

# **QNB FİNANSBANK ANONİM ŞİRKETİ**

## **INDEPENDENT AUDITOR’S LIMITED REVIEW REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS, NOTES AND INTERIM ACTIVITY REPORT AS OF AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020**

(Convenience translation of unconsolidated financial statements and independent auditor’s review report originally issued in Turkish, See Note I. of Section three)

## **Interim Review Report on Interim Financial Information**

**To the General Assembly of QNB Finansbank A.Ş.**

### ***Introduction***

We have reviewed the unconsolidated balance sheet of QNB Finansbank A.Ş. (“the Bank”) at June 30, 2020 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the six-month period then ended. The Bank Management is responsible for the preparation and fair presentation of these unconsolidated interim financial information in accordance with the “Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Legislation” which includes the “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 Board and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 “Interim Financial Reporting” principles for those matters not regulated by the aforementioned legislations. Our responsibility is to express a conclusion on these unconsolidated interim financial information based on our review.

### ***Scope of Review***

We conducted our review in accordance with the Standard on Review Engagements (ISRE) 2410, “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards of Turkey and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of QNB Finansbank A.Ş. at June 30, 2020 and of the results of its operations and its cash flows for the six-month period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation

***Report on other regulatory requirements arising from legislation***

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section VII, are not consistent with the unconsolidated financial statements and disclosures in all material respects.

***Additional paragraph for convenience translation to English:***

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” except for the matters regulated by BRSA Legislation., accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying 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.

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

Hatice Dilek Çilingir Köstem  
Partner, SMMM

July 29, 2020  
Istanbul, Turkey

**THE UNCONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.  
FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2020**

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  
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E-mail address : [investor.relations@qnbfinansbank.com](mailto:investor.relations@qnbfinansbank.com)

The unconsolidated financial report for the six-month period then ended June 30, 2020, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES OF THE BANK
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- FOOTNOTES AND EXPLANATIONS ON UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
- INDEPENDENT AUDITOR'S LIMITED REVIEW
- INTERIM ACTIVITY REPORT

The accompanying unconsolidated financial statements and related disclosures and footnotes for the six-month period ended June 30, 2020, are prepared and independently limited reviewed in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances, and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying unconsolidated financial statements are presented in thousands of Turkish Lira (TL).

**Mehmet Ömer Arif 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**  
Members of the Board of  
Directors and of the Audit Committee

**Durmuş Ali Kuzu**  
Members 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 for 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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**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2020**  
(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 Q.P.S.C. ("QNB") regarding the direct or indirect sales of NBG's shares, owned by affiliates and current associations of the Bank, at the rate of 99,81% to QNB at a price of EUR 2.750 million as of December 21, 2015. On April 7, 2016, BRSA permitted to transfer shares at ratios of 82,23%, 7,90%, 9,68% owned by National Bank of Greece S.A., NBGI Holdings B.V. and NBG Finance (Dollar) PLC respectively in the capital of the Bank to Qatar National Bank S.A.Q. in the framework of paragraph 1 of article 18 of Banking Law and dropping direct share of National Bank of Greece S.A. to 0% through the aforementioned share transfer. Necessary permissions related to share transfer have been completed on May 4, 2016 before the Competition Authority while permission transactions regarding direct/indirect share ownership which shall realize in related affiliates of the Bank (QNB Finans Yatırım Menkul Değerler A.Ş., QNB Finans Portföy Yönetimi A.Ş., QNB Finans Finansal Kiralama A.Ş. and Cigna Finans Emeklilik ve Hayat A.Ş.) Before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016.

The Bank has decided to change the logo and the name of the company within the scope of the main shareholder change and brand strategies the new logo and the company name of The Bank has started to be used as "QNB FİNANSBANK" as of October 20, 2016. According to the decision dated January 17, 2018 which was taken by the Board of the Directors. 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 June 30, 2020 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.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2020**  
(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 T. 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 Güzelöğlu	Board Member and General Manager	April 16, 2010	Masters
Yousef Mahmoud H. N. Al-Neama	Board Member	May 28, 2019	Graduate
Assoc. Prof. Dr. Osman Reha Yolalan	Board Member	June 16, 2016	PhD
Adel Ali M. A. Al-Malki	Board Member	May 28, 2019	Graduate
Noor Mohd J. A. Al-Naimi	Board Member and Audit Committee Member	June 22, 2017	Graduate
Adnan Menderes Yayla	Executive Vice President	May 20, 2008	Masters
Köksal Çoban	Executive Vice President	August 19, 2008	Masters
Dr. Mehmet Kürşad Demirkol	Executive Vice President	October 8, 2010	PhD
Erkin Aydın	Executive Vice President	May 16, 2011	Masters
Ömür Tan	Executive Vice President	October 28, 2011	Masters
Halim Ersun Bilgici	Executive Vice President	March 15, 2013	Masters
Enis Kurtoğlu	Executive Vice President	May 14, 2015	Masters
Murat Koraş	Executive Vice President	May 14, 2015	Masters
Engin Turhan	Executive Vice President	June 14, 2016	Masters
Cumhur Türkmen	Executive Vice President	June 11, 2018	Graduate
Cenk Akıncılar	Executive Vice President	January 21, 2019	Graduate
Burçin Dündar Tüzün	Executive Vice President	December 1, 2019	Masters
Zeynep Kulalar	Executive Vice President	December 1, 2019	Graduate
Derya Düner	Executive Vice President	January 1, 2020	Graduate
Ali Yılmaz	Executive Vice President	January 1, 2020	Masters
Ahmet Erzen	Head of the Department of Internal Control and Compliance	September 12, 2012	Graduate
Ersin Emir	Head of Internal Audit	February 18, 2011	Masters
Zeynep Aydın Demirkıran	Head of Risk Management	September 16, 2011	Masters

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 Q.P.S.C. ("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 June 30, 2020, the Bank operates through 513 domestic (December 31, 2019 – 523), 1 abroad (December 31, 2019 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2019 – 1) branches. As of June 30, 2020, the Bank has 11.882 employees (December 31, 2019 – 12.087 employees).

