   | <b>23.070</b>  | -  | -  | -  | -  | -                | -                | <b>6.023.819</b>   | <b>2.102.600</b>  | <b>8.126.419</b>   |
| <b>Services</b>                   | <b>16.812.956</b>      | <b>33</b>     | <b>25.671</b>  | - | - | <b>19.758.026</b> | <b>28.670.061</b> | <b>11.289.872</b> | <b>1.713.114</b> | <b>501.596</b>   | <b>24.108</b>  | -  | -  | -  | -  | -                | -                | <b>27.902.317</b>  | <b>50.893.120</b> | <b>78.795.437</b>  |
| 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           | 5.534          | -  | -  | -  | -  | -                | -                | 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          |
| <b>Other</b>                      | <b>20.720.361</b>      | <b>52.470</b> | <b>137.091</b> | - | - | <b>1.501.582</b>  | <b>2.653.916</b>  | <b>31.489.389</b> | <b>3.282.214</b> | <b>293.094</b>   | <b>27.023</b>  | -  | -  | -  | -  | <b>1.416.874</b> | <b>7.099.718</b> | <b>57.393.730</b>  | <b>11.280.002</b> | <b>68.673.732</b>  |
| <b>Total</b>                      | <b>37.533.317</b>      | <b>83.606</b> | <b>224.563</b> | - | - | <b>21.259.608</b> | <b>54.205.109</b> | <b>52.335.034</b> | <b>6.096.008</b> | <b>1.308.493</b> | <b>120.409</b> | -  | -  | -  | -  | <b>1.416.874</b> | <b>7.099.718</b> | <b>102.840.792</b> | <b>78.841.947</b> | <b>181.682.739</b> |

(\*)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
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- 4-Conditional and unconditional receivables from multilateral development banks
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- 8-Conditional and unconditional retail receivables
- 9-Conditional and unconditional receivables secured by mortgages
- 10-Past due receivables
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**QNB FİNANSBANK ANONİM ŞİRKETİ**  
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**FOR THE YEAR ENDED PERIOD THEN ENDED DECEMBER 31, 2019**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**Analysis of maturity-bearing exposures according to remaining maturities<sup>(\*)</sup>:**

| <b>Current Period</b><br><b>Exposure Categories</b>                                                | <b>Term to Maturity</b> |                   |                   |                    |                    |
|----------------------------------------------------------------------------------------------------|-------------------------|-------------------|-------------------|--------------------|--------------------|
|                                                                                                    | <b>Up to 1 month</b>    | <b>1-3 months</b> | <b>3-6 months</b> | <b>6-12 months</b> | <b>Over 1 year</b> |
| 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                                                                                  | -                       | -                 | -                 | -                  | -                  |
| <b>Total</b>                                                                                       | <b>17.207.245</b>       | <b>13.597.547</b> | <b>12.221.775</b> | <b>18.096.541</b>  | <b>98.072.763</b>  |

<sup>(\*)</sup>Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration.

| <b>Prior Period</b><br><b>Exposure Categories</b>                                                  | <b>Term to Maturity</b> |                   |                   |                    |                    |
|----------------------------------------------------------------------------------------------------|-------------------------|-------------------|-------------------|--------------------|--------------------|
|                                                                                                    | <b>Up to 1 month</b>    | <b>1-3 months</b> | <b>3-6 months</b> | <b>6-12 months</b> | <b>Over 1 year</b> |
| 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                                                                                  | -                       | -                 | -                 | -                  | -                  |
| <b>Total</b>                                                                                       | <b>11.433.827</b>       | <b>9.044.356</b>  | <b>10.414.559</b> | <b>12.603.760</b>  | <b>81.747.261</b>  |

<sup>(\*)</sup>Includes risk amounts before the effect of credit risk mitigation but after the credit conversions and items with maturity items are taken into consideration.

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**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.

| Major Sectors / Counterparties        | Loans <sup>(*)</sup>                          |                                          |                                                  | Provisions                |   |
|---------------------------------------|-----------------------------------------------|------------------------------------------|--------------------------------------------------|---------------------------|---|
|                                       | Impaired Loans (IFRS 9)                       | Non-Performing (Regulation of Provision) | Provision For Expected Losses of Credit (IFRS 9) | (Regulation of Provision) |   |
|                                       | Significant Increase of Credit Risk (Stage 2) | Default (Stage 3)                        |                                                  |                           |   |
| <b>1. Agriculture</b>                 | <b>573.663</b>                                | <b>330.342</b>                           | -                                                | <b>262.517</b>            | - |
| 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                     | - |
| <b>2. Industrial</b>                  | <b>1.392.970</b>                              | <b>1.486.997</b>                         | -                                                | <b>1.363.930</b>          | - |
| 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                   | - |
| <b>3. Construction</b>                | <b>1.394.388</b>                              | <b>860.694</b>                           | -                                                | <b>728.594</b>            | - |
| <b>4. Services</b>                    | <b>5.326.163</b>                              | <b>2.962.883</b>                         | -                                                | <b>2.734.384</b>          | - |
| 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                    | - |
| <b>5. Other</b>                       | <b>3.432.539</b>                              | <b>2.633.499</b>                         | -                                                | <b>2.379.241</b>          | - |
| <b>6. Total</b>                       | <b>12.119.723</b>                             | <b>8.274.415</b>                         | -                                                | <b>7.468.666</b>          | - |

<sup>(\*)</sup> Represents the distribution of cash loans.

| Major Sectors / Counterparties        | Loans <sup>(*)</sup>                          |                                          |                                                  | Provisions                |   |
|---------------------------------------|-----------------------------------------------|------------------------------------------|--------------------------------------------------|---------------------------|---|
|                                       | Impaired Loans (IFRS 9)                       | Non-Performing (Regulation of Provision) | Provision For Expected Losses of Credit (IFRS 9) | (Regulation of Provision) |   |
|                                       | Significant Increase of Credit Risk (Stage 2) | Default (Stage 3)                        |                                                  |                           |   |
| <b>1. Agriculture</b>                 | <b>466.738</b>                                | <b>219.393</b>                           | -                                                | <b>172.037</b>            | - |
| 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                     | - |
| <b>2. Industrial</b>                  | <b>1.366.804</b>                              | <b>941.265</b>                           | -                                                | <b>1.181.425</b>          | - |
| 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                   | - |
| <b>3. Construction</b>                | <b>1.191.113</b>                              | <b>455.499</b>                           | -                                                | <b>453.671</b>            | - |
| <b>4. Services</b>                    | <b>3.729.742</b>                              | <b>2.002.453</b>                         | -                                                | <b>2.140.214</b>          | - |
| 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                    | - |
| <b>5. Other</b>                       | <b>3.162.964</b>                              | <b>2.536.642</b>                         | -                                                | <b>2.421.931</b>          | - |
| <b>6. Total</b>                       | <b>9.917.361</b>                              | <b>6.155.252</b>                         | -                                                | <b>6.369.278</b>          | - |

<sup>(\*)</sup> Represents the distribution of cash loans.

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**Movements in value adjustments and provisions**

| <b>Current Period</b>   | <b>Opening Balance</b> | <b>Provision for Period</b> | <b>Provision Reversals</b> | <b>Other Adjustments<sup>(*)</sup></b> | <b>Closing Balance</b> |
|-------------------------|------------------------|-----------------------------|----------------------------|----------------------------------------|------------------------|
| 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.

| <b>Prior Period</b>     | <b>Opening Balance</b> | <b>TFRS 9 Transition Effect</b> | <b>Provision for Period</b> | <b>Provision Reversals</b> | <b>Other Adjustments<sup>(*)</sup></b> | <b>Closing Balance</b> |
|-------------------------|------------------------|---------------------------------|-----------------------------|----------------------------|----------------------------------------|------------------------|
| 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.

**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 5 November 2013 is presented below:

**Information on private sector receivables:**

| <b>Current Period</b> | <b>RWAs of Banking Book for Private Sector Lending</b> | <b>RWAs of Trading Book</b> | <b>Total</b>       |
|-----------------------|--------------------------------------------------------|-----------------------------|--------------------|
| Turkey                | 117.688.081                                            | -                           | 117.688.081        |
| Malta                 | 433.209                                                | -                           | 433.209            |
| Other                 | 125.512                                                | -                           | 125.512            |
| <b>Total</b>          | <b>118.246.802</b>                                     | <b>-</b>                    | <b>118.246.802</b> |

| <b>Prior Period</b> | <b>RWAs of Banking Book for Private Sector Lending</b> | <b>RWAs of Trading Book</b> | <b>Total</b>      |
|---------------------|--------------------------------------------------------|-----------------------------|-------------------|
| Turkey              | 97.315.234                                             | -                           | 97.315.234        |
| Malta               | 405.321                                                | -                           | 405.321           |
| Other               | 40.844                                                 | -                           | 40.844            |
| <b>Total</b>        | <b>97.761.399</b>                                      | <b>-</b>                    | <b>97.761.399</b> |

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**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.

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**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.
- 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.

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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 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
- 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
- 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.
- Stress testing framework encompasses reverse stress testing.

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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.
- 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 Monitoring 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                                                                      | -                    | -                  | -                           | -                |
| <b>25 TOTAL(1+4+7+8+9+10+11+12+16+19+23+24)</b>                                          | <b>154.338.272</b>   | <b>122.314.929</b> | <b>12.347.062</b>           | <b>9.785.194</b> |

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**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 |                        |                                     |                                         |                        |                                                                          |
|---------------------------------------------------------------------------------------------------|-------------------------------------------------|------------------------|-------------------------------------|-----------------------------------------|------------------------|--------------------------------------------------------------------------|
|                                                                                                   | 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 |
| <b>Assets</b>                                                                                     |                                                 |                        |                                     |                                         |                        |                                                                          |
| Cash and balances with the Central Bank                                                           | 18.748.232                                      | 18.750.540             | -                                   | -                                       | -                      | -                                                                        |
| Trading Financial Assets <sup>(*)</sup>                                                           | 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 <sup>(*)</sup>                                       | 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              | -                                   | -                                       | -                      | -                                                                        |
| <b>TOTAL ASSETS</b>                                                                               | <b>181.680.511</b>                              | <b>172.535.107</b>     | <b>22.943.852</b>                   | <b>-</b>                                | <b>3.112.096</b>       | <b>499.313</b>                                                           |
| <b>Liabilities</b>                                                                                |                                                 |                        |                                     |                                         |                        |                                                                          |
| Deposits                                                                                          | 105.625.783                                     | -                      | -                                   | -                                       | -                      | 105.625.783                                                              |
| Derivative Financial Liabilities Held for Trading <sup>(**)</sup>                                 | 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 <sup>(***)</sup>                                                           | 7.596.208                                       | -                      | -                                   | -                                       | -                      | 7.596.209                                                                |
| Other Liabilities <sup>(***)</sup>                                                                | 2.372.784                                       | -                      | -                                   | -                                       | -                      | 2.372.783                                                                |
| Factoring Payables                                                                                | -                                               | -                      | -                                   | -                                       | -                      | -                                                                        |
| Lease Payables                                                                                    | 447.730                                         | -                      | -                                   | -                                       | -                      | 447.730                                                                  |
| Derivative Financial Liabilities Held For Hedging <sup>(**)</sup>                                 | 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                                                               |
| <b>TOTAL LIABILITIES</b>                                                                          | <b>181.680.511</b>                              | <b>-</b>               | <b>9.064.854</b>                    | <b>-</b>                                | <b>2.630.305</b>       | <b>169.985.352</b>                                                       |

<sup>(\*)</sup>Financial assets held for trading and derivative financial assets for hedging purposes are included in the "Derivative Financial Assets" item in the financial statements.

<sup>(\*\*)</sup>Financial liabilities held for trading and derivative financial liabilities for hedging purposes are included in the "Derivative Financial Liabilities" item in the financial statements.

<sup>(\*\*\*)</sup>Miscellaneous payables and other liabilities are presented under "Other Liabilities" items in the financial statements.

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| Prior Period                                                                                      | Carrying values of items in accordance with TAS |                        |                                     |                                         |                        |                                                                          |
|---------------------------------------------------------------------------------------------------|-------------------------------------------------|------------------------|-------------------------------------|-----------------------------------------|------------------------|--------------------------------------------------------------------------|
|                                                                                                   | 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 |
| <b>Assets</b>                                                                                     |                                                 |                        |                                     |                                         |                        |                                                                          |
| 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              | -                                   | -                                       | -                      | -                                                                        |
| <b>TOTAL ASSETS</b>                                                                               | <b>157.415.735</b>                              | <b>147.081.938</b>     | <b>19.026.575</b>                   | <b>-</b>                                | <b>5.098.457</b>       | <b>522.378</b>                                                           |
| <b>Liabilities</b>                                                                                |                                                 |                        |                                     |                                         |                        |                                                                          |
| 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                                                               |
| <b>TOTAL LIABILITIES</b>                                                                          | <b>157.415.735</b>                              | <b>-</b>               | <b>4.714.819</b>                    | <b>-</b>                                | <b>4.912.695</b>       | <b>147.788.221</b>                                                       |

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**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:**

| <b>Current period</b>                                                       | <b>Total</b> | <b>Subject To Credit Risk</b> | <b>Subject to the Securitization</b> | <b>Subject To Counterparty Credit Risk</b> | <b>Subject To Market Risk</b> |
|-----------------------------------------------------------------------------|--------------|-------------------------------|--------------------------------------|--------------------------------------------|-------------------------------|
| 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)                               | -                             |
| <b>Risk Amounts</b>                                                         | <b>-</b>     | <b>192.151.735</b>            | <b>-</b>                             | <b>7.100.892</b>                           | <b>3.347.613</b>              |

| <b>Prior period</b>                                                         | <b>Total</b> | <b>Subject To Credit Risk</b> | <b>Subject to the Securitization</b> | <b>Subject To Counterparty Credit Risk</b> | <b>Subject To Market Risk</b> |
|-----------------------------------------------------------------------------|--------------|-------------------------------|--------------------------------------|--------------------------------------------|-------------------------------|
| 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)                               | -                             |
| <b>Risk Amounts</b>                                                         | <b>-</b>     | <b>163.481.969</b>            | <b>-</b>                             | <b>5.719.598</b>                           | <b>1.778.238</b>              |

**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.
- 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.

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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).
- 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
- 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 is 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.

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**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
- 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.

