



QNB FINANSBANK A.Ş.
US\$5,000,000,000
Global Medium Term Note Programme

This supplement (this “*Supplement*”) is supplemental to, and must be read in conjunction with, the Base Prospectus dated 26 April 2018 (the “*Original Base Prospectus*” and, as supplemented on 29 May 2018, 11 September 2018 and 26 November 2018, the “*Base Prospectus*”) prepared by QNB Finansbank A.Ş. (the “*Issuer*” or the “*Bank*”) under the Issuer’s global medium term note programme. Capitalised terms used but not otherwise defined herein shall have the meaning ascribed thereto in the Base Prospectus.

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has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC (as amended or superseded, the “*Prospectus Directive*”).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

A copy of each of: (a) the consolidated BRSA financial statements of the Group as of and for the year ended 31 December 2018 (including any notes thereto and the independent auditor’s report thereon, the “*Group’s New BRSA Financial Statements*”) and (b) the unconsolidated BRSA financial statements of the Issuer as of and for the year ended 31 December 2018 (including any notes thereto and the independent auditor’s report thereon) (together with the Group’s New BRSA Financial Statements, the “*New Financial Statements*”) has been filed with the Central Bank of Ireland and the Irish Stock Exchange plc trading as Euronext Dublin and, by means of this Supplement, is incorporated by reference into, and forms part of, the Base Prospectus. Copies of each of the New Financial Statements can be obtained without charge from the registered office of the Issuer and from the Issuer’s website at: <https://www.qnbfinansbank.com/en/investor-relations/financial-information> (such website is not, and should not be deemed to constitute, a part of, or be incorporated into, this Supplement or the Base Prospectus). The New Financial Statements, which are in English, were prepared as convenience translations of the corresponding Turkish language financial statements (which translations the Issuer confirms were direct and accurate). The New Financial Statements were not prepared for the purpose of their incorporation by reference into the Base Prospectus.

The New Financial Statements were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited).

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

Except as disclosed herein (including in the New Financial Statements incorporated by reference into the Base Prospectus by means of this Supplement) and in the previous supplements to the Original Base Prospectus, there has been no: (a) significant new factor, material mistake or inaccuracy relating to the information included in the Original Base Prospectus since the publication of the Original Base Prospectus, (b) significant change in the financial or trading position of either the Group or the Issuer since 31 December 2018 and (c) material adverse change in the financial position or prospects of the Issuer since 31 December 2018.

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

AMENDMENTS

The following amendments are made to the Base Prospectus:

RISK FACTORS

The second paragraph under the risk factor titled “*Risks Related to Turkey – Political Developments*” on page 12 of the Original Base Prospectus is amended by the addition of the following sentence at the end thereof:

Although there have been limited or no disruptions to date, local elections in Turkey, scheduled to take place on 31 March 2019, might result in increased political risks.

The third paragraph under the risk factor titled “*Risks Related to Turkey – Terrorism and Conflicts*” on page 15 of the Original Base Prospectus is amended by the addition of the following sentence before the last sentence thereof:

On 19 December 2018, the United States announced its intention to withdraw its 2,000 troops currently stationed in Syria, though no concrete timeline for the withdrawal has been issued.

The first paragraph under the risk factor titled “*Risks Related to Turkey – High Current Account Deficit*” beginning on page 17 of the Original Base Prospectus is amended by the addition of the following sentence before the second to last sentence thereof:

In 2018, Turkey’s current account deficit decreased to US\$27.6 billion due to an increase in exports and a slowdown in domestic demand.

The third and fourth sentences of the paragraph under the risk factor titled “*Risks Related to Turkey – Inflation Risk*” on page 19 of the Original Base Prospectus are hereby deleted in their entirety and replaced by the following:

The consumer price inflation was 20.3% during 2018, while annual domestic producer price inflation during the year was 33.6%. As of January 2019, the last 12 month consumer price inflation was 20.35% and the annual producer price inflation was 32.93%. (Turkstat). On 30 January 2019, the Central Bank published its first inflation report of 2019 and reduced its inflation forecasts, predicting a rate of 14.6% for 2019 (previously expecting a rate of 15.2% in the fourth inflation report of 2018) and 8.2% for 2020 (previously expecting a rate of 9.3% in the fourth inflation report of 2018).

RECENT DEVELOPMENTS

The last sentence of the second paragraph of the language included to the section titled “*Recent Developments*” by the supplement dated 26 November 2018 is hereby deleted in its entirety and replaced by the following:

These two temporary regulatory easing measures with respect to the calculation of capital adequacy ratios expired in December 2018.