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**VI. A Short Explanation on the Differences Between the Regulation on Preparation of Consolidated Financial Statements of Banks and the Consolidation Procedures Required by Turkish Accounting Standards and About Institutions That Are Subject to Full Consolidation, Proportional Consolidation, by Way of Deduction from Capital or Those That Are Subject to None**

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 and Ulusal Derecelendirme A.Ş. 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 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 Flow

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET**  
**AS OF JUNE 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**I. BALANCE SHEET - ASSETS**

		Reviewed 30.06.2020			Audited 31.12.2019		
	Section 5 Part I	TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (NET)</b>		<b>17.209.784</b>	<b>36.459.135</b>	<b>53.668.919</b>	<b>16.357.998</b>	<b>26.909.820</b>	<b>43.267.818</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>3.026.289</b>	<b>26.041.692</b>	<b>29.067.981</b>	<b>4.561.447</b>	<b>18.081.828</b>	<b>22.643.275</b>
1.1.1 Cash and Balances with Central Bank	(1)	1.790.460	25.327.995	27.118.455	1.127.557	17.622.984	18.750.541
1.1.2 Banks	(3)	900.804	713.697	1.614.501	400.735	458.844	859.579
1.1.3 Money Markets	(4)	350.075	-	350.075	3.040.962	-	3.040.962
1.1.4 Expected Credit Losses (-)		15.050	-	15.050	7.807	-	7.807
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	(2)	<b>299.259</b>	<b>118.727</b>	<b>417.986</b>	<b>231.713</b>	<b>103.236</b>	<b>334.949</b>
1.2.1 Government Debt Securities		278.733	14.722	293.455	207.149	16.398	223.547
1.2.2 Equity Securities		20.526	-	20.526	24.564	-	24.564
1.2.3 Other Financial Assets		-	104.005	104.005	-	86.838	86.838
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	(5)	<b>6.387.927</b>	<b>7.769.253</b>	<b>14.157.180</b>	<b>4.784.881</b>	<b>7.558.560</b>	<b>12.343.441</b>
1.3.1 Government Debt Securities		6.380.253	7.553.592	13.933.845	4.777.207	7.352.489	12.129.696
1.3.2 Equity Securities		7.674	215.661	223.335	7.674	182.123	189.797
1.3.3 Other Financial Assets		-	-	-	-	23.948	23.948
<b>1.4 Derivative Financial Assets</b>	(12)	<b>7.496.309</b>	<b>2.529.463</b>	<b>10.025.772</b>	<b>6.779.957</b>	<b>1.166.196</b>	<b>7.946.153</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit/Loss		6.011.327	2.250.747	8.262.074	5.465.362	1.120.949	6.586.311
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		1.484.982	278.716	1.763.698	1.314.595	45.247	1.359.842
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)</b>		<b>90.499.083</b>	<b>49.287.669</b>	<b>139.786.752</b>	<b>83.819.597</b>	<b>42.946.245</b>	<b>126.765.842</b>
<b>2.1 Loans</b>	(6)	<b>91.356.787</b>	<b>41.156.821</b>	<b>132.513.608</b>	<b>83.618.617</b>	<b>35.353.734</b>	<b>118.972.351</b>
<b>2.2 Lease Receivables</b>	(11)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.3 Factoring Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.4 Other Financial Assets Measured at Amortized Cost</b>	(7)	<b>8.808.341</b>	<b>8.130.848</b>	<b>16.939.189</b>	<b>8.588.791</b>	<b>7.592.511</b>	<b>16.181.302</b>
2.4.1 Public Sector Debt Securities		8.808.341	7.710.587	16.518.928	8.588.791	7.028.183	15.616.974
2.4.2 Other Financial Assets		-	420.261	420.261	-	564.328	564.328
<b>2.5 Expected Credit Losses (-)</b>		<b>9.666.045</b>	<b>-</b>	<b>9.666.045</b>	<b>8.387.811</b>	<b>-</b>	<b>8.387.811</b>
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(15)	<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>1.413.969</b>	<b>-</b>	<b>1.413.969</b>	<b>1.492.873</b>	<b>-</b>	<b>1.492.873</b>
<b>4.1 Investments in Associates (Net)</b>	(8)	<b>8.048</b>	<b>-</b>	<b>8.048</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		8.048	-	8.048	5.982	-	5.982
<b>4.2 Subsidiaries (Net)</b>	(9)	<b>1.169.144</b>	<b>-</b>	<b>1.169.144</b>	<b>1.250.114</b>	<b>-</b>	<b>1.250.114</b>
4.2.1 Unconsolidated Financial Subsidiaries		1.131.098	-	1.131.098	1.212.068	-	1.212.068
4.2.2 Unconsolidated Non-Financial Subsidiaries		38.046	-	38.046	38.046	-	38.046
<b>4.3 Joint Ventures (Net)</b>	(10)	<b>236.777</b>	<b>-</b>	<b>236.777</b>	<b>236.777</b>	<b>-</b>	<b>236.777</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		236.777	-	236.777	236.777	-	236.777
<b>V. PROPERTY AND EQUIPMENT (Net)</b>		<b>3.294.164</b>	<b>46</b>	<b>3.294.210</b>	<b>3.376.309</b>	<b>40</b>	<b>3.376.349</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>		<b>472.646</b>	<b>-</b>	<b>472.646</b>	<b>438.280</b>	<b>-</b>	<b>438.280</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		472.646	-	472.646	438.280	-	438.280
<b>VII. INVESTMENT PROPERTY (Net)</b>	(13)	<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>	(14)	<b>303.940</b>	<b>-</b>	<b>303.940</b>	<b>348.688</b>	<b>-</b>	<b>348.688</b>
<b>X. OTHER ASSETS (Net)</b>	(16)	<b>3.476.406</b>	<b>5.941.431</b>	<b>9.417.837</b>	<b>2.778.178</b>	<b>3.212.483</b>	<b>5.990.661</b>
<b>TOTAL ASSETS</b>		<b>116.669.992</b>	<b>91.688.281</b>	<b>208.358.273</b>	<b>108.611.923</b>	<b>73.068.588</b>	<b>181.680.511</b>