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- 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).
- 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.
- 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 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:**

| Current Period                | Gross carrying values of as per TAS |                            | Allowances/<br>impairments | Net values         |
|-------------------------------|-------------------------------------|----------------------------|----------------------------|--------------------|
|                               | Defaulted<br>exposures              | Non-defaulted<br>exposures |                            |                    |
| 1 Loans                       | 8.274.415                           | 110.784.774                | 5.943.713                  | <b>113.115.476</b> |
| 2 Debt Securities             | -                                   | 28.334.946                 | -                          | <b>28.334.946</b>  |
| 3 Off-balance sheet Exposures | -                                   | 76.131.500                 | 45.614                     | <b>76.085.886</b>  |
| <b>4 Total</b>                | <b>8.274.415</b>                    | <b>215.251.220</b>         | <b>5.989.327</b>           | <b>217.536.308</b> |

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| Prior Period                  | Gross carrying values of as per TAS |                         | Allowances/<br>impairments | Net values         |
|-------------------------------|-------------------------------------|-------------------------|----------------------------|--------------------|
|                               | Defaulted exposures                 | Non-defaulted exposures |                            |                    |
| 1 Loans                       | 6.155.252                           | 95.294.876              | 4.746.136                  | <b>96.703.992</b>  |
| 2 Debt Securities             | -                                   | 21.258.077              | -                          | <b>21.258.077</b>  |
| 3 Off-balance sheet exposures | -                                   | 60.332.135              | 50.116                     | <b>60.282.019</b>  |
| <b>4 Total</b>                | <b>6.155.252</b>                    | <b>176.885.088</b>      | <b>4.796.252</b>           | <b>178.244.088</b> |

**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        |
| <b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)</b> | <b>8.274.415</b> | <b>6.155.252</b> |

(\*) 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**

*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            |
| <b>Total (*)</b>              | <b>110.784.774</b> | <b>95.294.876</b> |

(\*) Includes Financial Assets Measured at fair value through profit or loss amounting to TL 86.838 in accordance with TFRS 9. (31 December 2018: TL 110.032)

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*Exposures provisioned against by major sectors:*

|                                          | Current Period     | Prior Period      |
|------------------------------------------|--------------------|-------------------|
| <b>1. Agricultural</b>                   | <b>2.342.906</b>   | <b>2.538.528</b>  |
| 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           |
| <b>2. Manufacturing</b>                  | <b>20.227.280</b>  | <b>16.371.069</b> |
| 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         |
| <b>3. Construction</b>                   | <b>5.842.486</b>   | <b>5.853.595</b>  |
| <b>4. Services</b>                       | <b>45.263.180</b>  | <b>38.883.649</b> |
| 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         |
| <b>5. Other</b>                          | <b>37.108.922</b>  | <b>31.648.035</b> |
| <b>6. Total (*)</b>                      | <b>110.784.774</b> | <b>95.294.876</b> |

(\*) Includes Financial Assets Measured at fair value through profit or loss amounting to TL 86.838 in accordance with TFRS 9. (31 December 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.

**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 regions 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               | -                       |
| <b>Total</b>                  | <b>8.274.415</b> | <b>5.943.713</b> | <b>929.246</b>          |

(\*)Includes OECD countries other than EU countries, USA and Canada.

| 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               | -                       |
| <b>Total</b>                  | <b>6.155.252</b> | <b>4.746.136</b> | <b>110.214</b>          |

(\*)Includes OECD countries other than EU countries, USA and Canada.

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*“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 |
| <b>1. Agriculture</b>                  | <b>330.343</b>             | <b>193.701</b>   | <b>8.551</b>            | <b>219.393</b>             | <b>123.276</b>   | <b>4</b>                |
| 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            | -                       |
| <b>2. Industrial</b>                   | <b>1.486.996</b>           | <b>1.150.456</b> | <b>82.271</b>           | <b>941.265</b>             | <b>686.919</b>   | <b>18</b>               |
| 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            | -                       |
| <b>3. Construction</b>                 | <b>860.694</b>             | <b>461.305</b>   | <b>13.735</b>           | <b>455.499</b>             | <b>273.786</b>   | <b>6</b>                |
| <b>4. Services</b>                     | <b>2.962.884</b>           | <b>1.974.398</b> | <b>288.858</b>          | <b>2.002.453</b>           | <b>1.467.989</b> | <b>106.284</b>          |
| 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           | -                       |
| <b>5. Other</b>                        | <b>2.633.498</b>           | <b>2.163.853</b> | <b>535.831</b>          | <b>2.536.642</b>           | <b>2.194.166</b> | <b>3.902</b>            |
| <b>6. Total</b>                        | <b>8.274.415</b>           | <b>5.943.713</b> | <b>929.246</b>          | <b>6.155.252</b>           | <b>4.746.136</b> | <b>110.214</b>          |

**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          |
| <b>Total</b> | <b>119.059.189</b> | <b>101.450.128</b> |

**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 <sup>(*)</sup> | -              | 7.687.589         | -                    |
| <b>Total</b>                       | <b>-</b>       | <b>7.687.589</b>  | <b>70.697</b>        |

<sup>(\*)</sup> General provision is made for the related Loans.

| Prior Period                       | Standard Loans   | Loans under close |                      |
|------------------------------------|------------------|-------------------|----------------------|
|                                    |                  | monitoring        | Non- performing loan |
| Loans subject to provision         | -                | -                 | 91.417               |
| Non- reserved Loans <sup>(*)</sup> | 1.127.050        | 4.297.570         | -                    |
| <b>Total</b>                       | <b>1.127.050</b> | <b>4.297.570</b>  | <b>91.417</b>        |

<sup>(\*)</sup> General provision is made for the related Loans.

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**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:**

|                       | 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 |
|-----------------------|-------------------------------------------------|---------------------------------|----------------------------------------------------------|-------------------------------------------|--------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------|
| <b>Current Period</b> |                                                 |                                 |                                                          |                                           |                                                                    |                                         |                                                                  |
| 1 Loans               | 108.894.571                                     | 4.220.904                       | 2.032.650                                                | -                                         | -                                                                  | -                                       | -                                                                |
| 2 Debt securities     | 28.334.946                                      | -                               | -                                                        | -                                         | -                                                                  | -                                       | -                                                                |
| <b>3 TOTAL</b>        | <b>137.229.517</b>                              | <b>4.220.904</b>                | <b>2.032.650</b>                                         | -                                         | -                                                                  | -                                       | -                                                                |
| 4 Of which defaulted  | 2.319.740                                       | 10.962                          | 321                                                      | -                                         | -                                                                  | -                                       | -                                                                |

|                      | 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 |
|----------------------|-------------------------------------------------|---------------------------------|----------------------------------------------------------|-------------------------------------------|--------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------|
| <b>Prior Period</b>  |                                                 |                                 |                                                          |                                           |                                                                    |                                         |                                                                  |
| 1 Loans              | 93.352.575                                      | 3.351.417                       | 1.772.578                                                | -                                         | -                                                                  | -                                       | -                                                                |
| 2 Debt securities    | 21.258.077                                      | -                               | -                                                        | -                                         | -                                                                  | -                                       | -                                                                |
| <b>3 TOTAL</b>       | <b>114.610.652</b>                              | <b>3.351.417</b>                | <b>1.772.578</b>                                         | -                                         | -                                                                  | -                                       | -                                                                |
| 4 Of which defaulted | 1.381.892                                       | 27.224                          | 2.279                                                    | -                                         | -                                                                  | -                                       | -                                                                |

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**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 | Exposure Categories                                                                   | Exposures before CCF and CRM |                          | Exposures post-CCF and CRM |                          | RWA and RWA density |             |
|----------------|---------------------------------------------------------------------------------------|------------------------------|--------------------------|----------------------------|--------------------------|---------------------|-------------|
|                |                                                                                       | 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%        |
| <b>18</b>      | <b>Total</b>                                                                          | <b>172.535.106</b>           | <b>116.905.624</b>       | <b>170.502.457</b>         | <b>21.649.278</b>        | <b>133.737.010</b>  | <b>70%</b>  |

| Prior Period | Exposure Categories                                                                   | Exposures before CCF and CRM |                          | Exposures post-CCF and CRM |                          | RWA and RWA density |             |
|--------------|---------------------------------------------------------------------------------------|------------------------------|--------------------------|----------------------------|--------------------------|---------------------|-------------|
|              |                                                                                       | 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%        |
| <b>18</b>    | <b>Total</b>                                                                          | <b>147.081.938</b>           | <b>91.214.862</b>        | <b>145.309.362</b>         | <b>18.172.607</b>        | <b>106.848.199</b>  | <b>65%</b>  |

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**6.3. CR5 – Standard approach – exposures by asset classes and risk**

| <b>Current Period</b>                                                                    |                   |            |                  |                  |                  |                   |                   |                |               |                                          |
|------------------------------------------------------------------------------------------|-------------------|------------|------------------|------------------|------------------|-------------------|-------------------|----------------|---------------|------------------------------------------|
| <b>Exposure Categories/ Risk Weight</b>                                                  | <b>0%</b>         | <b>10%</b> | <b>20%</b>       | <b>35%</b>       | <b>50%</b>       | <b>75%</b>        | <b>100%</b>       | <b>150%</b>    | <b>Others</b> | <b>Total Credit Risk Exposure Amount</b> |
| 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                                |
| <b>18 Total</b>                                                                          | <b>37.499.751</b> | <b>-</b>   | <b>1.101.650</b> | <b>2.662.222</b> | <b>9.359.843</b> | <b>54.967.943</b> | <b>86.322.928</b> | <b>237.398</b> | <b>-</b>      | <b>192.151.735</b>                       |

| <b>Prior Period</b>                                                                      |                   |            |                  |                  |                  |                   |                   |                |               |                                              |
|------------------------------------------------------------------------------------------|-------------------|------------|------------------|------------------|------------------|-------------------|-------------------|----------------|---------------|----------------------------------------------|
| <b>Exposure Categories/ Risk Weight</b>                                                  | <b>0%</b>         | <b>10%</b> | <b>20%</b>       | <b>35%</b>       | <b>50%</b>       | <b>75%</b>        | <b>100%</b>       | <b>150%</b>    | <b>Others</b> | <b>Total Credit Risk Exposure Amount (*)</b> |
| 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                                    |
| <b>18 Total</b>                                                                          | <b>38.517.730</b> | <b>-</b>   | <b>1.443.638</b> | <b>3.540.454</b> | <b>6.410.793</b> | <b>46.057.104</b> | <b>67.392.572</b> | <b>119.678</b> | <b>-</b>      | <b>163.481.969</b>                           |

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**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.

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**7.2 CCR1 – Assessment of Counterparty Credit Risk according to the models of measurement**

| <b>Current Period</b>                                                                                                                                                                              | <b>Revaluation Cost</b> | <b>Potential credit risk exposure</b> | <b>EEPE</b> | <b>Alpha</b> | <b>Exposure after credit risk mitigation</b> | <b>Risk Weighted Amounts</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------------------------|-------------|--------------|----------------------------------------------|------------------------------|
| 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                                 | -                       | -                                     | -           | -            | -                                            | -                            |
| <b>6 Total</b>                                                                                                                                                                                     | -                       | -                                     | -           | -            | -                                            | <b>4.063.307</b>             |

| <b>Prior Period</b>                                                                                                                                                                                | <b>Revaluation Cost</b> | <b>Potential credit risk exposure</b> | <b>EEPE</b> | <b>Alpha</b> | <b>Exposure after credit risk mitigation</b> | <b>Risk Weighted Amounts</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------------------------|-------------|--------------|----------------------------------------------|------------------------------|
| 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                                 | -                       | -                                     | -           | -            | -                                            | -                            |
| <b>6 Total</b>                                                                                                                                                                                     | -                       | -                                     | -           | -            | -                                            | <b>2.870.086</b>             |

**7.3 CCR2 – Credit valuation adjustment (CVA) capital charge**

|                                                                        | <b>Exposure (After credit risk mitigation methods)</b> |                     | <b>Risk Weighted Amounts</b> |                     |
|------------------------------------------------------------------------|--------------------------------------------------------|---------------------|------------------------------|---------------------|
|                                                                        | <b>Current Period</b>                                  | <b>Prior Period</b> | <b>Current Period</b>        | <b>Prior Period</b> |
| 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             |
| <b>4 Total amount of CVA capital adequacy</b>                          | <b>3.134.602</b>                                       | <b>3.974.460</b>    | <b>754.518</b>               | <b>817.428</b>      |

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**7.4. CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights**

| <b>Current Period</b>                                                      |              |            |                |                  |                |                |             |               |                          |
|----------------------------------------------------------------------------|--------------|------------|----------------|------------------|----------------|----------------|-------------|---------------|--------------------------|
| <b>Exposure Categories/ Risk Weight</b>                                    | <b>0%</b>    | <b>10%</b> | <b>20%</b>     | <b>50%</b>       | <b>75%</b>     | <b>100%</b>    | <b>150%</b> | <b>Others</b> | <b>Total Credit Risk</b> |
| 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                                                            | -            | -          | -              | -                | -              | -              | -           | -             | -                        |
| <b>19 Total</b>                                                            | <b>3.841</b> | <b>-</b>   | <b>599.836</b> | <b>4.680.501</b> | <b>817.336</b> | <b>989.897</b> | <b>-</b>    | <b>9.481</b>  | <b>7.100.892</b>         |

| <b>Prior Period</b>                                                        |              |            |                  |                  |               |                |             |               |                          |
|----------------------------------------------------------------------------|--------------|------------|------------------|------------------|---------------|----------------|-------------|---------------|--------------------------|
| <b>Exposure Categories/ Risk Weight</b>                                    | <b>0%</b>    | <b>10%</b> | <b>20%</b>       | <b>50%</b>       | <b>75%</b>    | <b>100%</b>    | <b>150%</b> | <b>Others</b> | <b>Total Credit Risk</b> |
| 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                                                            | -            | -          | -                | -                | -             | -              | -           | -             | -                        |
| <b>19 Total</b>                                                            | <b>6.925</b> | <b>-</b>   | <b>1.022.767</b> | <b>4.044.028</b> | <b>10.703</b> | <b>634.544</b> | <b>631</b>  | <b>-</b>      | <b>5.719.598</b>         |

**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).

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**7.6 CCR5 – Composition of collateral for CCR exposure:**

| Current Period           | Collaterals for Derivatives |                  |                   |                  | Collaterals or Other Transactions |                   |
|--------------------------|-----------------------------|------------------|-------------------|------------------|-----------------------------------|-------------------|
|                          | Collaterals Taken           |                  | Collaterals Given |                  | Collaterals                       |                   |
|                          | Segregated                  | Unsegregated     | Segregated        | Unsegregated     | 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        | -                           | -                | -                 | -                | -                                 | -                 |
| <b>Total</b>             | -                           | <b>3.792.115</b> | -                 | <b>3.124.158</b> | <b>10.933.825</b>                 | -                 |

| Prior Peiod              | Collaterals for Derivatives |                  |                   |                  | Collaterals or Other Transactions |                   |
|--------------------------|-----------------------------|------------------|-------------------|------------------|-----------------------------------|-------------------|
|                          | Collaterals Taken           |                  | Collaterals Given |                  | Collaterals                       |                   |
|                          | Segregated                  | Unsegregated     | Segregated        | Unsegregated     | 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        | -                           | -                | -                 | -                | -                                 | -                 |
| <b>Total</b>             | -                           | <b>6.140.938</b> | -                 | <b>2.124.008</b> | <b>4.814.889</b>                  | -                 |

**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)

**7.9 CCR8 – Exposures to central counterparties**

|                                                                                                          | Current Period                    |            | Prior Period                      |     |
|----------------------------------------------------------------------------------------------------------|-----------------------------------|------------|-----------------------------------|-----|
|                                                                                                          | Exposure at Default ( Post – CRM) | RWA        | Exposure at Default ( Post – CRM) | RWA |
| <b>1 Exposure to Qualified Central Counterparties (QCCPs) Total</b>                                      | <b>9.481</b>                      | <b>190</b> | -                                 | -   |
| 2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions) of which       | -                                 | -          | -                                 | -   |
| 3 (i) OTC Derivatives                                                                                    | 9.481                             | 190        | -                                 | -   |
| 4 (ii) Exchange-traded Derivatives                                                                       | -                                 | -          | -                                 | -   |
| 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)

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**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 <sup>(**)</sup> |                  |
|----------|-------------------------------------------|---------------------|------------------|
|          |                                           | Current Period      | Prior Period     |
|          | Outright products <sup>(*)</sup>          | 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                            | -                   | -                |
| <b>9</b> | <b>Total</b>                              | <b>3.347.613</b>    | <b>1.778.238</b> |

<sup>(\*)</sup> Outright Product refer to positioning products that are not optional

<sup>(\*\*)</sup> The Market risk represents the capital requirement multiplied by 12,5 times Risk Weighted Amount.