The following language is hereby added at the end of the section titled “*Recent Developments*” included in the Original Base Prospectus by the supplement dated 29 May 2018, as amended by the supplement dated 26 November 2018:

In July 2018, all of OTAŞ’ lenders (including the Bank) reached an agreement on the restructuring of its debt, which debt was secured by OTAŞ’ 192,500,000,000 A group shares (representing 55% of Türk Telekom’s issued share capital) in Türk Telekom. Pursuant to this restructuring agreement, it was agreed that the lenders would obtain direct or indirect ownership in a newly created special purpose vehicle to be established for the restructuring of OTAŞ’ debt. Accordingly, the shares in Türk Telekom held by OTAŞ as well as OTAŞ’ debt were transferred to this special purpose vehicle. The Bank wrote-off TL 106,122.4 thousand (as of 31 December 2018) of its exposure to OTAŞ, with the remaining balance of TL 220,065.2 thousand (as of 31 December 2018) classified under “financial assets at fair value through profit or loss” in accordance with TFRS 9 in the Bank’s BRSA Financial Statements as of and for the year ended 31 December 2018. The Group reserved provisions amounting to TL 110,032.6 thousand for this TL 220,065.2 thousand liability.

As of 31 December 2018, the ratio of the Group’s non-performing loans to total gross cash loans increased from 5.1% to 6.1% (the Turkish banking sector’s NPL volume increased by 51.0% compared to 31 December 2017 and the ratio of its non-performing loans to total gross cash loans increased from 3.0% to 3.8%). TFRS 9 changed the accounting method for loan loss impairments by replacing TAS 39’s incurred loss approach with a forward-looking expected credit loss approach, which forms an impairment model that has three stages based upon the change in credit quality since initial recognition. As of 31 December 2018, the ratio of the Group’s stage 2 loans to total gross cash loans (*i.e.*, stage 2 loans as of such date *as a percentage of* the total gross cash loans as of such date) was 9.9% and the Group’s NPL coverage ratio was 116.5%. Any

deterioration in the credit quality of the Group's borrowers might lead to increased NPLs and an acceleration in the level of provisions taken by the Group.

On 21 February 2019, the Board of Directors resolved to submit a proposal for the allocation of 2018 net profits for the approval of the General Assembly at the ordinary general assembly meeting scheduled to be held on 28 March 2019. From the Bank's net profit of TL 2,409,826,453.75 calculated based upon the Bank's BRSA financial statements as of and for the year ended 31 December 2018: (a) TL 2,324,696,918.38 is proposed to be added to the Bank's general reserve and (b) TL 85,129,535.37 is proposed to be added to the Bank's general statutory reserve (as a result, no dividends are being proposed).

In December 2018 and January 2019, the Central Bank amended the Communiqué Regarding Reserve Requirements to exclude in the calculation of reserve requirements the following liabilities on the balance sheet: (a) funds acquired on the Borsa İstanbul with repo transactions and (b) deposits and participation funds of official institutions.

MANAGEMENT

The section titled "*Executive Vice Presidents, Heads of Divisions and Coordinators – Executive Vice Presidents – Recent Developments*," which was inserted into the Original Base Prospectus by the supplement dated 29 May 2018 and amended by the supplements dated 11 September 2018 and 26 November 2018, is hereby amended further by the addition of the following at the end thereof:

As of January 2019, Mr. Cenk Akıncılar has been assigned as an Executive Vice President in charge of Human Resources. Additional information regarding Mr. Akıncılar is set out below:

Mr. Cenk Akıncılar

Mr. Cenk Akıncılar graduated from the Mathematics Department of the Faculty of Science and Literature at Eskişehir Anadolu/Osmangazi University in 1996. After working as a mathematics teacher for three months, he worked as the Senior Officer responsible for Salary and Industrial Relations at the Human Resources Department of Pamukbank from 1998 until May 2003. Mr. Akıncılar joined the Bank in May 2003. He has worked as the Human Resources Assistant Manager responsible for Recruitment, System Development and Projects, the Manager of the Organisational Development, Performance, Strategic Reporting and Revenue Management and the Manager of the Employee Rights and Systemic Authorisation Management, and then became the Division Manager of Human Resources Management Systems and Revenue Management, Employee Rights and Systemic Authorisation Management Department. Mr. Akıncılar was assigned as the Director of Human Resources in July 2018 and was appointed as the Human Resources Executive Vice President as of January 2019.

TRANSFER AND SELLING RESTRICTIONS

Clause (v) of the second paragraph of the section titled "*Selling Restrictions - Singapore*" on page 209 of the Original Base Prospectus is hereby deleted in its entirety and replaced by the following:

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.