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)**  
**AS OF JUNE 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**I. BALANCE SHEET – LIABILITIES AND EQUITY**

		Reviewed 30.06.2020			Audited 31.12.2019		
	Section 5 Part II	TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(1)	<b>48.003.294</b>	<b>73.871.911</b>	<b>121.875.205</b>	<b>46.797.181</b>	<b>58.828.602</b>	<b>105.625.783</b>
<b>II. FUNDS BORROWED</b>	(3)	<b>334.253</b>	<b>16.568.833</b>	<b>16.903.086</b>	<b>380.249</b>	<b>14.929.160</b>	<b>15.309.409</b>
<b>III. MONEY MARKETS</b>	(4)	<b>2.855.516</b>	<b>9.532.045</b>	<b>12.387.561</b>	<b>267.816</b>	<b>8.797.038</b>	<b>9.064.854</b>
<b>IV. SECURITIES ISSUED (Net)</b>	(5)	<b>3.502.280</b>	<b>11.268.550</b>	<b>14.770.830</b>	<b>3.954.629</b>	<b>9.131.345</b>	<b>13.085.974</b>
4.1 Bills		3.455.339	712.200	4.167.539	3.954.629	116.648	4.071.277
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		46.941	10.556.350	10.603.291	-	9.014.697	9.014.697
<b>V. FUNDS</b>		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT &amp; LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>		<b>3.377.306</b>	<b>3.444.406</b>	<b>6.821.712</b>	<b>3.453.855</b>	<b>1.525.079</b>	<b>4.978.934</b>
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss	(2)	3.340.596	2.465.404	5.806.000	2.966.468	1.292.986	4.259.454
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	36.710	979.002	1.015.712	487.387	232.093	719.480
<b>VIII. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IX. LEASE PAYABLES (Net)</b>	(7)	<b>397.381</b>	<b>4.967</b>	<b>402.348</b>	<b>432.658</b>	<b>15.072</b>	<b>447.730</b>
<b>X. PROVISIONS</b>	(9)	<b>900.262</b>	-	<b>900.262</b>	<b>875.641</b>	-	<b>875.641</b>
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		454.316	-	454.316	529.565	-	529.565
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		445.946	-	445.946	346.076	-	346.076
<b>XI. CURRENT TAX LIABILITY</b>	(10)	<b>28.693</b>	-	<b>28.693</b>	<b>205.582</b>	-	<b>205.582</b>
<b>XII. DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<b>XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(11)	-	-	-	-	-	-
13.1 Held for Sale		-	-	-	-	-	-
13.2 Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(12)	-	<b>6.255.305</b>	<b>6.255.305</b>	-	<b>5.432.553</b>	<b>5.432.553</b>
14.1 Subordinated Loans		-	6.255.305	6.255.305	-	5.432.553	5.432.553
14.2 Other Debt Instruments		-	-	-	-	-	-
<b>XV. OTHER LIABILITIES</b>		<b>6.106.582</b>	<b>4.878.082</b>	<b>10.984.664</b>	<b>5.482.130</b>	<b>4.486.862</b>	<b>9.968.992</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>		<b>18.797.488</b>	<b>(1.768.881)</b>	<b>17.028.607</b>	<b>17.318.226</b>	<b>(633.167)</b>	<b>16.685.059</b>
16.1 Paid-in Capital	(13)	3.350.000	-	3.350.000	3.350.000	-	3.350.000
16.2 Capital Reserves		714	-	714	714	-	714
16.2.1 Share Premium	(14)	714	-	714	714	-	714
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		-	-	-	-	-	-
16.3 Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		739.488	122.204	861.692	872.251	101.267	973.518
16.4 Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		236.074	(1.891.085)	(1.655.011)	(103.930)	(734.434)	(838.364)
16.5 Profit Reserves		13.199.191	-	13.199.191	10.577.034	-	10.577.034
16.5.1 Legal Reserves		670.000	-	670.000	670.000	-	670.000
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		12.529.191	-	12.529.191	9.907.034	-	9.907.034
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit/Loss		1.272.021	-	1.272.021	2.622.157	-	2.622.157
16.6.1 Prior Periods' Profit/Loss		-	-	-	-	-	-
16.6.2 Current Period's Net Profit/Loss		1.272.021	-	1.272.021	2.622.157	-	2.622.157
16.7 Minority Interest		-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>		<b>84.303.055</b>	<b>124.055.218</b>	<b>208.358.273</b>	<b>79.167.967</b>	<b>102.512.544</b>	<b>181.680.511</b>