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**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<br>Basic Indicator Method            | 2 PP<br>Amount | 1 PP<br>Amount | CP<br>Amount | Total / No. of Years of<br>Positive Gross | Rate<br>(%) | Total             |
|---------------------------------------------------|----------------|----------------|--------------|-------------------------------------------|-------------|-------------------|
| Gross Income                                      | 5.233.130      | 6.158.155      | 8.506.036    | 6.632.440                                 | 15          | 994.866           |
| <b>Value at operational risk<br/>(Total*12,5)</b> |                |                |              |                                           |             | <b>12.435.826</b> |

| Prior Year<br>Basic Indicator Method              | 2 PP<br>Amount | 1 PP<br>Amount | CP<br>Amount | Total / No. of Years of<br>Positive Gross | Rate<br>(%) | Total             |
|---------------------------------------------------|----------------|----------------|--------------|-------------------------------------------|-------------|-------------------|
| Gross Income                                      | 4.610.359      | 5.233.051      | 6.158.155    | 5.333.855                                 | 15          | 800.078           |
| <b>Value at operational risk<br/>(Total*12,5)</b> |                |                |              |                                           |             | <b>10.000.978</b> |

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 subdivisions 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 |

| <u>Date</u>       | <u>US Dollar</u> | <u>Euro</u> |
|-------------------|------------------|-------------|
| 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      |

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**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)**

| <b>Current Period</b>                                                                                                                                   | <b>EUR</b>         | <b>USD</b>          | <b>Other FC</b>    | <b>Total</b>        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------|--------------------|---------------------|
| <b>Assets</b>                                                                                                                                           |                    |                     |                    |                     |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank <sup>(1)</sup> | 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 <sup>(2)</sup>                                                                                       | 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 <sup>(3)</sup>                                                                                                                    | 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 <sup>(4)</sup>                                                                                                                             | 1.719.571          | 1.454.505           | 1.092              | 3.175.168           |
| <b>Total Assets</b>                                                                                                                                     | <b>34.267.167</b>  | <b>38.569.548</b>   | <b>1.023.236</b>   | <b>73.859.951</b>   |
| <b>Liabilities</b>                                                                                                                                      |                    |                     |                    |                     |
| Bank Deposits                                                                                                                                           | 1.670.847          | 3.128.265           | 370.787            | 5.169.899           |
| Foreign Currency Deposits <sup>(5)</sup>                                                                                                                | 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 <sup>(6)</sup>                                                                                                                        | 606.117            | 783.605             | 3.115              | 1.392.837           |
| <b>Total Liabilities</b>                                                                                                                                | <b>24.574.639</b>  | <b>72.790.345</b>   | <b>5.677.136</b>   | <b>103.042.120</b>  |
| <b>Net Balance Sheet Position</b>                                                                                                                       |                    |                     |                    |                     |
|                                                                                                                                                         | <b>9.692.528</b>   | <b>(34.220.797)</b> | <b>(4.653.900)</b> | <b>(29.182.169)</b> |
| <b>Net Off-Balance Sheet Position</b>                                                                                                                   |                    |                     |                    |                     |
| Financial Derivative Assets                                                                                                                             | (9.599.135)        | 33.099.527          | 4.660.214          | 28.160.606          |
| Financial Derivative Liabilities                                                                                                                        | 18.473.411         | 89.357.689          | 4.984.700          | 112.815.800         |
| Non-Cash Loans <sup>(7)</sup>                                                                                                                           | 28.072.546         | 56.258.162          | 324.486            | 84.655.194          |
|                                                                                                                                                         | 8.107.684          | 9.513.266           | 625.822            | 18.246.772          |
| <b>Prior Period</b>                                                                                                                                     |                    |                     |                    |                     |
| 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          |
| <b>Net Balance Sheet Position</b>                                                                                                                       | <b>5.172.912</b>   | <b>(25.935.328)</b> | <b>(2.308.597)</b> | <b>(23.071.013)</b> |
| <b>Net Off-Balance Sheet Position</b>                                                                                                                   | <b>(5.220.847)</b> | <b>25.331.458</b>   | <b>2.307.317</b>   | <b>22.417.928</b>   |
| 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 <sup>(7)</sup>                                                                                                                           | 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 19 February 2006.

(5) Other foreign currency includes TL 3.700.363 (December 31, 2017 – 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.

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**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 | Net Effect on  | Net Effect on Profit | Net Effect on |
|-----------|------------------------------|-------------------------|----------------|----------------------|---------------|
|           |                              | Loss (After Tax)        | Equity (*)     | or Loss (After Tax)  | 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         |

<sup>(\*)</sup> 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.

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**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items**

*(Based on repricing dates)*

| <b>Current Period</b>                                                                                                                                   | <b>Up to 1 Month</b> | <b>1-3 Months</b> | <b>3-12 Months</b> | <b>1-5 Years</b>  | <b>5 Years and Over</b> | <b>Non-Interest Bearing <sup>(1)</sup></b> | <b>Total</b>       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------|--------------------|-------------------|-------------------------|--------------------------------------------|--------------------|
| <b>Assets</b>                                                                                                                                           |                      |                   |                    |                   |                         |                                            |                    |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank <sup>(2)</sup> | 5.273.824            | -                 | -                  | -                 | -                       | 13.474.408                                 | 18.748.232         |
| Due from Banks <sup>(3)</sup>                                                                                                                           | 397.559              | -                 | -                  | -                 | -                       | 456.522                                    | 854.081            |
| Financial Assets at Fair Value Through Profit/Loss <sup>(4)</sup>                                                                                       | 105.443              | 7.324             | 100.830            | 83.906            | 10.890                  | 6.612.867                                  | 6.921.260          |
| Money Market Placements <sup>(5)</sup>                                                                                                                  | 3.040.962            | -                 | -                  | -                 | -                       | -                                          | 3.040.962          |
| Financial Assets at Fair Value Through Other Comprehensive Income <sup>(6)</sup>                                                                        | 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 <sup>(7)</sup>                                                                                                         | 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         |
| <b>Total Assets</b>                                                                                                                                     | <b>38.471.382</b>    | <b>17.558.036</b> | <b>46.554.077</b>  | <b>31.580.600</b> | <b>10.928.400</b>       | <b>36.588.016</b>                          | <b>181.680.511</b> |
| <b>Liabilities</b>                                                                                                                                      |                      |                   |                    |                   |                         |                                            |                    |
| 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 <sup>(8)</sup>                                                                                                                        | 1.426                | 2.576             | 26.550             | 410.576           | 6.602                   | 25.118.000                                 | 25.565.730         |
| <b>Total Liabilities</b>                                                                                                                                | <b>71.091.533</b>    | <b>30.899.660</b> | <b>12.286.775</b>  | <b>9.788.167</b>  | <b>3.222.933</b>        | <b>54.391.443</b>                          | <b>181.680.511</b> |
| 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)       |
| <b>Total Position</b>                                                                                                                                   | <b>(29.759.657)</b>  | <b>2.004.519</b>  | <b>34.250.340</b>  | <b>11.966.021</b> | <b>4.215.375</b>        | <b>(17.803.427)</b>                        | <b>4.873.171</b>   |

<sup>(1)</sup> Non-Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.

<sup>(2)</sup> 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.

<sup>(3)</sup> Banks include balance of expected loss provisions amounting to TL 5.498.

<sup>(4)</sup> Financial Assets at Fair Value Through Profit/Loss include TL 6.586.311 derivative financial assets used for hedging purposes.

<sup>(5)</sup> There is no balance at Receivables from Money Markets include the balance of expected loss provisions.

<sup>(6)</sup> Financial Assets at Fair Value Through Other Comprehensive Income include 1.359.842 derivative financial assets used for hedging purposes.

<sup>(7)</sup> Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 11.852.

<sup>(8)</sup> Other Liabilities includes Derivative Financial Assets amounting to TL 4.978.934.

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**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items**

*(Based on repricing dates)*

| <b>Prior Period</b>                                                                                                                                     | <b>Up to 1 Month</b> | <b>1-3 Months</b> | <b>3-12 Months</b> | <b>1-5 Years</b>  | <b>5 Years and Over</b> | <b>Non-Interest Bearing <sup>(1)</sup></b> | <b>Total</b>       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------|--------------------|-------------------|-------------------------|--------------------------------------------|--------------------|
| <b>Assets</b>                                                                                                                                           |                      |                   |                    |                   |                         |                                            |                    |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank <sup>(2)</sup> | 6.948.671            | -                 | -                  | -                 | -                       | 11.525.630                                 | 18.474.301         |
| Due from Banks <sup>(3)</sup>                                                                                                                           | 231.261              | -                 | 77                 | -                 | -                       | 1.000.306                                  | 1.231.644          |
| Financial Assets at Fair Value Through Profit/Loss <sup>(4)</sup>                                                                                       | -                    | 374               | 1.109              | 11.814            | 7.703                   | 9.638.945                                  | 9.659.945          |
| Money Market Placements <sup>(5)</sup>                                                                                                                  | 100.065              | -                 | 2.000              | -                 | -                       | -                                          | 102.065            |
| Financial Assets at Fair Value Through Other Comprehensive Income <sup>(6)</sup>                                                                        | 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 <sup>(7)</sup>                                                                                                         | 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          |
| <b>Total Assets</b>                                                                                                                                     | <b>37.139.632</b>    | <b>12.564.925</b> | <b>32.187.282</b>  | <b>25.972.950</b> | <b>9.659.554</b>        | <b>39.891.392</b>                          | <b>157.415.735</b> |
| <b>Liabilities</b>                                                                                                                                      |                      |                   |                    |                   |                         |                                            |                    |
| 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 <sup>(8)</sup>                                                                                                                        | 1.222                | 2.539             | 11.242             | 21.444            | -                       | 24.505.129                                 | 24.541.576         |
| <b>Total Liabilities</b>                                                                                                                                | <b>59.897.498</b>    | <b>25.629.063</b> | <b>21.544.917</b>  | <b>4.229.687</b>  | <b>2.154.991</b>        | <b>43.959.579</b>                          | <b>157.415.735</b> |
| 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)       |
| <b>Total Position</b>                                                                                                                                   | <b>(17.493.940)</b>  | <b>8.543.223</b>  | <b>12.557.761</b>  | <b>6.537.988</b>  | <b>226.900</b>          | <b>(4.068.187)</b>                         | <b>6.303.745</b>   |

(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 Income used for hedging purposes amounting to TL 6.338.405.

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**Average interest rates applied to monetary financial instruments**

| <b>Current Period</b>                                                                                                    | <b>EURO</b> | <b>USD</b> | <b>JPY</b> | <b>TL</b> |
|--------------------------------------------------------------------------------------------------------------------------|-------------|------------|------------|-----------|
|                                                                                                                          | <b>%</b>    | <b>%</b>   | <b>%</b>   | <b>%</b>  |
| <b>Assets</b>                                                                                                            |             |            |            |           |
| 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     |
| <b>Liabilities</b>                                                                                                       |             |            |            |           |
| 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     |
| <b>Prior Period</b>                                                                                                      |             |            |            |           |
|                                                                                                                          | <b>EURO</b> | <b>USD</b> | <b>JPY</b> | <b>TL</b> |
|                                                                                                                          | <b>%</b>    | <b>%</b>   | <b>%</b>   | <b>%</b>  |
| <b>Assets</b>                                                                                                            |             |            |            |           |
| 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     |
| <b>Liabilities</b>                                                                                                       |             |            |            |           |
| 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.

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.

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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<br>(+/- x basis points) | Gains/Losses       | Gains/Equity-<br>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%                          |
| <b>Total (of negative shocks)</b> |                                        | <b>1.364.538</b>   | <b>5,62%</b>                   |
| <b>Total (of positive shocks)</b> |                                        | <b>(1.470.403)</b> | <b>(6,06)%</b>                 |

**V. Explanations on Position Risk of Equity Securities in Banking Book**

| Equity Securities (shares)                                | Carrying Value | Comparison     |                         |
|-----------------------------------------------------------|----------------|----------------|-------------------------|
|                                                           |                | Fair Value     | Market Value            |
| <b>1. Investment in Shares- grade A</b>                   | -              | -              | -                       |
| Quoted Securities                                         | -              | -              | -                       |
| <b>2. Investment in Shares- grade B</b>                   | -              | -              | -                       |
| Quoted Securities                                         | -              | -              | -                       |
| <b>3. Investment in Shares- grade C</b>                   | <b>624.551</b> | -              | <b>624.551</b>          |
| Quoted Securities                                         | 624.551        | -              | 624.551 <sup>(**)</sup> |
| <b>4. Investment in Shares- grade Other<sup>(*)</sup></b> | <b>868.322</b> | <b>821.492</b> | -                       |

<sup>(\*)</sup>Includes associates, subsidiaries and entities under common control not quoted to ISE and not classified as investment in shares by Capital market Board (CMB).

<sup>(\*\*)</sup>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.

| Portfolio                     | Gains/Losses in<br>Current Period | Revaluation Surpluses |                                          | Unrealized Gains and Losses |                                 |                                          |
|-------------------------------|-----------------------------------|-----------------------|------------------------------------------|-----------------------------|---------------------------------|------------------------------------------|
|                               |                                   | Total                 | Amount under<br>Supplementary<br>Capital | Total                       | Amount<br>under Core<br>Capital | Amount under<br>Supplementary<br>Capital |
| 1. Private Equity Investments | -                                 | 942.899               | 942.899                                  | -                           | -                               | -                                        |
| 2. Quoted Shares              | -                                 | -                     | -                                        | -                           | -                               | -                                        |
| 3. Other Shares               | -                                 | -                     | -                                        | -                           | -                               | -                                        |
| <b>4. Total</b>               | <b>-</b>                          | <b>942.899</b>        | <b>942.899</b>                           | <b>-</b>                    | <b>-</b>                        | <b>-</b>                                 |

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**VI. Explanations on Remarks regarding Liquidity Risk Management and Liquidity Coverage Rate**

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.

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**Liquidity Coverage Ratio**

| Current Period – December 31, 2019                                                                           | Unweighted Amounts <sup>(*)</sup> |                   | Weighted Amounts <sup>(*)</sup> |                   |
|--------------------------------------------------------------------------------------------------------------|-----------------------------------|-------------------|---------------------------------|-------------------|
|                                                                                                              | TL+FC                             | FC                | TL+FC                           | FC                |
| <b>HIGH QUALITY LIQUID ASSETS</b>                                                                            |                                   |                   | <b>34.400.477</b>               | <b>18.771.048</b> |
| 1. High Quality Liquid Assets                                                                                | 34.400.477                        | 18.771.048        | 34.400.477                      | 18.771.048        |
| <b>CASH OUTFLOWS</b>                                                                                         |                                   |                   |                                 |                   |
| 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         |
| <b>16. TOTAL CASH OUTFLOWS</b>                                                                               | -                                 | -                 | <b>58.493.255</b>               | <b>34.901.528</b> |
| <b>CASH INFLOWS</b>                                                                                          |                                   |                   |                                 |                   |
| 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        |
| <b>20. TOTAL CASH INFLOWS</b>                                                                                | <b>35.808.820</b>                 | <b>24.455.978</b> | <b>30.173.005</b>               | <b>24.181.127</b> |
|                                                                                                              |                                   |                   | <b>Capped Amounts</b>           |                   |
| <b>21. TOTAL HIGH QUALITY LIQUID ASSETS</b>                                                                  |                                   |                   | <b>34.400.477</b>               | <b>18.771.048</b> |
| <b>22. TOTAL NET CASH OUTFLOWS</b>                                                                           |                                   |                   | <b>28.320.250</b>               | <b>10.793.333</b> |
| <b>23. LIQUIDITY COVERAGE RATIO (%)</b>                                                                      |                                   |                   | <b>121,47%</b>                  | <b>173,91%</b>    |

<sup>(\*)</sup> In current period unconsolidated Liquidity Coverage Ratio table, the arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratios are used.

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| Prior Period – December 31, 2018                                                                             | Unweighted Amounts <sup>(*)</sup> |                   | Weighted Amounts <sup>(*)</sup> |                   |
|--------------------------------------------------------------------------------------------------------------|-----------------------------------|-------------------|---------------------------------|-------------------|
|                                                                                                              | TL+FC                             | FC                | TL+FC                           | FC                |
| <b>HIGH QUALITY LIQUID ASSETS</b>                                                                            |                                   |                   | <b>29.060.194</b>               | <b>17.511.509</b> |
| 1. High Quality Liquid Assets                                                                                | 29.060.194                        | 17.511.509        | 29.060.194                      | 17.511.509        |
| <b>CASH OUTFLOWS</b>                                                                                         |                                   |                   |                                 |                   |
| 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         |
| <b>16. TOTAL CASH OUTFLOWS</b>                                                                               | -                                 | -                 | <b>46.198.813</b>               | <b>26.271.779</b> |
| <b>CASH INFLOWS</b>                                                                                          |                                   |                   |                                 |                   |
| 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        |
| <b>20. TOTAL CASH INFLOWS</b>                                                                                | <b>24.487.138</b>                 | <b>15.546.345</b> | <b>21.463.787</b>               | <b>15.378.745</b> |
|                                                                                                              |                                   |                   | <b>Capped Amounts</b>           |                   |
| <b>21. TOTAL HIGH QUALITY LIQUID ASSETS</b>                                                                  |                                   |                   | <b>29.060.194</b>               | <b>17.511.509</b> |
| <b>22. TOTAL NET CASH OUTFLOWS</b>                                                                           |                                   |                   | <b>24.735.026</b>               | <b>10.893.034</b> |
| <b>23. LIQUIDITY COVERAGE RATIO (%)</b>                                                                      |                                   |                   | <b>117,49%</b>                  | <b>160,76%</b>    |

<sup>(\*)</sup> In prior period unconsolidated Liquidity Coverage Ratio table, the arithmetic average of the last three months weekly unconsolidated Liquidity Coverage Ratios are used

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 |
|--------------|---------|------------|---------|------------|---------|
| <b>TL+FC</b> | 133,61  | 04.10.2019 | 108,22  | 06.12.2019 | 122,0   |
| <b>FC</b>    | 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.

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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.

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**Presentation of assets and liabilities according to their remaining maturities**

| <b>Current Period</b>                                                                                                                                  | <b>Demand</b>       | <b>Up to 1 month</b> | <b>1-3 months</b>   | <b>3-12 months</b> | <b>1-5 Years</b>  | <b>5 Years and Over</b> | <b>Unallocated<sup>(1)</sup></b> | <b>Total</b>       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|---------------------|--------------------|-------------------|-------------------------|----------------------------------|--------------------|
| <b>Assets</b>                                                                                                                                          |                     |                      |                     |                    |                   |                         |                                  |                    |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank <sup>(2)</sup> | 10.596.472          | 8.154.069            | -                   | -                  | -                 | -                       | (2.309)                          | 18.748.232         |
| Due from Banks <sup>(3)</sup>                                                                                                                          | 459.453             | 400.126              | -                   | -                  | -                 | -                       | (5.498)                          | 854.081            |
| Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) <sup>(4)</sup>                                                                     | 24.564              | 333.346              | 761.659             | 1.931.703          | 3.180.200         | 689.788                 | -                                | 6.921.260          |
| Money Markets Placements <sup>(5)</sup>                                                                                                                | -                   | 3.040.962            | -                   | -                  | -                 | -                       | -                                | 3.040.962          |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) <sup>(6)</sup>                                                      | 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 <sup>(7)</sup>                                                                                             | -                   | 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         |
| <b>Total Assets</b>                                                                                                                                    | <b>11.270.286</b>   | <b>38.086.116</b>    | <b>11.944.597</b>   | <b>36.170.125</b>  | <b>52.780.199</b> | <b>23.471.168</b>       | <b>7.958.020</b>                 | <b>181.680.511</b> |
| <b>Liabilities</b>                                                                                                                                     |                     |                      |                     |                    |                   |                         |                                  |                    |
| 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 <sup>(8)</sup>                                                                                                                       | -                   | 2.533.171            | 355.718             | 894.634            | 2.733.966         | 1.281.968               | 17.766.273                       | 25.565.730         |
| <b>Total Liabilities</b>                                                                                                                               | <b>25.562.557</b>   | <b>76.345.703</b>    | <b>22.425.212</b>   | <b>11.187.036</b>  | <b>21.876.638</b> | <b>6.517.092</b>        | <b>17.766.273</b>                | <b>181.680.511</b> |
| <b>Liquidity Excess / Gap</b>                                                                                                                          | <b>(14.292.271)</b> | <b>(38.259.587)</b>  | <b>(10.480.615)</b> | <b>24.983.089</b>  | <b>30.903.561</b> | <b>16.954.076</b>       | <b>(9.808.253)</b>               | <b>-</b>           |
| <b>Net Off Balance Sheet Position<sup>(9)</sup></b>                                                                                                    | <b>-</b>            | <b>126.237</b>       | <b>689.273</b>      | <b>1.614.544</b>   | <b>1.234.531</b>  | <b>73.886</b>           | <b>-</b>                         | <b>3.738.471</b>   |
| 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        |
| <b>Non-cash Loans<sup>(10)</sup></b>                                                                                                                   | <b>-</b>            | <b>1.444.446</b>     | <b>3.429.954</b>    | <b>10.412.022</b>  | <b>5.527.961</b>  | <b>574.047</b>          | <b>7.128.674</b>                 | <b>28.517.104</b>  |
| <b>Prior Period</b>                                                                                                                                    |                     |                      |                     |                    |                   |                         |                                  |                    |
| 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        |
| <b>Liquidity Gap</b>                                                                                                                                   | <b>(6.864.225)</b>  | <b>(26.147.267)</b>  | <b>(11.860.996)</b> | <b>9.215.715</b>   | <b>30.005.445</b> | <b>14.750.327</b>       | <b>(9.098.999)</b>               | <b>-</b>           |
| <b>Net-Off Balance Sheet Position<sup>(9)</sup></b>                                                                                                    | <b>-</b>            | <b>(451.657)</b>     | <b>916.705</b>      | <b>2.068.254</b>   | <b>2.418.444</b>  | <b>31.040</b>           | <b>-</b>                         | <b>4.982.786</b>   |
| 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        |
| <b>Non-cash Loans<sup>(10)</sup></b>                                                                                                                   | <b>-</b>            | <b>1.246.671</b>     | <b>2.179.701</b>    | <b>8.419.216</b>   | <b>2.914.717</b>  | <b>412.843</b>          | <b>8.516.098</b>                 | <b>23.689.246</b>  |

<sup>(1)</sup> 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)

<sup>(2)</sup> 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 TL37.141).

<sup>(3)</sup> Banks include balance of expected loss provisions amounting to TL 5.498 (December 31,2018 TL 441).

<sup>(4)</sup> 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.

<sup>(5)</sup> There is no balance at Receivables from Money Markets include the balance of expected loss provisions (December 31,2018 TL 5.)

<sup>(6)</sup> 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.

<sup>(7)</sup> Financial assets measured at amortized cost include TL 11.852 (December 31,2018 TL 37.077) of expected loss provisions.

<sup>(8)</sup> Other Liabilities include Derivative Financial Assets amounting to TL 4.978.934 (December 31,2018 TL 6.338.405).

<sup>(9)</sup> 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

<sup>(10)</sup> Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

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**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                          |               |                      |                   |                    |                  |                     | Total        | Carrying Amount        |
|-----------------------------------------|---------------|----------------------|-------------------|--------------------|------------------|---------------------|--------------|------------------------|
|                                         | Demand        | Up to 1 Month        | 1-3 Months        | 3-12 Months        | 1-5 Years        | Over 5 Years        |              |                        |
| 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 <sup>(*)</sup>            | 7.128.674     | 1.444.447            | 3.429.954         | 10.412.022         | 5.527.961        | 574.046             | 28.517.104   | 28.517.104             |
| <b>Prior Period</b>                     | <b>Demand</b> | <b>Up to 1 Month</b> | <b>1-3 Months</b> | <b>3-12 Months</b> | <b>1-5 Years</b> | <b>Over 5 Years</b> | <b>Total</b> | <b>Carrying Amount</b> |
| 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 <sup>(*)</sup>            | 8.516.098     | 1.246.671            | 2.179.701         | 8.419.216          | 2.914.717        | 412.843             | 23.689.246   | 23.689.246             |

<sup>(\*)</sup> 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                         |                |                |                  |                  |               | 5 years and Longer | Total            |
|----------------------------------------|----------------|----------------|------------------|------------------|---------------|--------------------|------------------|
|                                        | Up to 1 Month  | 1-3 Months     | 3-12 Months      | 1-5 Years        |               |                    |                  |
| Forward Contracts Buy <sup>(**)</sup>  | 2.621.269      | 1.096.527      | 2.056.001        | 903.894          | -             | -                  | 6.677.691        |
| Forward Contracts Sell <sup>(**)</sup> | (2.617.388)    | (1.110.410)    | (1.973.468)      | (1.018.211)      | -             | -                  | (6.719.477)      |
| Swap Contracts Buy <sup>(*)</sup>      | 25.149.800     | 8.896.943      | 14.338.786       | 42.204.173       | 25.704.743    | -                  | 116.294.445      |
| Swap Contracts Sell <sup>(*)</sup>     | (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        |
| <b>Total</b>                           | <b>125.716</b> | <b>907.570</b> | <b>2.258.157</b> | <b>2.778.982</b> | <b>73.886</b> | <b>-</b>           | <b>6.144.311</b> |

<sup>(\*)</sup> This line also includes hedging purpose derivatives.

<sup>(\*\*)</sup> This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

| Prior Period                           |                  |                  |                  |                  |               | 5 years and Longer | Total            |
|----------------------------------------|------------------|------------------|------------------|------------------|---------------|--------------------|------------------|
|                                        | Up to 1 Month    | 1-3 Months       | 3-12 Months      | 1-5 Years        |               |                    |                  |
| Forward Contracts Buy <sup>(**)</sup>  | 2.400.028        | 902.506          | 602.351          | 727.311          | -             | -                  | 4.632.196        |
| Forward Contracts Sell <sup>(**)</sup> | (2.359.326)      | (903.603)        | (589.513)        | (819.265)        | -             | -                  | (4.671.707)      |
| Swap Contracts Buy <sup>(*)</sup>      | 14.466.035       | 10.755.485       | 20.821.697       | 36.895.954       | 18.740.181    | -                  | 101.679.352      |
| Swap Contracts Sell <sup>(*)</sup>     | (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          |
| <b>Total</b>                           | <b>(451.518)</b> | <b>1.127.141</b> | <b>2.068.253</b> | <b>3.838.887</b> | <b>31.040</b> | <b>-</b>           | <b>6.613.803</b> |

<sup>(\*)</sup> This line also includes hedging purpose derivatives.

<sup>(\*\*)</sup> This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

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**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 <sup>(*)</sup> | Prior Period <sup>(*)</sup> |
| <b>Assets on Balance sheet</b>                                                                                                               |                               |                             |
| Assets on Balance sheet (except for derivative financial instruments and credit (Assets deducted from capital stock)                         | 171.361.772                   | 145.032.426                 |
| <b>Total risk amount related to Assets on Balance sheet</b>                                                                                  | <b>170.891.420</b>            | <b>144.618.297</b>          |
| <b>Derivative financial instruments and credit derivatives</b>                                                                               |                               |                             |
| 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                   |
| <b>Total risk amount related to derivative financial instruments and credit derivatives</b>                                                  | <b>9.061.384</b>              | <b>15.411.300</b>           |
| <b>Financial transactions having security or commodity collateral</b>                                                                        |                               |                             |
| Risk amount of financial transactions having security or commodity collateral kıymet veya emtia teminatlđ finansman işlemlerinin risk tutarı | 110.193                       | -                           |
| Risk amount sourcing from transactions mediated                                                                                              | 2.245                         | -                           |
| <b>Total risk amount related to financial transactions having security or commodity collateral</b>                                           | <b>112.438</b>                | <b>-</b>                    |
| <b>Off-Balance sheet Transaction</b>                                                                                                         |                               |                             |
| 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                  |
| <b>Total risk amount related to off-balance sheet transactions</b>                                                                           | <b>88.074.908</b>             | <b>66.785.139</b>           |
| <b>Capital and Total Risk</b>                                                                                                                |                               |                             |
| Core Capital                                                                                                                                 | 19.678.486                    | 14.112.759                  |
| Amount of total risk                                                                                                                         | 268.140.150                   | 226.814.736                 |
| <b>Financial leverage ratio</b>                                                                                                              |                               |                             |
| Financial leverage ratio                                                                                                                     | 7,34%                         | 6,22%                       |

<sup>(\*)</sup> Amounts stated in table shows the last quarter averages of related period.

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**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.

| <b>Current Period</b>                                 | <b>Carrying Value</b> | <b>Fair Value</b>  |
|-------------------------------------------------------|-----------------------|--------------------|
| <b>Financial Assets</b>                               | <b>143.021.676</b>    | <b>142.782.209</b> |
| 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        |
| <b>Financial Liabilities</b>                          | <b>156.114.782</b>    | <b>155.870.674</b> |
| 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          |
| <b>Prior Period</b>                                   | <b>Carrying Value</b> | <b>Fair Value</b>  |
| <b>Financial Assets</b>                               | <b>116.728.425</b>    | <b>112.696.010</b> |
| 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         |
| <b>Financial Liabilities</b>                          | <b>132.874.159</b>    | <b>132.014.521</b> |
| 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.

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The classification of fair value calculation is as follows.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);
- 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);
- 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:

| <b>Current Period</b>                                                                   | <b>Level 1</b>    | <b>Level 2</b>   | <b>Level 3</b>   | <b>Total</b>      |
|-----------------------------------------------------------------------------------------|-------------------|------------------|------------------|-------------------|
| <b>Financial Assets</b>                                                                 | <b>12.204.492</b> | <b>8.325.539</b> | <b>1.532.883</b> | <b>22.062.914</b> |
| 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         |
| <b>Financial Liabilities</b>                                                            | <b>212</b>        | <b>4.978.722</b> | <b>-</b>         | <b>4.978.934</b>  |
| 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.

| <b>Prior Period</b>                                                                     | <b>Level 1</b>   | <b>Level 2</b>    | <b>Level 3</b> | <b>Total</b>      |
|-----------------------------------------------------------------------------------------|------------------|-------------------|----------------|-------------------|
| <b>Financial Assets</b>                                                                 | <b>9.008.468</b> | <b>12.681.973</b> | <b>584.599</b> | <b>22.275.040</b> |
| 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        |
| <b>Financial Liabilities</b>                                                            | <b>3.073</b>     | <b>6.335.332</b>  | <b>-</b>       | <b>6.338.405</b>  |
| 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:

|                                                | <b>Current Period</b> | <b>Prior Period</b> |
|------------------------------------------------|-----------------------|---------------------|
| <b>Opening Balance</b>                         | <b>584.599</b>        | <b>431.081</b>      |
| Change in total gain/loss                      | 371.188               | 28.486              |
| <i>Accounted in income statement</i>           | 24.261                | -                   |
| <i>Accounted in other comprehensive income</i> | 346.927               | 28.486              |
| Purchases and Transfers (*)                    | 624.551               | 125.032             |
| Disposals                                      | -                     | -                   |
| Matured Loans <sup>(*)</sup>                   | -                     | -                   |
| Sales from Level 3                             | (47.455)              | -                   |
| <b>Closing Balance</b>                         | <b>1.532.883</b>      | <b>584.599</b>      |

(\*) 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.