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

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AND CONTINGENCIES**  
**AS OF JUNE 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

		Reviewed 30.06.2020	Audited 31.12.2019				
Section 5 Part III		TL	FC	TOTAL	TL	FC	TOTAL
OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS							
A. (I+II+III)		142.223.084	273.122.806	415.345.890	143.090.252	224.173.699	367.263.951
I. GUARANTEES	(1), (2), (3), (4)	10.325.112	20.889.763	31.214.875	10.270.332	18.246.772	28.517.104
1.1. Letters of guarantee		10.117.589	11.074.167	21.191.756	10.179.767	9.847.498	20.027.265
1.1.1. Guarantees subject to State Tender Law		367.803	78.918	446.721	419.645	66.525	486.170
1.1.2. Guarantees given for foreign trade operations		5.932.002	10.995.249	16.927.251	5.339.495	9.780.973	15.120.468
1.1.3. Other letters of guarantee		3.817.784	-	3.817.784	4.420.627	-	4.420.627
1.2. Bank loans		145.060	6.532.192	6.677.252	22.742	5.799.601	5.822.343
1.2.1. Import letter of acceptance		145.060	6.532.192	6.677.252	22.742	5.799.601	5.822.343
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		62.463	3.283.404	3.345.867	67.823	2.599.673	2.667.496
1.3.1. Documentary letters of credit		62.463	3.101.908	3.164.371	67.823	2.000.767	2.068.590
1.3.2. Other letters of credit		-	181.496	181.496	-	598.906	598.906
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Factoring guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	-	-	-	-	-
1.9. Other collaterals		-	-	-	-	-	-
II. COMMITMENTS		88.884.350	5.187.007	94.071.357	82.440.328	5.993.806	88.434.134
2.1. Irrevocable commitments	(1)	52.747.346	4.909.853	57.657.199	47.699.180	5.245.759	52.944.939
2.1.1. Forward asset purchase commitments		140.193	2.726.350	2.866.543	1.326.013	4.004.529	5.330.542
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		16.263.664	684	16.264.348	14.309.356	594	14.309.950
2.1.5. Securities underwriting commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Payment commitment for checks		2.389.462	-	2.389.462	2.377.515	-	2.377.515
2.1.8. Tax and fund liabilities from export commitments		32.887	-	32.887	29.197	-	29.197
2.1.9. Commitments for credit card expenditure limits		32.959.232	-	32.959.232	28.781.240	-	28.781.240
2.1.10. Commitments for promotions related with credit cards and banking activities		67.680	-	67.680	71.447	-	71.447
2.1.11. Receivables from short sale commitments		-	-	-	-	-	-
2.1.12. Payables for short sale commitments		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		894.228	2.182.819	3.077.047	804.412	1.240.636	2.045.048
2.2. Revocable commitments		36.137.004	277.154	36.414.158	34.741.148	748.047	35.489.195
2.2.1. Revocable loan granting commitments		36.137.004	277.154	36.414.158	34.741.148	748.047	35.489.195
2.2.2. Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5), (6)	43.013.622	247.046.036	290.059.658	50.379.592	199.933.121	250.312.713
3.1. Derivative financial instruments for hedging purposes		11.309.879	66.856.765	78.166.644	16.210.514	64.039.377	80.249.891
3.1.1. Fair value hedge		4.978.575	24.514.457	29.493.032	6.608.353	24.539.687	31.148.040
3.1.2. Cash flow hedge		6.331.304	42.342.308	48.673.612	9.602.161	39.499.690	49.101.851
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		31.703.743	180.189.271	211.893.014	34.169.078	135.893.744	170.062.822
3.2.1. Forward foreign currency buy/sell transactions		1.920.912	5.301.672	7.222.584	2.837.603	5.229.023	8.066.626
3.2.1.1. Forward foreign currency transactions-buy		1.546.369	1.978.579	3.524.948	2.234.775	1.792.466	4.027.241
3.2.1.2. Forward foreign currency transactions-sell		374.543	3.323.093	3.697.636	602.828	3.436.557	4.039.385
3.2.2. Swap transactions related to foreign currency and interest rates		27.788.819	168.722.653	196.511.472	25.526.874	121.811.614	147.338.488
3.2.2.1. Foreign currency swap-buy		4.208.806	58.475.464	62.684.270	7.167.491	37.145.803	44.313.294
3.2.2.2. Foreign currency swap-sell		19.246.013	42.982.971	62.228.984	18.259.383	25.893.831	44.153.214
3.2.2.3. Interest rate swaps-buy		2.167.000	33.632.109	35.799.109	50.000	29.385.990	29.435.990
3.2.2.4. Interest rate swaps-sell		2.167.000	33.632.109	35.799.109	50.000	29.385.990	29.435.990
3.2.3. Foreign currency, interest rate and securities options		1.994.012	5.070.194	7.064.206	5.705.403	7.537.454	13.242.857
3.2.3.1. Foreign currency options-buy		404.427	3.198.189	3.602.616	1.385.083	5.219.625	6.604.708
3.2.3.2. Foreign currency options-sell		1.589.585	1.872.005	3.461.590	4.320.320	2.317.829	6.638.149
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
3.2.4.1. Foreign currency futures-buy		-	-	-	99.198	-	99.198
3.2.4.2. Foreign currency futures-sell		-	-	-	-	97.912	97.912
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		-	1.094.752	1.094.752	-	1.217.741	1.217.741
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		803.720.326	231.783.653	1.035.503.979	747.368.398	195.481.762	942.850.160
IV. ITEMS HELD IN CUSTODY		11.218.552	6.713.769	17.932.321	12.140.889	6.466.621	18.607.510
4.1. Assets under management		4.221.856	-	4.221.856	3.522.838	-	3.522.838
4.2. Investment securities held in custody		1.010.208	4.828.336	5.838.544	2.192.710	4.607.369	6.800.079
4.3. Checks received for collection		4.182.326	952.182	5.134.508	4.722.228	1.059.298	5.781.526
4.4. Commercial notes received for collection		1.804.162	405.242	2.209.404	1.703.113	342.751	2.045.864
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	528.009	528.009	-	457.203	457.203
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		469.935.597	141.372.384	611.307.981	441.122.637	119.044.468	560.167.105
5.1. Marketable securities		4.042.475	10.022.674	14.065.149	3.572.768	8.761.567	12.334.335
5.2. Guarantee notes		374.111	427.243	801.354	398.506	82.436	480.942
5.3. Commodity		497.281	-	497.281	476.476	-	476.476
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		103.301.249	73.249.107	176.550.356	102.041.042	61.972.389	164.013.431
5.6. Other pledged items		361.720.481	57.673.360	419.393.841	334.633.845	48.228.076	382.861.921
5.7. Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		322.566.177	83.697.500	406.263.677	294.104.872	69.970.673	364.075.545
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		945.943.410	504.906.459	1.450.849.869	890.458.650	419.655.461	1.310.114.111