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**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            |
| <b>Total</b>                | <b>1.127.557</b> | <b>17.622.984</b> | <b>1.822.717</b> | <b>16.688.725</b> |

**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        |
| <b>Total</b>                 | <b>446.072</b> | <b>16.659.924</b> | <b>1.035.698</b> | <b>15.770.333</b> |

As of December 31,2019 amount of TL 2.309 provision 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 28 December 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 04, 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.

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**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 amount of financial assets at fair value through profit/loss which has 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                | -                | -                | -                | -              |
| <b>Total</b>         | <b>2.772.074</b> | <b>1.042.097</b> | <b>4.889.505</b> | <b>591.781</b> |

**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 | -              | -              | -              | -                |
| <b>Total</b>                      | <b>400.735</b> | <b>458.844</b> | <b>200.553</b> | <b>1.031.532</b> |

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 <sup>(**)</sup> |                |
|-------------------------------|---------------------|----------------|-----------------------------------|----------------|
|                               | 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 <sup>(*)</sup> | 3.084               | 1.535          | -                                 | -              |
| Off-shore Banking Regions     | -                   | -              | -                                 | -              |
| Other                         | 19.419              | 35.882         | -                                 | -              |
| <b>Total</b>                  | <b>349.411</b>      | <b>832.256</b> | <b>103.629</b>                    | <b>198.524</b> |

<sup>(\*)</sup> Includes OECD countries other than the EU countries, USA and Canada.

<sup>(\*\*)</sup> Includes blocked placements amounting to TL 103.629 at foreign banks (December 31, 2018 - TL 198.524) for the funds borrowed from foreign banks.

**4. Information on receivables from reverse repurchase agreements**

|                                                | Current Period   |          | Prior Period   |          |
|------------------------------------------------|------------------|----------|----------------|----------|
|                                                | TL               | FC       | TL             | FC       |
| <b>Domestic Transactions</b>                   | <b>3.040.962</b> | <b>-</b> | <b>100.070</b> | <b>-</b> |
| T.R Central Bank                               | -                | -        | -              | -        |
| Banks <sup>(*)</sup>                           | 3.040.962        | -        | 100.070        | -        |
| Intermediary Institutions                      | -                | -        | -              | -        |
| Other Financial Institutions and Organizations | -                | -        | -              | -        |
| Other Institutions and Organization            | -                | -        | -              | -        |
| Real Persons                                   | -                | -        | -              | -        |
| <b>Foreign Transactions</b>                    | <b>-</b>         | <b>-</b> | <b>-</b>       | <b>-</b> |
| Central Banks                                  | -                | -        | -              | -        |
| Banks                                          | -                | -        | -              | -        |
| Intermediary Institutions                      | -                | -        | -              | -        |
| Other Financial Institutions and Organizations | -                | -        | -              | -        |
| Other Institutions and Organizations           | -                | -        | -              | -        |
| Real Persons                                   | -                | -        | -              | -        |
| <b>Total</b>                                   | <b>3.040.962</b> | <b>-</b> | <b>100.070</b> | <b>-</b> |

<sup>(\*)</sup> As of December 31,2019 provision provided for the account Receivables from Money Markets is none. (December 31,2018: TL 5)

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**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        |
| <b>Total</b>                     | <b>565.529</b> | <b>5.750.726</b> | <b>159.066</b> | <b>3.376.550</b> |

**b) Information on financial assets at fair value through other comprehensive income**

|                                                 | Current Period    | Prior Period     |
|-------------------------------------------------|-------------------|------------------|
| <b>Debt securities</b>                          | <b>12.315.104</b> | <b>8.742.018</b> |
| Quoted on a stock exchange <sup>(*)</sup>       | 12.315.104        | 8.742.018        |
| Unquoted on a stock exchange                    | -                 | -                |
| <b>Share certificates</b>                       | <b>189.904</b>    | <b>118.277</b>   |
| Quoted on a stock exchange                      | -                 | -                |
| Unquoted on a stock exchange <sup>(**)</sup>    | 189.904           | 118.277          |
| <b>Impairment provision(-) <sup>(***)</sup></b> | <b>(161.567)</b>  | <b>(416.240)</b> |
| <b>Total</b>                                    | <b>12.343.441</b> | <b>8.444.055</b> |

<sup>(\*)</sup> 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.

<sup>(\*\*)</sup> 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.

<sup>(\*\*\*)</sup> 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)

**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      |
| <b>Direct Loans Granted to Shareholders</b> | <b>3.192</b>   | <b>37.126</b> | <b>1.755</b>  | <b>16.572</b> |
| Corporate Shareholders                      | 3.192          | 37.126        | 1.755         | 16.572        |
| Individual Shareholders                     | -              | -             | -             | -             |
| Indirect Loans Granted to Shareholders      | -              | -             | -             | -             |
| Loans Granted to Employees <sup>(*)</sup>   | <b>127.384</b> | -             | <b>85.872</b> | -             |
| <b>Total</b>                                | <b>130.576</b> | <b>37.126</b> | <b>87.627</b> | <b>16.572</b> |

<sup>(\*)</sup> Includes the advances given to the bank personnel.

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**b) Performing loans and loans under follow-up including restructured or rescheduled loans, and other receivables**

**b.1) Financial assets measured at amortized cost**

| Cash Loans <sup>(e)</sup>       | Standard Loans    | Loans under close monitoring       |                                   |                  |
|---------------------------------|-------------------|------------------------------------|-----------------------------------|------------------|
|                                 |                   | Loans Not Subject to restructuring | Restructured Loans                |                  |
|                                 |                   |                                    | Loans with Revised Contract Terms | Refinance        |
| <b>Non-specialized Loans</b>    | <b>98.578.213</b> | <b>4.432.134</b>                   | <b>539.791</b>                    | <b>7.147.798</b> |
| 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        |
| <b>Specialized Loans</b>        | -                 | -                                  | -                                 | -                |
| <b>Other Receivables</b>        | -                 | -                                  | -                                 | -                |
| <b>Total</b>                    | <b>98.578.213</b> | <b>4.432.134</b>                   | <b>539.791</b>                    | <b>7.147.798</b> |

|                                       | Standard Loans | Close Monitoring Loans |
|---------------------------------------|----------------|------------------------|
| <b>Current Period</b>                 |                |                        |
| Expected loss provisions fo 12 months | 907.293        | -                      |
| Significant increase at Credit Risk   | -              | 1.524.953              |
| <b>Prior Period</b>                   |                |                        |
| 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**

| Cash Loans                 | Loans Under Close Monitoring |                                    |                               |
|----------------------------|------------------------------|------------------------------------|-------------------------------|
|                            | 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                     |
| <b>Total</b>               | <b>98.578.213</b>            | <b>4.432.134</b>                   | <b>7.687.589</b>              |

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**d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards**

|                                             | Short Term        | Medium and Long Term | Total             |
|---------------------------------------------|-------------------|----------------------|-------------------|
| <b>Consumer Loans-TL</b>                    | <b>672.451</b>    | <b>20.130.452</b>    | <b>20.802.903</b> |
| 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                                       | -                 | -                    | -                 |
| <b>Consumer Loans-FC Indexed</b>            | <b>-</b>          | <b>3.455</b>         | <b>3.455</b>      |
| Housing Loans                               | -                 | 3.159                | 3.159             |
| Automobile Loans                            | -                 | -                    | -                 |
| Personal Need Loans                         | -                 | 296                  | 296               |
| Other                                       | -                 | -                    | -                 |
| <b>Consumer Loans-FC</b>                    | <b>-</b>          | <b>-</b>             | <b>-</b>          |
| Housing Loans                               | -                 | -                    | -                 |
| Automobile Loans                            | -                 | -                    | -                 |
| Personal Need Loans                         | -                 | -                    | -                 |
| Other                                       | -                 | -                    | -                 |
| <b>Individual Credit Cards-TL</b>           | <b>12.384.447</b> | <b>679.807</b>       | <b>13.064.254</b> |
| Installment                                 | 4.736.499         | 612.775              | 5.349.274         |
| Non- Installment                            | 7.647.948         | 67.032               | 7.714.980         |
| <b>Individual Credit Cards-FC</b>           | <b>22.481</b>     | <b>40</b>            | <b>22.521</b>     |
| Installment                                 | -                 | -                    | -                 |
| Non- Installment                            | 22.481            | 40                   | 22.521            |
| <b>Personnel Loans-TL</b>                   | <b>11.188</b>     | <b>63.437</b>        | <b>74.625</b>     |
| Housing Loans                               | -                 | 324                  | 324               |
| Automobile Loans                            | -                 | -                    | -                 |
| Personal Need Loans                         | 11.188            | 63.113               | 74.301            |
| Other                                       | -                 | -                    | -                 |
| <b>Personnel Loans-FC Indexed</b>           | <b>-</b>          | <b>-</b>             | <b>-</b>          |
| Housing Loans                               | -                 | -                    | -                 |
| Automobile Loans                            | -                 | -                    | -                 |
| Personal Need Loans                         | -                 | -                    | -                 |
| Other                                       | -                 | -                    | -                 |
| <b>Personnel Loans-FC</b>                   | <b>-</b>          | <b>-</b>             | <b>-</b>          |
| Housing Loans                               | -                 | -                    | -                 |
| Automobile Loans                            | -                 | -                    | -                 |
| Personal Need Loans                         | -                 | -                    | -                 |
| Other                                       | -                 | -                    | -                 |
| <b>Personnel Credit Cards-TL</b>            | <b>47.140</b>     | <b>413</b>           | <b>47.553</b>     |
| Installment                                 | 17.667            | 155                  | 17.822            |
| Non-Installment                             | 29.473            | 258                  | 29.731            |
| <b>Personnel Credit Cards-FC</b>            | <b>177</b>        | <b>-</b>             | <b>177</b>        |
| Installment                                 | -                 | -                    | -                 |
| Non-Installment                             | 177               | -                    | 177               |
| <b>Overdraft Accounts-TL (Real Persons)</b> | <b>1.800.222</b>  | <b>99.425</b>        | <b>1.899.647</b>  |
| <b>Overdraft Accounts-FC (Real Persons)</b> | <b>-</b>          | <b>-</b>             | <b>-</b>          |
| <b>Total</b>                                | <b>14.938.106</b> | <b>20.977.029</b>    | <b>35.915.135</b> |

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**e) Information on commercial loans with installments and corporate credit cards**

|                                                                | Short Term       | Medium and Long Term | Total             |
|----------------------------------------------------------------|------------------|----------------------|-------------------|
| <b>Commercial Loans with Installment Facility – TL</b>         | <b>265.112</b>   | <b>16.927.804</b>    | <b>17.192.916</b> |
| 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                                                          | -                | -                    | -                 |
| <b>Commercial Loans with Installment Facility - FC Indexed</b> | <b>-</b>         | <b>600.964</b>       | <b>600.964</b>    |
| Real Estate Loans                                              | -                | 11.200               | 11.200            |
| Automobile Loans                                               | -                | 26.625               | 26.625            |
| Personal Need Loans                                            | -                | 563.139              | 563.139           |
| Other                                                          | -                | -                    | -                 |
| <b>Commercial Loans with Installment Facility – FC</b>         | <b>-</b>         | <b>-</b>             | <b>-</b>          |
| Real Estate Loans                                              | -                | -                    | -                 |
| Automobile Loans                                               | -                | -                    | -                 |
| Personal Need Loans                                            | -                | -                    | -                 |
| Other                                                          | -                | -                    | -                 |
| <b>Corporate Credit Cards –TL</b>                              | <b>3.367.105</b> | <b>83.338</b>        | <b>3.450.443</b>  |
| Installment                                                    | 970.351          | 62.331               | 1.032.682         |
| Non-Installment                                                | 2.396.754        | 21.007               | 2.417.761         |
| <b>Corporate Credit Cards –FC</b>                              | <b>1.633</b>     | <b>3</b>             | <b>1.636</b>      |
| Installment                                                    | -                | -                    | -                 |
| Non-Installment                                                | 1.633            | 3                    | 1.636             |
| <b>Overdraft Accounts-TL (Legal Entities)</b>                  | <b>1.055.458</b> | <b>8.101</b>         | <b>1.063.559</b>  |
| <b>Overdraft Accounts-FC (Legal Entities)</b>                  | <b>-</b>         | <b>-</b>             | <b>-</b>          |
| <b>Total</b>                                                   | <b>4.689.308</b> | <b>17.620.210</b>    | <b>22.309.518</b> |

**f) Allocation of loans by customers**

|              | Current Period     | Prior Period      |
|--------------|--------------------|-------------------|
| Public       | -                  | 101.668           |
| Private      | 110.697.936        | 95.193.208        |
| <b>Total</b> | <b>110.697.936</b> | <b>95.294.876</b> |

**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           |
| <b>Total</b>   | <b>110.697.936</b> | <b>95.294.876</b> |

**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 | -                | -              |
| <b>Total</b>                                          | <b>1.015.749</b> | <b>548.148</b> |

**i) Specific provisions for loans (Stage III/Specific Provision)**

|                                                   | Current Period   | Prior Period     |
|---------------------------------------------------|------------------|------------------|
| <b>Provisions</b>                                 |                  |                  |
| 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        |
| <b>Total</b>                                      | <b>5.943.713</b> | <b>4.746.136</b> |

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**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 |
| <b>Current Period</b>               |                                                   |                                                    |                                           |
| Gross Amounts Before the Provisions | 264                                               | 3.091                                              | 67.342                                    |
| Restructured Loans                  | 264                                               | 3.091                                              | 67.342                                    |
| <b>Prior Period</b>                 |                                                   |                                                    |                                           |
| 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 |
| <b>Prior Period End Balance</b>                             | <b>1.317.684</b>                                  | <b>928.415</b>                                     | <b>3.909.153</b>                          |
| 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                                   |
| <b>Write-offs (-)</b>                                       | -                                                 | -                                                  | 10.728                                    |
| <b>Debt Sales<sup>(*)</sup></b>                             | -                                                 | -                                                  | <b>918.518</b>                            |
| Corporate and Commercial Loans                              | -                                                 | -                                                  | 338.286                                   |
| Consumer Loans                                              | -                                                 | -                                                  | 237.624                                   |
| Credit Cards                                                | -                                                 | -                                                  | 342.608                                   |
| Others                                                      | -                                                 | -                                                  | -                                         |
| <b>Current Period End Balance</b>                           | <b>1.914.374</b>                                  | <b>1.437.367</b>                                   | <b>4.922.674</b>                          |
| Provision (-)                                               | 1.093.928                                         | 892.639                                            | 3.957.146                                 |
| <b>Net Balances on Balance Sheet</b>                        | <b>820.446</b>                                    | <b>544.728</b>                                     | <b>965.528</b>                            |

<sup>(\*)</sup>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.

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**j.3) Information on foreign currency non-performing loans and other receivables**

None (December 31, 2018 - None).

**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 |
| <b>Current Period (Net)</b>                      | <b>820.446</b>                                    | <b>544.728</b>                                     | <b>965.528</b>                      |
| 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)                | -                                                 | -                                                  | -                                   |
| <b>Prior Period (Net)</b>                        | <b>578.936</b>                                    | <b>320.102</b>                                     | <b>510.078</b>                      |
| 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 |
| <b>Current Period (Net)</b>                 |                                                   |                                                    |                                     |
| Interest Accruals and Valuation Differences | 214.810                                           | 149.201                                            | 332.194                             |
| Provision (-)                               | 137.580                                           | 96.472                                             | 250.993                             |
| <b>Prior Period (Net)</b>                   |                                                   |                                                    |                                     |
| 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.

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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        |
| <b>Total</b>                     | <b>364.213</b> | <b>6.633.767</b> | <b>628.100</b> | <b>4.037.098</b> |

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          |
| <b>Total</b>          | <b>8.588.791</b> | <b>7.028.183</b> | <b>7.916.505</b> | <b>4.283.527</b> |

c) Information on investment securities measured at amortized cost

|                          | Current Period   |                  | Prior Period     |                  |
|--------------------------|------------------|------------------|------------------|------------------|
|                          | TL               | FC               | TL               | FC               |
| <b>Debt Securities</b>   | <b>8.588.791</b> | <b>7.592.511</b> | <b>7.916.505</b> | <b>5.015.688</b> |
| Publicly-traded          | 8.588.791        | 7.592.511        | 7.916.505        | 5.015.688        |
| Non-publicly traded      | -                | -                | -                | -                |
| Provision for losses (-) | -                | -                | -                | -                |
| <b>Total</b>             | <b>8.588.791</b> | <b>7.592.511</b> | <b>7.916.505</b> | <b>5.015.688</b> |

d) Movements of financial assets measured at amortized cost

|                                                           | Current Period    | Prior Period      |
|-----------------------------------------------------------|-------------------|-------------------|
| <b>Value at the beginning of the period<sup>(*)</sup></b> | <b>12.932.193</b> | <b>8.946.170</b>  |
| 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         |
| <b>The sum of end of the period</b>                       | <b>16.181.302</b> | <b>12.932.193</b> |

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)

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**8. Investments in associates (Net)**

**8.1. Investments in associates**

**a) Information on the unconsolidated subsidiaries**

| <b>Title</b>                                    | <b>Address (City/Country)</b> | <b>Bank's Share-If Different, Voting Rights (%)</b> | <b>Bank's Risk Group Share (%)</b> |
|-------------------------------------------------|-------------------------------|-----------------------------------------------------|------------------------------------|
| Bankalararası Kart Merkezi (BKM) <sup>(*)</sup> | Istanbul/Turkey               | 9,23%                                               | 9,23%                              |

  

| <b>Total Assets</b> | <b>Shareholder's Equity</b> | <b>Total Fixed Assets</b> | <b>Interest Income</b> | <b>Income on Securities Portfolio</b> | <b>Current Period Profit/Loss</b> | <b>Prior Period Profit/Loss</b> | <b>Company's Fair Value</b> |
|---------------------|-----------------------------|---------------------------|------------------------|---------------------------------------|-----------------------------------|---------------------------------|-----------------------------|
| 147.868             | 93.468                      | 65.949                    | 4.027                  | -                                     | 28.503                            | 8.630                           | -                           |

<sup>(\*)</sup> 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 subsidiaries**

None (December 31, 2018- None).

**8.2. Movement schedule for consolidated subsidiaries:**

|                                                      | <b>Current Period</b> | <b>Prior Period</b> |
|------------------------------------------------------|-----------------------|---------------------|
| <b>Balance at the Beginning of Period</b>            | <b>5.982</b>          | <b>3.766</b>        |
| <b>Movements During the Period</b>                   | <b>-</b>              | <b>2.216</b>        |
| 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 (-)                                | -                     | -                   |
| <b>Balance at the End of the Period</b>              | <b>5.982</b>          | <b>5.982</b>        |
| <b>Capital Commitments</b>                           | <b>-</b>              | <b>-</b>            |
| <b>Share Percentage at the End of the Period (%)</b> | <b>-</b>              | <b>-</b>            |

**8.3. Sectoral information on investments and associates, and the related carrying amounts**

|                     | <b>Current Period</b> | <b>Prior Period</b> |
|---------------------|-----------------------|---------------------|
| Factoring Companies | -                     | -                   |
| Leasing Companies   | -                     | -                   |
| Finance Companies   | -                     | -                   |
| Other Associates    | 5.982                 | 5.982               |
| <b>Total</b>        | <b>5.982</b>          | <b>5.982</b>        |

**8.4. Quoted associates**

None (December 31, 2018 - None).

**8.5. Valuation methods of investments in associates**

|                         | <b>Current Period</b> | <b>Prior Period</b> |
|-------------------------|-----------------------|---------------------|
| Valued at Cost          | 5.982                 | 5.982               |
| Valued at Fair Value    | -                     | -                   |
| Valued at Equity Method | -                     | -                   |
| <b>Total</b>            | <b>5.982</b>          | <b>5.982</b>        |

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**9. Investments in subsidiaries (Net)**

**a) Information on the unconsolidated subsidiaries**

| Title                                                                                                                 | Address<br>(City/Country) | Bank's Share-If different,<br>Voting Rights (%) | Bank' Risk Group<br>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<br>(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 <sup>(9)</sup> |
|--------------|----------------------|--------------------|-----------------|--------------------------------|----------------------------|--------------------------|-------------------------------------|
| 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                  | -                  | -               | -                              | -                          | -                        | -                                   |

<sup>(9)</sup> 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.

**b.2) Movement schedule for consolidated subsidiaries:**

|                                                      | Current Period   | Prior Period     |
|------------------------------------------------------|------------------|------------------|
| <b>Balance at the Beginning of the Period</b>        | <b>1.103.202</b> | <b>724.921</b>   |
| <b>Movements during the period</b>                   | <b>108.866</b>   | <b>378.281</b>   |
| Purchases <sup>(9)</sup>                             | -                | 15.000           |
| Bonus Shares Received                                | -                | -                |
| Dividends from Current Year Profit                   | -                | -                |
| Disposals                                            | -                | -                |
| Changes Due to Reclassification                      | -                | -                |
| Revaluation Increase                                 | 108.866          | 363.281          |
| Impairment Provision                                 | -                | -                |
| <b>Balance at the End of the Period</b>              | <b>1.212.068</b> | <b>1.103.202</b> |
| <b>Capital Commitments</b>                           | -                | -                |
| <b>Share Percentage at the end of the Period (%)</b> | -                | -                |

<sup>(9)</sup>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.

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**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          |
| <b>Total</b>        | <b>1.212.068</b> | <b>1.103.202</b> |

**b.4) Subsidiaries quoted on stock exchange**

|                                         | Current Period         | Prior Period   |
|-----------------------------------------|------------------------|----------------|
| Quoted on Domestic Stock Exchanges      | 624.551 <sup>(*)</sup> | 777.308        |
| Quoted on International Stock Exchanges | -                      | -              |
| <b>Total</b>                            | <b>624.551</b>         | <b>777.308</b> |

<sup>(\*)</sup>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<br>(City/Country) | Bank's Share-If<br>different, Voting Rights<br>(%) | Bank' Risk Group<br>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'<br>Equity | Total Fixed<br>Asset | Interest<br>Income | Securities<br>Income | Current<br>Period<br>Profit/Loss | Prior Period<br>Profit/Loss | Company<br>'s Fair<br>Value |
|-------------------|--------------|-------------------------|----------------------|--------------------|----------------------|----------------------------------|-----------------------------|-----------------------------|
| 1. <sup>(*)</sup> | 1.667.524    | 240.074                 | 25.968               | -                  | -                    | 154.255                          | 103.384                     | 233.977                     |
| 2.                | 131.954      | 86.601                  | 47.090               | -                  | -                    | 33.356                           | 15.064                      | -                           |

<sup>(\*)</sup> Cigna Finans Emeklilik ve Hayat A.Ş., is accounted with fair value method as Communique on Bank's unconsolidated Turkish Financial Reporting Statement.

**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 <sup>(*)</sup> | 2.693.288        | 78.852         | 4.117.133        | 33.076         |
| Cash Flow Hedge <sup>(**)</sup> | 1.314.595        | 45.247         | 2.702.865        | 111.180        |
| Foreign Net Investment Hedges   | -                | -              | -                | -              |
| <b>Total</b>                    | <b>4.007.883</b> | <b>124.099</b> | <b>6.819.998</b> | <b>144.256</b> |

<sup>(\*)</sup> Derivative financial instruments held for fair value hedge consist of swaps. As of 31 December 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.

<sup>(\*\*)</sup> Represents the fair value of derivative financial instruments for cash flow hedge of deposits and floating interest borrowings.

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**13. Explanations regarding the investment properties**

|                                                                | Land and Buildings | Operational Fixed Assets Under Finance Lease | Vehicles      | Other Tangible Fixed Assets | Total            |
|----------------------------------------------------------------|--------------------|----------------------------------------------|---------------|-----------------------------|------------------|
| <b>Prior Year End</b>                                          |                    |                                              |               |                             |                  |
| Cost <sup>(*)</sup>                                            | 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        |
| <b>Net Book Value</b>                                          | <b>2.787.163</b>   | <b>44.817</b>                                | <b>41.841</b> | <b>462.040</b>              | <b>3.335.861</b> |
| <b>Current Year End</b>                                        |                    |                                              |               |                             |                  |
| <b>Cost at the Beginning of the Period</b>                     | <b>2.848.480</b>   | <b>288.260</b>                               | <b>43.710</b> | <b>1.548.826</b>            | <b>4.729.276</b> |
| Additions <sup>(*)</sup>                                       | 200.236            | 333                                          | 19.582        | 221.170                     | 441.321          |
| Disposals (-)                                                  | 1.869              | -                                            | 171           | 16.249                      | 18.289           |
| Impairment (-) / (increase)                                    | (27.979)           | -                                            | -             | -                           | (27.979)         |
| <b>Current Period Cost</b>                                     | <b>3.018.868</b>   | <b>288.593</b>                               | <b>63.121</b> | <b>1.753.747</b>            | <b>5.124.329</b> |
| <b>Accumulated Depreciation at the Beginning of the Period</b> | <b>61.317</b>      | <b>243.443</b>                               | <b>1.869</b>  | <b>1.086.786</b>            | <b>1.393.415</b> |
| Disposals (-)                                                  | 1                  | -                                            | 171           | 15.742                      | 15.914           |
| Depreciation Amount                                            | 199.372            | 5.708                                        | 29.061        | 136.338                     | 370.479          |
| <b>Current Period Accumulated Depreciation (-)</b>             | <b>260.688</b>     | <b>249.151</b>                               | <b>30.759</b> | <b>1.207.382</b>            | <b>1.747.980</b> |
| <b>Net Book Value-end of the Period</b>                        | <b>2.758.180</b>   | <b>39.442</b>                                | <b>32.362</b> | <b>546.365</b>              | <b>3.376.349</b> |

<sup>(\*)</sup> 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.

<sup>(\*\*)</sup> 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 reverse 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 affecting 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).

**14. Explanations on intangible assets**

|                                                                | Rights           | Goodwill | Total            |
|----------------------------------------------------------------|------------------|----------|------------------|
| <b>Prior Period End</b>                                        |                  |          |                  |
| Cost                                                           | 1.172.403        | -        | 1.172.403        |
| Accumulated Amortization (-)                                   | 775.224          | -        | 775.224          |
| <b>Net Book Value</b>                                          | <b>397.179</b>   | <b>-</b> | <b>397.179</b>   |
| <b>Current Period End</b>                                      |                  |          |                  |
| <b>Cost at the Beginning of the Period</b>                     | <b>1.172.403</b> | <b>-</b> | <b>1.172.403</b> |
| Additions                                                      | 169.921          | -        | 169.921          |
| Disposals(-)                                                   | -                | -        | -                |
| Impairment (-) / (increase)                                    | -                | -        | -                |
| <b>Current Period Cost</b>                                     | <b>1.342.324</b> | <b>-</b> | <b>1.342.324</b> |
| <b>Accumulated Amortization at the Beginning of the Period</b> | <b>775.224</b>   | <b>-</b> | <b>775.224</b>   |
| Disposals(-)                                                   | -                | -        | -                |
| Amortization Charge (-)                                        | 128.820          | -        | 128.820          |
| <b>Current Period Accumulated Amortization (-)</b>             | <b>904.044</b>   | <b>-</b> | <b>904.044</b>   |
| <b>Net Book Value-End of the Period</b>                        | <b>438.280</b>   | <b>-</b> | <b>438.280</b>   |

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- 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, 2017: 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 reflected to 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).

|                                                                    | Accumulated Temporary Differences |             | Deferred Tax Assets/(Liabilities) |                  |
|--------------------------------------------------------------------|-----------------------------------|-------------|-----------------------------------|------------------|
|                                                                    | 31.12.2019                        | 31.12.2018  | 31.12.2019                        | 31.12.2019       |
| 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          |
| <b>Deferred Tax Assets</b>                                         |                                   |             | <b>962.057</b>                    | <b>1.431.202</b> |
| 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)        |
| <b>Deferred Tax Liabilities</b>                                    |                                   |             | <b>(613.369)</b>                  | <b>(908.919)</b> |
| <b>Deferred Tax Assets/(Liabilities), Net</b>                      |                                   |             | <b>348.688</b>                    | <b>522.283</b>   |

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|                                                          | <b>Current Period</b>   | <b>Prior Period</b>     |
|----------------------------------------------------------|-------------------------|-------------------------|
|                                                          | <b>01.01-31.12.2019</b> | <b>01.01-31.12.2018</b> |
| 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                  |
| <b>Deferred Tax Active/ (Passive) - Net</b>              | <b>348.688</b>          | <b>522.283</b>          |

**17. Information on assets held for sale and discontinued operations**

|                                       | <b>Current Period</b> | <b>Prior Period</b> |
|---------------------------------------|-----------------------|---------------------|
| <b>Opening Balance Net Book Value</b> | -                     | -                   |
| Additions (*)                         | 47.455                | -                   |
| Impairment (-)                        | 47.455                | -                   |
| <b>Closing Net Book Value</b>         | -                     | -                   |

(\*) 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**

|                                              | <b>Current Period</b> | <b>Prior Period</b> |
|----------------------------------------------|-----------------------|---------------------|
| 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              |
| <b>Total</b>                                 | <b>5.990.661</b>      | <b>4.696.455</b>    |

As of December 31, 2019, the Bank is provided provisions for other assets to TL 9.213 (December 31, 2018 – TL 2.008).