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**III. INCOME STATEMENT**

		Reviewed 01.01 - 30.06.2020	Reviewed 01.04 - 30.06.2020	Reviewed 01.01 - 30.06.2019	Reviewed 01.04 - 30.06.2019
	Section 5 Part IV				
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>8.096.625</b>	<b>3.938.864</b>	<b>9.365.605</b>	<b>4.780.944</b>
1.1 Interest income on loans		6.717.313	3.246.237	7.740.871	3.971.728
1.2 Interest income on reserve deposits		13.568	6.807	130.369	71.591
1.3 Interest income on banks		58.071	23.896	104.557	57.432
1.4 Interest income on money market transactions		91.535	50.198	36.432	35.207
1.5 Interest income on securities portfolio		1.211.092	610.393	1.339.634	637.273
1.5.1 Financial assets measured at FVTPL		6.172	2.636	3.265	2.529
1.5.2 Financial assets measured at FVOCI		536.154	258.520	547.347	270.208
1.5.3 Financial assets measured at amortized cost		668.766	349.237	789.022	364.536
1.6 Financial lease income		-	-	-	-
1.7 Other interest income		5.046	1.333	13.742	7.713
<b>II. INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>3.403.314</b>	<b>1.647.839</b>	<b>6.023.760</b>	<b>3.121.755</b>
2.1 Interest on deposits		1.982.137	919.867	4.513.950	2.253.134
2.2 Interest on funds borrowed		555.775	283.866	607.082	334.354
2.3 Interest on money market transactions		237.387	126.177	200.163	141.711
2.4 Interest on securities issued		506.815	259.748	661.697	374.029
2.5 Interests on leasings		30.501	15.101	36.449	18.263
2.6 Other interest expenses		90.699	43.080	4.419	264
<b>III. NET INTEREST INCOME (I - II)</b>		<b>4.693.311</b>	<b>2.291.025</b>	<b>3.341.845</b>	<b>1.659.189</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>1.168.610</b>	<b>514.971</b>	<b>1.289.373</b>	<b>658.049</b>
4.1 Fees and commissions received		1.428.705	624.445	1.615.130	825.509
4.1.1 Non-cash loans		89.432	47.026	81.181	42.447
4.1.2 Others		1.339.273	577.419	1.533.949	783.062
4.2 Fees and commissions paid (-)		260.095	109.474	325.757	167.460
4.2.1 Non-cash loans		756	150	716	327
4.2.2 Others		259.339	109.324	325.041	167.133
<b>V. PERSONNEL EXPENSES (-)</b>	<b>(3)</b>	<b>128.041</b>	<b>-</b>	<b>51.187</b>	<b>1.871</b>
<b>VI. DIVIDEND INCOME</b>	<b>(4)</b>	<b>(1.045.088)</b>	<b>(500.439)</b>	<b>(366.600)</b>	<b>(200.775)</b>
6.1 Trading account gain/losses		156.824	96.089	12.595	9.909
6.2 Gain/losses from derivative transactions		(1.433.550)	(658.150)	(218.148)	(109.323)
6.3 Foreign exchange gain/losses		231.638	61.622	(161.047)	(101.361)
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>17.857</b>	<b>8.670</b>	<b>20.423</b>	<b>11.330</b>
<b>VIII. TOTAL OPERATING GROSS PROFIT (III+IV+V+VI+VII)</b>		<b>4.962.731</b>	<b>2.314.227</b>	<b>4.336.228</b>	<b>2.129.664</b>
<b>IX. EXPECTED CREDIT LOSSES (-)</b>	<b>(6)</b>	<b>1.298.384</b>	<b>657.059</b>	<b>1.025.136</b>	<b>492.533</b>
<b>X. OTHER PROVISION LOSSES (-)</b>		<b>76.292</b>	<b>36.347</b>	<b>12.139</b>	<b>2.100</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>908.629</b>	<b>437.352</b>	<b>833.681</b>	<b>435.708</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>1.113.706</b>	<b>535.769</b>	<b>1.007.827</b>	<b>522.942</b>
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>1.565.720</b>	<b>647.700</b>	<b>1.457.445</b>	<b>676.381</b>
<b>XIV. INCOME RESULTED FROM MERGERS</b>		-	-	-	-
<b>XV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		-	-	-	-
<b>XVI. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-	-	-
<b>XVII. OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)</b>	<b>(8)</b>	<b>1.565.720</b>	<b>647.700</b>	<b>1.457.445</b>	<b>676.381</b>
<b>XVIII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>(293.699)</b>	<b>(141.746)</b>	<b>(177.772)</b>	<b>(28.051)</b>
18.1 Current tax charge		(19.864)	(42.538)	140.943	140.943
18.2 Deferred tax charge (+)		335.386	137.130	346.673	(252.563)
18.3 Deferred tax credit (-)		(609.221)	(236.338)	(665.388)	83.569
<b>XIX. NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)</b>	<b>(10)</b>	<b>1.272.021</b>	<b>505.954</b>	<b>1.279.673</b>	<b>648.330</b>
<b>XX. 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. 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. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX+XXI)</b>		-	-	-	-
<b>XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>		-	-	-	-
23.1 Current tax charge		-	-	-	-
23.2 Deferred tax charge (+)		-	-	-	-
23.3 Deferred tax credit (-)		-	-	-	-
<b>XXIV. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)</b>		-	-	-	-
<b>XXV. NET PROFIT/LOSS (XIX+XXIV)</b>	<b>(11)</b>	<b>1.272.021</b>	<b>505.954</b>	<b>1.279.673</b>	<b>648.330</b>
25.1 Group's profit/loss		1.272.021	505.954	1.279.673	648.330
25.2 Minority interest		-	-	-	-
Earnings Per Share		0,0380	0,0151	0,0382	0,0194

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2020**

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

**IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY**

	Reviewed 01.01 – 30.06.2020	Reviewed 01.01 – 30.06.2019
<b>I. CURRENT PERIOD PROFIT/LOSS</b>	<b>1.272.021</b>	<b>1.279.673</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(928.473)</b>	<b>(874.288)</b>
<b>2.1 Other Income/Expense Items not to be Recycled to Profit or Loss</b>	<b>(111.826)</b>	<b>(223.419)</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	137	(1.414)
2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss	(110.714)	(219.914)
2.1.5 Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(1.249)	(2.091)
<b>2.2 Other Income/Expense Items to be Recycled to Profit or Loss</b>	<b>(816.647)</b>	<b>(650.869)</b>
2.2.1 Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(751.732)	(194.537)
2.2.3 Gains/losses from Cash Flow Hedges	(295.251)	(649.329)
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	230.336	192.997
<b>III. TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (I+II)</b>	<b>343.548</b>	<b>405.385</b>

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

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss										Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellati on Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Other <sup>(*)</sup>	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Other <sup>(**)</sup>	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Equity	
Reviewed																
I. Prior Period - 01.01 – 30.06.2019																
II. Prior Period End Balance		3.350.000	714	-	-	-	(50.842)	795.709	-	(497.625)	397.059	8.167.205	2.409.829	-	14.572.049	
2.1. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2. 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		-	-	-	-	-	(1.102)	(222.317)	-	(143.695)	(507.174)	-	-	1.279.673	405.385	
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. Increase/Decrease by 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. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period (III+IV...+X+XI)		3.350.000	714	-	-	-	(51.944)	573.392	-	(641.320)	(110.115)	10.577.034	-	1.279.673	14.977.434	
Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss										Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
	Section 5 Part V	Paid-in Capital	Share Premium	Share Cancellati on Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Other <sup>(*)</sup>	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Other <sup>(**)</sup>	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Equity	
Reviewed																
I. Current Period - 01.01 – 30.06.2020																
II. Prior Period End Balance		3.350.000	714	-	-	-	(73.337)	1.046.855	-	(272.254)	(566.110)	10.577.034	2.622.157	-	16.685.059	
2.1. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2. Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Balances at Beginning of Period (I+II)		3.350.000	714	-	-	-	(73.337)	1.046.855	-	(272.254)	(566.110)	10.577.034	2.622.157	-	16.685.059	
IV. Total Comprehensive Income		-	-	-	-	-	107	(111.933)	-	(586.349)	(230.298)	-	-	1.272.021	343.548	
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. Increase/Decrease by Others Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	2.622.157	(2.622.157)	-	-	
11.1. Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2. Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	2.622.157	(2.622.157)	-	-	
11.3. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period (III+IV...+X+XI)		3.350.000	714	-	-	-	(73.230)	934.922	-	(858.603)	(796.408)	13.199.191	-	1.272.021	17.028.607	

<sup>(\*)</sup>Accumulated amounts of share of investments accounted for by the equity method that can not be classified as profit / loss from other comprehensive income with other comprehensive income that will not be reclassified to other profit or loss

<sup>(\*\*)</sup>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 those financial statement

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2020**  
**(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)**