**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.

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**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          |
| <b>Total</b>                                                      | <b>10.514.283</b> | <b>1.847.139</b> | <b>15.344.909</b> | <b>845.944</b> |

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**SECTION FIVE**

**II. Explanations And Disclosures Related To 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 I    | 1 Year and Over  | Accumulated Deposit Accounts | Total              |
|--------------------------------|-------------------|---------------|-------------------|-------------------|------------------|------------------|------------------|------------------------------|--------------------|
| <b>Saving Deposits</b>         | <b>4.749.725</b>  | -             | <b>8.337.031</b>  | <b>18.244.106</b> | <b>214.359</b>   | <b>247.901</b>   | <b>1.113.219</b> | <b>910</b>                   | <b>32.907.251</b>  |
| <b>Foreign Currency</b>        | <b>13.163.632</b> | -             | <b>5.467.902</b>  | <b>24.282.951</b> | <b>3.533.737</b> | <b>2.032.562</b> | <b>1.474.559</b> | <b>2.998</b>                 | <b>49.958.341</b>  |
| 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          |
| <b>Public Sector Deposits</b>  | <b>403.375</b>    | -             | <b>2.296</b>      | <b>9.734</b>      | <b>569</b>       | <b>19</b>        | -                | -                            | <b>415.993</b>     |
| <b>Commercial Deposits</b>     | <b>3.470.806</b>  | -             | <b>4.537.787</b>  | <b>4.486.426</b>  | <b>82.770</b>    | <b>35.395</b>    | <b>66.801</b>    | -                            | <b>12.679.985</b>  |
| <b>Other Ins. Deposits</b>     | <b>63.232</b>     | -             | <b>31.454</b>     | <b>418.746</b>    | <b>1.441</b>     | <b>40.772</b>    | <b>1.847</b>     | -                            | <b>557.492</b>     |
| <b>Precious Metal Deposits</b> | <b>3.517.505</b>  | -             | <b>1.068</b>      | <b>7.602</b>      | <b>1.192</b>     | <b>2.780</b>     | <b>170.215</b>   | -                            | <b>3.700.362</b>   |
| <b>Bank Deposits</b>           | <b>194.282</b>    | -             | <b>3.244.393</b>  | <b>1.864.410</b>  | <b>74.941</b>    | <b>28.333</b>    | -                | -                            | <b>5.406.359</b>   |
| 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                          | -                 | -             | -                 | -                 | -                | -                | -                | -                            | -                  |
| <b>Total</b>                   | <b>25.562.557</b> | -             | <b>21.621.931</b> | <b>49.313.975</b> | <b>3.909.009</b> | <b>2.387.762</b> | <b>2.826.641</b> | <b>3.908</b>                 | <b>105.625.783</b> |

**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             |
|--------------------------------|-------------------|---------------|-------------------|-------------------|------------------|------------------|------------------|------------------------------|-------------------|
| <b>Saving Deposits</b>         | <b>2.951.929</b>  | -             | <b>4.425.049</b>  | <b>16.913.430</b> | <b>4.014.224</b> | <b>1.658.762</b> | <b>2.408.105</b> | <b>1.782</b>                 | <b>32.373.281</b> |
| <b>Foreign Currency</b>        | <b>7.997.652</b>  | -             | <b>2.584.447</b>  | <b>22.134.039</b> | <b>1.625.763</b> | <b>1.394.003</b> | <b>1.152.066</b> | -                            | <b>36.887.970</b> |
| 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         |
| <b>Public Sector Deposits</b>  | <b>313.443</b>    | -             | <b>472</b>        | <b>5.062</b>      | <b>346</b>       | -                | <b>148</b>       | -                            | <b>319.471</b>    |
| <b>Commercial Deposits</b>     | <b>2.088.318</b>  | -             | <b>2.802.222</b>  | <b>4.459.722</b>  | <b>1.177.734</b> | <b>218.963</b>   | <b>480.505</b>   | -                            | <b>11.227.464</b> |
| <b>Other Ins. Deposits</b>     | <b>50.544</b>     | -             | <b>39.436</b>     | <b>597.919</b>    | <b>27.309</b>    | <b>18.487</b>    | <b>8.473</b>     | -                            | <b>742.168</b>    |
| <b>Precious Metal Deposits</b> | <b>1.724.651</b>  | -             | -                 | <b>43.459</b>     | <b>1.525</b>     | <b>10.188</b>    | <b>82.694</b>    | -                            | <b>1.862.517</b>  |
| <b>Bank Deposits</b>           | <b>555.542</b>    | -             | <b>272.551</b>    | <b>2.007.939</b>  | <b>802.759</b>   | <b>37.747</b>    | <b>1.044</b>     | -                            | <b>3.677.582</b>  |
| 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                          | -                 | -             | -                 | -                 | -                | -                | -                | -                            | -                 |
| <b>Total</b>                   | <b>15.682.079</b> | -             | <b>10.124.177</b> | <b>46.161.570</b> | <b>7.649.660</b> | <b>3.338.150</b> | <b>4.133.035</b> | <b>1.782</b>                 | <b>87.090.453</b> |

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**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         | -                                 | -                 | -                                 | -                 |
| <b>Total</b>                                                | <b>28.877.558</b>                 | <b>19.399.009</b> | <b>42.850.275</b>                 | <b>38.193.489</b> |

**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 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated 26, 2004 | -              | -             |
| Saving deposits in banks established in Turkey exclusively for off-shore banking activities                                               | -              | -             |
| <b>Total</b>                                                                                                                              | <b>175.203</b> | <b>85.698</b> |

**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        | -                | -              | -                | -              |
| <b>Total</b> | <b>2.681.264</b> | <b>937.909</b> | <b>5.295.411</b> | <b>436.229</b> |

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**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        |
| <b>Total</b>                         | <b>380.249</b> | <b>14.929.160</b> | <b>138.385</b> | <b>18.027.864</b> |

**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        |
| <b>Total</b>         | <b>380.249</b> | <b>14.929.160</b> | <b>138.385</b> | <b>18.027.864</b> |

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, 2017 – 3%).

**4. Information on funds provided under repurchase agreements**

|                                          | Current Period |                  | Prior Period  |                  |
|------------------------------------------|----------------|------------------|---------------|------------------|
|                                          | TL             | FC               | TL            | FC               |
| <b>From domestic transactions</b>        | <b>255.279</b> | <b>-</b>         | <b>90.924</b> | <b>-</b>         |
| Financial institutions and organizations | 232.383        | -                | 72.397        | -                |
| Other institutions and organizations     | 11.123         | -                | 9.213         | -                |
| Real persons                             | 11.773         | -                | 9.314         | -                |
| <b>From foreign transactions</b>         | <b>2.393</b>   | <b>8.797.038</b> | <b>1.349</b>  | <b>4.622.546</b> |
| Financial institutions and organizations | -              | 8.797.038        | -             | 4.622.546        |
| Other institutions and organizations     | 2.393          | -                | 1.349         | -                |
| Real persons                             | -              | -                | -             | -                |
| <b>Total</b>                             | <b>257.672</b> | <b>8.797.038</b> | <b>92.273</b> | <b>4.622.546</b> |

**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        |
| <b>Total</b> | <b>3.954.629</b> | <b>9.131.345</b> | <b>2.206.779</b> | <b>6.697.676</b> |

The Bank has government bond issue program (Global Medium Term Note Programme) amounting to USD 5 Billion.

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**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 which are taken into consideration determination of payment plans in 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).

**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   | -              | -             | -             | -             |
| <b>Total</b>        | <b>21.862</b>  | <b>15.977</b> | <b>36.445</b> | <b>24.623</b> |

**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 | -              | -              | -            | -        |
| <b>Total</b>      | <b>503.973</b> | <b>431.753</b> | <b>-</b>     | <b>-</b> |

**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 | -              | -              | -              | -              |
| <b>Total</b>         | <b>772.591</b> | <b>587.170</b> | <b>314.729</b> | <b>292.036</b> |

(\*) 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 (31 December 2018 – TL 8.179.) (\*\*) Represents the fair value of derivative financial instruments for cash flow hedges of deposits and floating rate borrowings.

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**9. Information on provisions**

**9.1. Provision for currency exchange gain/loss on foreign currency indexed loans**

|                                                                   | <b>Current</b> | <b>Prior Period</b> |
|-------------------------------------------------------------------|----------------|---------------------|
| 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**

|              | <b>Current Period</b> | <b>Prior Period</b> |
|--------------|-----------------------|---------------------|
| Stage 1      | 92.437                | 74.422              |
| Stage 2      | 17.471                | 16.431              |
| Stage 3      | 45.614                | 50.116              |
| <b>Total</b> | <b>155.522</b>        | <b>140.969</b>      |

**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**

|                                             | <b>Current Period</b>   | <b>Prior Period</b>     |
|---------------------------------------------|-------------------------|-------------------------|
|                                             | <b>01.01-31.12.2019</b> | <b>01.01-31.12.2018</b> |
| 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)                |
| <b>Total</b>                                | <b>230.438</b>          | <b>173.924</b>          |

**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:

|                                                  | <b>Current Period</b> | <b>Prior Period</b> |
|--------------------------------------------------|-----------------------|---------------------|
| Provision for Promotion Expenses of Credit Cards | -                     | 10.982              |
| Other Provisions                                 | 190.554               | 211.011             |
| <b>Total</b>                                     | <b>190.554</b>        | <b>221.993</b>      |

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**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 is none. (31 December 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         |
| <b>Total</b>                                 | <b>421.591</b> | <b>349.328</b> |

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         |
| <b>Total</b>                              | <b>27.059</b>  | <b>21.933</b> |

**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               |
| <b>To be included in the calculation of additional capital</b>             | -              | <b>3.120.203</b> | -            | -                |
| Subordinated Loans                                                         | -              | 3.120.203        | -            | -                |
| Subordinated debt instruments                                              | -              | -                | -            | -                |
| <b>Debt instruments to be included in contribution capital calculation</b> | -              | <b>2.312.350</b> | -            | <b>4.816.098</b> |
| Subordinated loans                                                         | -              | 2.312.350        | -            | 4.816.098        |
| Subordinated debt instruments                                              | -              | -                | -            | -                |
| <b>Total</b>                                                               | -              | <b>5.432.553</b> | -            | <b>4.816.098</b> |

On April 1, 2019, a subordinated loan amounting to USD 125 million was renewed in accordance with Basel III and included in the calculation of contribution capital as 2029.

On 30 June 2019, subordinated loan amounting to USD 525 million was renewed in compliance with the necessary amendments were made in the capital similar loan prospectus.

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**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 | -              | -            |

**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-in.

**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 <sup>(*)</sup> | 714            | 714          |
| Common Stock Withdrawal Profits            | -              | -            |
| Other Capital Instruments                  | -              | -            |

<sup>(\*)</sup> Due to the Bank's capital increase at the prior periods, common stock issue premium accounted amounting to TL 714.

**15. Securities value increase fund**

|                                                                                     | Current Period   |                  | Prior Period   |                  |
|-------------------------------------------------------------------------------------|------------------|------------------|----------------|------------------|
|                                                                                     | TL               | FC               | TL             | FC               |
| <b>Associates, Subsidiaries and Entities under Common Control</b>                   | <b>942.899</b>   | <b>-</b>         | <b>748.729</b> | <b>-</b>         |
| Valuation Difference                                                                | 942.899          | -                | 748.729        | -                |
| Foreign Exchange Rate Difference                                                    | -                | -                | -              | -                |
| <b>Securities Measured at Fair Value Through Other Comprehensive Income (FVOCI)</b> | <b>210.214</b>   | <b>(381.200)</b> | <b>80.775</b>  | <b>(534.108)</b> |
| Valuation Difference                                                                | 210.214          | (381.200)        | 80.775         | (534.108)        |
| Foreign Exchange Rate Difference                                                    | -                | -                | -              | -                |
| <b>Total</b>                                                                        | <b>1.153.113</b> | <b>(381.200)</b> | <b>829.504</b> | <b>(534.108)</b> |

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**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:

|                                  | <b>Current Period</b> |                  | <b>Prior Period</b> |                  |
|----------------------------------|-----------------------|------------------|---------------------|------------------|
|                                  | <b>TL</b>             | <b>FC</b>        | <b>TL</b>           | <b>FC</b>        |
| 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          |
| <b>Total</b>                     | <b>3.874.307</b>      | <b>2.112.598</b> | <b>6.396.524</b>    | <b>1.211.421</b> |

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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. | 71.447            | 29.958            |
| Tax and Fund Liabilities due to Export Commitments                                | 29.197            | 28.728            |
| <b>Total</b>                                                                      | <b>52.944.939</b> | <b>38.847.998</b> |

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        |
| <b>Total</b>      | <b>8.489.839</b> | <b>6.204.060</b> |

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         |
| <b>Total</b>                                  | <b>20.027.265</b> | <b>17.485.186</b> |

2. Total amount of non-cash loans

|                                                        | Current Period    | Prior Period      |
|--------------------------------------------------------|-------------------|-------------------|
| <b>Non-Cash Loans granted for Obtaining Cash Loans</b> | <b>2.009.076</b>  | <b>3.913.293</b>  |
| 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         |
| <b>Other Non-Cash Loans</b>                            | <b>26.508.028</b> | <b>19.775.953</b> |
| <b>Total</b>                                           | <b>28.517.104</b> | <b>23.689.246</b> |

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**3. Information on risk concentration in sector terms in non-cash loans**

|                                   | Current Period    |               |                   |               | Prior Period     |               |                   |               |
|-----------------------------------|-------------------|---------------|-------------------|---------------|------------------|---------------|-------------------|---------------|
|                                   | TL                | %             | FC                | %             | TL               | %             | FC                | %             |
| <b>Agricultural</b>               | <b>37.497</b>     | <b>0,37</b>   | <b>69.559</b>     | <b>0,38</b>   | <b>28.886</b>    | <b>0,33</b>   | <b>40.184</b>     | <b>0,27</b>   |
| 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          |
| <b>Manufacturing</b>              | <b>1.645.765</b>  | <b>16,03</b>  | <b>8.248.440</b>  | <b>45,21</b>  | <b>2.318.397</b> | <b>26,51</b>  | <b>7.534.257</b>  | <b>50,42</b>  |
| 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          |
| <b>Construction</b>               | <b>3.132.469</b>  | <b>30,50</b>  | <b>2.776.877</b>  | <b>15,22</b>  | <b>2.953.023</b> | <b>33,77</b>  | <b>1.791.908</b>  | <b>11,99</b>  |
| <b>Services</b>                   | <b>5.271.352</b>  | <b>51,33</b>  | <b>7.068.110</b>  | <b>38,73</b>  | <b>2.718.719</b> | <b>31,09</b>  | <b>5.483.620</b>  | <b>36,69</b>  |
| 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          |
| <b>Other</b>                      | <b>183.249</b>    | <b>1,77</b>   | <b>83.786</b>     | <b>0,46</b>   | <b>725.792</b>   | <b>8,30</b>   | <b>94.460</b>     | <b>0,63</b>   |
| <b>Total</b>                      | <b>10.270.332</b> | <b>100,00</b> | <b>18.246.772</b> | <b>100,00</b> | <b>8.744.817</b> | <b>100,00</b> | <b>14.944.429</b> | <b>100,00</b> |

**4. Information on non-cash loans classified in first and second groups**

|                                           | I. Group          |                   | II. Group      |                |
|-------------------------------------------|-------------------|-------------------|----------------|----------------|
|                                           | TL                | FC                | TL             | FC             |
| <b>Current Period (*)</b>                 |                   |                   |                |                |
| 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            | -                 | -                 | -              | -              |
| <b>Non-cash Loans</b>                     | <b>10.062.380</b> | <b>18.138.250</b> | <b>162.338</b> | <b>108.522</b> |

(\*) 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      |               |
|-------------------------------------------|------------------|-------------------|----------------|---------------|
|                                           | TL               | FC                | TL             | FC            |
| <b>Prior Period (*)</b>                   |                  |                   |                |               |
| 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            | -                | -                 | -              | -             |
| <b>Non-cash Loans</b>                     | <b>8.530.873</b> | <b>14.894.814</b> | <b>163.828</b> | <b>49.615</b> |

(\*) 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.