**VI. STATEMENT OF CASH FLOWS**

	Section 5 Part IV	Reviewed 01.01 – 30.06.2020	Reviewed 01.01 – 30.06.2019
<b>A. CASH FLOWS FROM / (TO) BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes In Operating Assets and Liabilities</b>		<b>6.765.914</b>	<b>11.806.107</b>
1.1.1 Interest Received		7.524.956	8.423.979
1.1.2 Interest Paid		(2.869.889)	(6.821.003)
1.1.3 Dividend Received		69.435	51.187
1.1.4 Fees and Commissions Received		1.440.701	1.616.571
1.1.5 Other Income		17.857	20.423
1.1.6 Collections From Previously Written Off Loans		621.942	579.729
1.1.7 Payments To Personnel and Service Suppliers		(669.078)	(587.855)
1.1.8 Taxes Paid		(552.568)	486.189
1.1.9 Others		1.182.558	8.036.887
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>3.876.311</b>	<b>(7.022.800)</b>
1.2.1 Net (Increase) Decrease in Financial Assets Measured at Fair Value Through Profit/Loss		(81.399)	(57.952)
1.2.2 Net (Increase) Decrease in Due From Banks		3.540.895	(2.118.739)
1.2.3 Net (Increase) Decrease in Loans		(6.596.598)	(106.935)
1.2.4 Net (Increase) Decrease in Other Assets		(2.955.738)	(120.990)
1.2.5 Net Increase (Decrease) in Bank Deposits		(593.087)	(44.257)
1.2.6 Net Increase (Decrease) in Other Deposits		8.547.944	(703.179)
1.2.7 Net (Increase) Decrease in Financial Liabilities Measured at Fair Value Through Other Comprehensive Income		-	-
1.2.8 Net Increase (Decrease) in Funds Borrowed		(1.479.475)	(4.286.000)
1.2.9 Net Increase (Decrease) in Matured Payables		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities		3.493.769	415.252
<b>I. Net Cash Provided From / (Used In) Banking Operations</b>		<b>10.642.225</b>	<b>4.783.307</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided From / (Used In) Investing Activities</b>		<b>(833.075)</b>	<b>(2.889.823)</b>
2.1 Purchase Of Entities Under Common Control, Associates and Subsidiaries		-	-
2.2 Sale of Entities Under Common Control, Associates and Subsidiaries		-	-
2.3 Fixed Assets Purchases		(116.101)	(153.375)
2.4 Fixed Assets Sales		2.035	185
2.5 Purchase of Financial Assets Measured at Fair Value Through Other Comprehensive Income		(9.051.056)	(3.053.628)
2.6 Sale of Financial Assets Measured at Fair Value Through Other Comprehensive Income		7.970.432	1.956.277
2.7 Purchase of Financial Assets Measured at Amortized Cost		(1.652.760)	(2.801.811)
2.8 Sale of Financial Assets Measured at Amortized Cost		2.119.388	1.250.928
2.9 Others		(105.013)	(88.399)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided From / (Used In) Financing Activities</b>		<b>(55.047)</b>	<b>1.108.370</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued		7.592.712	3.535.536
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(7.576.395)	(2.293.410)
3.3 Capital Increase		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		11.053	(133.756)
3.6 Other		(82.417)	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>219.290</b>	<b>(103.949)</b>
<b>V. Net Increase / (Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>9.973.393</b>	<b>2.897.905</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>		<b>14.387.892</b>	<b>8.767.065</b>
<b>VII. Cash and Cash Equivalents at End of the Period (V+VI)</b>		<b>24.361.285</b>	<b>11.664.970</b>

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**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.

**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, 2019, excluding re-arrangements mentioned in Note VIII.

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 are reflected to the income statement.

The ongoing COVID-19 pandemic, which has recently emerged in China, has spread to various countries in the world, causing potentially fatal respiratory infections, negatively affects both regional and global economic conditions, as well as it causes disruptions in operations, especially countries that are exposed to the epidemic. As a result of the spread of COVID-19 around the world, several measures have been taken in our country as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide.

Since it is aimed to update the most recent financial information in the interim financial statements prepared as of June 30, 2020, considering the magnitude of the economic changes due to COVID-19, the Bank made certain estimates in the calculation of expected credit losses and disclosed them in footnote numbered VIII "Explanations on Expected Provisions for Losses". In the upcoming periods, the Bank will update its relevant assumptions as necessary and revise the realizations of past estimates.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

**1. Strategy for the use of financial instruments**

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

Besides customer deposits, the Bank funds its long term fixed interest rate TL loan portfolio with long term (up to 10 years) floating interest rate foreign currency funds obtained from international markets. The Bank converts the foreign currency liquidity obtained from customer deposit accounts and the international markets to TL liquidity using long term swap transactions (fixed TL interest rate and floating FC interest rate). Thus, the Bank generates TL denominated resources for funding long term loans with fixed interest rates.

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

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

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

**2. Foreign currency transactions**

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

The Bank accounts for the transactions denominated in foreign currencies in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from transactions that are completed as of June 30, 2020 are translated to TL by using historical foreign currency exchange rates. Balances of the foreign currency denominated assets and liabilities except for non-monetary items are converted into TL by using foreign currency exchange rates of the Bank for the period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Bank's foreign currency exchange rates for the related period ends are as follows:

	<b><u>June 30, 2020</u></b>	<b><u>December 31, 2019</u></b>
US Dollar	TL 6,8422	TL 5,9402
Euro	TL 7,7082	TL 6,6506

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**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 June 30, 2020, net foreign exchange transaction gain is TL 28.788 (June 30, 2019- TL 186.768 net foreign exchange transaction gain) when the net interest loss amounting to TL 1.230.700 (June 30, 2019 - TL 565.963) arising from derivative transactions is excluded from the derivative transactions loss amounting to TL 1.433.250 (June 30, 2019 - TL 218.148 derivative transactions loss) and foreign exchange profit amounting to TL 231.638 (June 30, 2019 - TL 161.047 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. Due to the adverse effects of the Covid-19 outbreak, necessary updates were made by the Bank for making fair value calculations of the subsidiaries valued according to TFRS 9 'Financial Instruments' standard.