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**5. Information on derivative financial instruments**

|                                                             | Current Period     | Prior Period       |
|-------------------------------------------------------------|--------------------|--------------------|
| <b>Types of trading transactions</b>                        |                    |                    |
| <b>Foreign Currency Related Derivative Transactions (I)</b> | <b>115.303.643</b> | <b>110.799.329</b> |
| Forward transactions <sup>(*)</sup>                         | 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         |
| <b>Interest Related Derivative Transactions (II)</b>        | <b>58.871.980</b>  | <b>41.650.654</b>  |
| Forward rate transactions                                   | -                  | -                  |
| Interest rate swap transactions                             | 58.871.980         | 41.650.654         |
| Interest option transactions                                | -                  | -                  |
| Futures interest transactions                               | -                  | -                  |
| Security option transactions                                | -                  | -                  |
| <b>Other trading derivative transactions (III)</b>          | <b>1.217.741</b>   | <b>815.440</b>     |
| <b>A. Total Trading Derivative Transactions (I+II+III)</b>  | <b>175.393.364</b> | <b>153.265.423</b> |
| <b>Types of hedging transactions</b>                        |                    |                    |
| Fair value hedges                                           | 31.148.040         | 26.613.394         |
| Cash flow hedges                                            | 49.101.851         | 40.258.698         |
| Net investment hedges                                       | -                  | -                  |
| <b>B. Total Hedging Related Derivatives</b>                 | <b>80.249.891</b>  | <b>66.872.092</b>  |
| <b>Total Derivative Transactions (A+B)</b>                  | <b>255.643.255</b> | <b>220.137.515</b> |

<sup>(\*)</sup>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:

|                       | Forward Buy <sup>(**)</sup> | Forward Sell <sup>(**)</sup> | Swap Buy <sup>(*)</sup> | Swap Sell <sup>(*)</sup> | Option Buy       | Option Sell      | Future Buy    | Futures Sell  | Other            |
|-----------------------|-----------------------------|------------------------------|-------------------------|--------------------------|------------------|------------------|---------------|---------------|------------------|
| <b>Current Period</b> |                             |                              |                         |                          |                  |                  |               |               |                  |
| 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           | -             | -             | -                |
| <b>Total</b>          | <b>6.677.691</b>            | <b>6.719.477</b>             | <b>116.294.445</b>      | <b>111.293.934</b>       | <b>6.604.708</b> | <b>6.638.149</b> | <b>99.198</b> | <b>97.912</b> | <b>1.217.741</b> |

<sup>(\*)</sup>This column also includes hedging purpose derivatives.

<sup>(\*\*)</sup>This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

|                     | Forward Buy <sup>(**)</sup> | Forward Sell <sup>(**)</sup> | Swap Buy <sup>(*)</sup> | Swap Sell <sup>(*)</sup> | Option Buy       | Option Sell      | Future Buy     | Futures Sell   | Other          |
|---------------------|-----------------------------|------------------------------|-------------------------|--------------------------|------------------|------------------|----------------|----------------|----------------|
| <b>Prior Period</b> |                             |                              |                         |                          |                  |                  |                |                |                |
| 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           | -              | -              | -              |
| <b>Total</b>        | <b>4.632.196</b>            | <b>4.671.707</b>             | <b>101.679.352</b>      | <b>95.773.330</b>        | <b>6.130.164</b> | <b>6.198.312</b> | <b>118.507</b> | <b>118.507</b> | <b>815.440</b> |

<sup>(\*)</sup>This column also includes hedging purpose derivatives.

<sup>(\*\*)</sup>This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

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**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 30, 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, 2017 – TL 1.228 gain) gain from swaps is recognized under “Gains/losses from Derivative Financial Transactions”.

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**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 (31 December 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 (31 December 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 (31 December 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.

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**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**

| <b>MOODY’S June 2019</b>        |          | <b>FITCH November 2019</b> |          | <b>CI August 2019</b>         |          |
|---------------------------------|----------|----------------------------|----------|-------------------------------|----------|
| Long-Term Deposit Rating (FC)   | B3       | Long -Term Foreign Curr.   | B+       | Long-Term Foreign Curr.       | BB-      |
| Long-Term Deposit Rating (TL)   | B1       | Short-Term Foreign Curr.   | B        | Short-Term Foreign Curr.      | B        |
| Short-Term Deposit Rating (FC)  | NP       | Long-Term TL               | BB-      | FC Appearance                 | Negative |
| Short-Term Deposit Rating (TL)  | NP       | Short-Term TL              | B        | Financial Strength Rating     | B+       |
| Main Credit Evaluation          | B3       | Long-Term National         | AA(tur)  | Financial Strength Appearance | Negative |
| Adjusted Main Credit Evaluation | B1       | Appearance                 | Negative | Support                       | High     |
| Appearance                      | Negative | Long-Term Foreign Currency | B        |                               |          |
|                                 |          | Denominated Debt           |          |                               |          |
| Long-Term Foreign Currency      |          |                            |          |                               |          |
| Denominated Debt (FC)           | B1       | Support                    | 4        |                               |          |
|                                 |          | Financial Capacity Rating  | b+       |                               |          |

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**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 | -                 | -                | -                 | -                |
| <b>Total(*)</b>                            | <b>13.273.048</b> | <b>2.030.989</b> | <b>11.829.519</b> | <b>1.559.425</b> |

(\*) 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 | -              | -             | -              | -             |
| <b>Total</b>                      | <b>156.712</b> | <b>78.425</b> | <b>160.458</b> | <b>40.650</b> |

(\*) The interest income on Required Reserve amounting TL 190.664 is not included into interest income on Banks. (December 31, 2017: 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        |
| <b>Total</b>                                                                       | <b>1.799.672</b> | <b>618.530</b> |

  

|                                                                                    | 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        |
| <b>Total</b>                                                                       | <b>2.119.525</b> | <b>432.075</b> |

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 and updated according to the inflation rate of 8,55% as of 31 December 2019.

**d) Information on interest income received from associates and subsidiaries**

|                                                    | Current Period | Prior Period |
|----------------------------------------------------|----------------|--------------|
| Interest Received from Associates and Subsidiaries | 119.184        | 33.373       |

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**2. a) Information on interest expense related to funds borrowed<sup>(\*)</sup>**

|                                   | Current Period |                  | Prior Period  |                  |
|-----------------------------------|----------------|------------------|---------------|------------------|
|                                   | TL             | FC               | TL            | FC               |
| <b>Banks</b>                      | <b>34.528</b>  | <b>1.177.856</b> | <b>11.050</b> | <b>1.042.608</b> |
| 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 | -              | -                | -             | -                |
| <b>Other Institutions</b>         | <b>-</b>       | <b>-</b>         | <b>-</b>      | <b>-</b>         |
| <b>Total</b>                      | <b>34.528</b>  | <b>1.177.856</b> | <b>11.050</b> | <b>1.042.608</b> |

(\*) 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)**

| Account                 | Time Deposits   |                  |                  |                |                |                |          | Accumulated Deposit Account | Total            |
|-------------------------|-----------------|------------------|------------------|----------------|----------------|----------------|----------|-----------------------------|------------------|
|                         | Demand Deposits | Up to 1 Month    | Up to 3 Months   | Up to 6 Months | Up to 1 Year   | Over 1 Year    |          |                             |                  |
| <b>Turkish Lira</b>     |                 |                  |                  |                |                |                |          |                             |                  |
| 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    | -               | -                | -                | -              | -              | -              | -        | -                           | -                |
| <b>Total</b>            | <b>659</b>      | <b>1.808.179</b> | <b>4.085.823</b> | <b>303.142</b> | <b>222.070</b> | <b>514.612</b> | <b>-</b> | <b>-</b>                    | <b>6.934.485</b> |
| <b>Foreign Currency</b> |                 |                  |                  |                |                |                |          |                             |                  |
| 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            |
| <b>Total</b>            | <b>577</b>      | <b>134.262</b>   | <b>614.107</b>   | <b>69.989</b>  | <b>50.015</b>  | <b>34.811</b>  | <b>-</b> | <b>-</b>                    | <b>903.761</b>   |
| <b>Grand Total</b>      | <b>1.236</b>    | <b>1.942.441</b> | <b>4.699.930</b> | <b>373.131</b> | <b>272.085</b> | <b>549.423</b> | <b>-</b> | <b>-</b>                    | <b>7.838.246</b> |

**Information on maturity structure of interest expense on deposits (Prior Period)**

| Account                 | Time Deposit    |                  |                  |                |                |                |          | Accumulated Deposit Account | Total            |
|-------------------------|-----------------|------------------|------------------|----------------|----------------|----------------|----------|-----------------------------|------------------|
|                         | Demand Deposits | Up to 1 Month    | Up to 3 Months   | Up to 6 Months | Up to 1 Year   | Over 1 Year    |          |                             |                  |
| <b>Turkish Lira</b>     |                 |                  |                  |                |                |                |          |                             |                  |
| 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    | -               | -                | -                | -              | -              | -              | -        | -                           | -                |
| <b>Total</b>            | <b>160</b>      | <b>1.058.578</b> | <b>3.577.020</b> | <b>299.255</b> | <b>171.158</b> | <b>280.638</b> | <b>-</b> | <b>-</b>                    | <b>5.386.809</b> |
| <b>Foreign Currency</b> |                 |                  |                  |                |                |                |          |                             |                  |
| 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            |
| <b>Total</b>            | <b>329</b>      | <b>126.544</b>   | <b>833.459</b>   | <b>52.122</b>  | <b>52.629</b>  | <b>27.161</b>  | <b>-</b> | <b>-</b>                    | <b>1.092.244</b> |
| <b>Grand Total</b>      | <b>489</b>      | <b>1.185.122</b> | <b>4.410.479</b> | <b>351.377</b> | <b>223.787</b> | <b>307.799</b> | <b>-</b> | <b>-</b>                    | <b>6.479.053</b> |

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**e) Information on interest expense on repurchase agreements**

|                                                          | Current Period |         | Prior Period |         |
|----------------------------------------------------------|----------------|---------|--------------|---------|
|                                                          | TL             | FC      | TL           | FC      |
| Interest Expense on Repurchase Agreements <sup>(*)</sup> | 150.765        | 199.000 | 207.119      | 145.294 |

<sup>(\*)</sup> 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        |
| <b>Total</b>                                                           | <b>51.187</b>  | <b>52.196</b> |

**4. Information on trading income/loss**

|                                            | Current Period     | Prior Period       |
|--------------------------------------------|--------------------|--------------------|
| <b>Trading Income</b>                      | <b>11.938.319</b>  | <b>19.235.990</b>  |
| 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          |
| <b>Trading Loss (-)</b>                    | <b>13.454.771</b>  | <b>20.641.750</b>  |
| 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          |
| <b>Net Trading Income/Loss</b>             | <b>(1.516.452)</b> | <b>(1.405.760)</b> |

**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     |
|-----------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Expected Credit Loss</b>                                                                   | <b>1.837.123</b> | <b>2.088.882</b> |
| 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        |
| <b>Marketable Securities Impairment Expense</b>                                               | <b>(17.533)</b>  | <b>8.369</b>     |
| Financial Assets at Fair Value through Profit or Loss                                         | -                | -                |
| Financial Assets at Fair Value through Other Comprehensive Income                             | (17.533)         | 8.369            |
| <b>Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease</b> | <b>47.455</b>    | -                |
| Investments in Associates                                                                     | 47.455           | -                |
| Subsidiaries                                                                                  | -                | -                |
| Joint Ventures                                                                                | -                | -                |
| <b>Other</b>                                                                                  | <b>26.748</b>    | <b>114.352</b>   |
| <b>Total</b>                                                                                  | <b>1.893.793</b> | <b>2.211.603</b> |

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**7. Information on other operating expenses**

|                                                                                 | <b>Current Period</b> | <b>Prior Period</b> |
|---------------------------------------------------------------------------------|-----------------------|---------------------|
| 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           |
| <i>Operational Leasing Expenses</i>                                             | 4.811                 | 236.400             |
| <i>Maintenance Expenses</i>                                                     | 245.729               | 180.178             |
| <i>Advertisement Expenses</i>                                                   | 111.000               | 94.029              |
| <i>Other Expenses</i>                                                           | 789.568               | 626.144             |
| Loss on Sales of Assets                                                         | 491                   | 138                 |
| Other <sup>(**)</sup>                                                           | 504.897               | 447.588             |
| <b>Total</b>                                                                    | <b>2.183.469</b>      | <b>1.856.029</b>    |

<sup>(\*)</sup> Includes "Personnel Expenses" that not exist in the income statement "Other Operating Expenses" line

<sup>(\*\*)</sup> 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, 2017 – 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 – TL2.409.829 ).

**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.

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**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:**

| <b>Current Year Profit</b>                                 | <b>2.409.829</b> |
|------------------------------------------------------------|------------------|
| 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**

|                                                       | <b>Current Period</b> | <b>Prior Period</b> |
|-------------------------------------------------------|-----------------------|---------------------|
| 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)

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**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**

|                                                                  | <b>Prior Period<br/>December 31, 2018</b> |
|------------------------------------------------------------------|-------------------------------------------|
| <b>Cash</b>                                                      | <b>1.705.411</b>                          |
| Cash in TL                                                       | 787.019                                   |
| Cash in Foreign Currencies                                       | 849.141                                   |
| Other                                                            | 69.251                                    |
| <b>Cash Equivalents</b>                                          | <b>7.061.654</b>                          |
| 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)                                      |
| <b>Cash and Cash Equivalents</b>                                 | <b>8.767.065</b>                          |

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**3. Information regarding the balances of cash and cash equivalents at the end of the period**

|                                                                  | <b>Current Period</b>    |
|------------------------------------------------------------------|--------------------------|
|                                                                  | <b>December 31, 2019</b> |
| <b>Cash</b>                                                      | <b>1.644.545</b>         |
| Cash in TL                                                       | 681.485                  |
| Cash in Foreign Currencies                                       | 944.326                  |
| Other                                                            | 18.734                   |
| <b>Cash Equivalents</b>                                          | <b>12.743.347</b>        |
| 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                                                   | -                        |
| <b>Cash and Cash Equivalents</b>                                 | <b>14.387.892</b>        |

**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.

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**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 | Cas                                     | Non-Cash | Cash                                           | Non-  |
| <b>Loans and Other Receivables</b> |                             |          |                                         |          |                                                |       |
| Balance at the Beginning of the    | 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 |
| <b>Loans and Other Receivables</b>     |                             |          |                                         |          |                                                |          |
| 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 |
| <b>Deposits</b>                        |                             |              |                                         |              |                                                |              |
| 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.

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**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 |
| <b>Transactions for Trading Purposes</b> |                             |              |                                         |              |                                                 |              |
| 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                                             | -            |
| <b>Transactions for Hedging Purposes</b> |                             |              |                                         |              |                                                 |              |
| 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 Ibtch 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.

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**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    |            |                     |                |
| Foreign Representation                | -      | -         |            |                     |                |
|                                       |        |           |            | <u>Total Assets</u> | <u>Capital</u> |
| Foreign Branch                        | 1      | 8         | 1- Bahreyn | 18.677.412          | -              |
| Off-shore Banking and Region Branches | -      | -         |            | -                   | -              |

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**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:

| <u>Date</u> | <u>Currency</u> | <u>Nominal</u> | <u>Interest Rate (%)</u> | <u>Due Date</u> |
|-------------|-----------------|----------------|--------------------------|-----------------|
| 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.

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**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).