**IV. Explanations on Derivative Financial Assets and Liabilities**

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

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

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

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

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

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

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

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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 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 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 and project finance loans against possible fair value change due to market interest rate fluctuations.

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

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

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

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

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

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

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**V. Explanations on Interest Income and Expenses**

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

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

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

**VI. Explanations on Fees and Commission Income and Expenses**

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

**VII. Explanations and Disclosures on Financial Instruments**

**Initial recognition of financial instruments**

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

**Initial measurement of financial instruments**

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

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**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 tested all financial assets whether their “contractual cash-flows solely represent payments of principal and interest” and assessed the asset classification within the business model.

**Assessment of business model**

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

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

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

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

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

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

**Other business models:**

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

**Measurement categories of financial assets and liabilities**

Within the scope of TFRS 9, 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

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**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.

The Bank has stocks, bills and bonds in portfolios of financial assets at fair value through profit and loss that are accounted in accordance with the Bank's business model. In accordance with TFRS 9, the Bank has classified cash flows are solely payments of principal and interest at certain dates under financial assets at fair value through profit and loss related to private purpose loans as of December 2018.

**Financial Assets at Fair Value Through Other Comprehensive Income: :**

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

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

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

Some portion of the Eurobond portfolio which has been recognized as financial assets at FV through OCI are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April 2009, hedged against interest rate fluctuations. 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.

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**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**

The 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 Principles regarding Classification of Loans and Allowances Allocated for Such Loans" effective from January 1, 2018. At each reporting date, the Bank shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Bank considers the changes in the default risk of financial instrument, when making the assessment.

Within the scope of Article 4 and 5 of the Regulation On Procedures And Principles For Classification Of Loans And Provisions in accordance with the BRSA Decision numbered 8948 dated 17 March 2020, due to the disruptions in economic and commercial activities resulting from the Covid-19 outbreak, the 90 days default period for loans to be classified as non-performing loans shall be applied as 180 days according to assembly's resolution dated on March 17, 2020. This measure will be effective until December 31, 2020. In this manner, in the assessment of whether the debtor defaulted on the loan where the payment is overdue for more than 90 days, consideration is given to whether the debtor's condition is temporary due to COVID-19 pandemic and payment irregularities are related to temporary liquidity constraints. In this context,

- The 90 days default period for loans to be classified as non-performing loans (NPL) is now 180 days
- In restructured installment receivables, the practice of shifting installments without a contract breakdown, within the defined terms has started for customers who do not want to be late in their instalments.
- In the process of completing the Pro-rata banks protocols, the time to be given to time-consuming operations was extended by a joint agreement

Terminatively, this leads the Banks continue to set aside provisions for such receivables in accordance with their own risk models used in the calculation of expected credit losses under TFRS 9.

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 June 30, 2020, minimum probability of default of Basel II is used in the calculation for the expected loss of receivables from public institutions and organizations. Such calculation is performed for each of three scenarios explained above.

**Stage 2:**

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. 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 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 into consideration the following criteria:

- 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 the 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 (internal base, internal bad, BRSA adverse) are evaluated. Each of these scenarios was associated with the different PD and LGD.

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

When measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit losses 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 TTC PDs (Through the Cycle Probability Defaults) 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 (internal base, internal bad, BRSA adverse) 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 years credit risk of Turkey
- Real GDP growth
- Unemployment rate
- European Region inflation rate
- Five years government bond interest rate of Turkey

Stages were determined through the models created using internal information for the Bank, the simplified method has been applied for other financial institutions.

As of June 30, 2020, the Bank has reflected the possible effects of the COVID-19 outbreak to the estimates and judgments used in the calculation of expected credit losses by using the data that is received with the maximum effort with the best estimation method.

Within the light of the aforementioned data, the Bank revised its macroeconomic expectations and weights in the expected credit loss calculation and the calculation which is made by taking into consideration the changes in PD and LGD is reflected in the financial statements as of March 31, 2020. As of June 30, 2020, there is not any parameter updates made as the actual situation is reflected. The model effects are tardily reflected to the financial statements due to the nature of the events that cause change and the effects of the events occur at different times. Therefore, the Bank has booked additional provisions for the sector and customers who are considered to have a high impact by performing individual assessments to eliminate the timing difference.

This approach, which is preferred in reserve calculations for the second quarter of 2020, will be revised in the following reporting periods, taking into account the impact of the pandemic, portfolio and future expectations.

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**Calculating the Expected Loss Period**

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

As of June 30, 2020, the normal risk cost of the loan portfolio purged from the COVID-19 effect was at 99 basis point, yet, in order to reflect the uncertainty originated from the Covid-19 to the financial asset portfolio of the Bank, the total risk cost has reached to 221 basis points in corporate into the effects arising from the aforementioned estimation changes, increase in the Stage 2 reserve ratios and additional exchange rate.

**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, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss. Where all risks and rewards of ownership of the asset have not been transferred to another party and the 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.

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

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

**c) Derecognition of financial liabilities**

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

**d) Reclassification of financial instruments**

Based on TFRS 9, it shall be reclassified all affected financial assets at amortized 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 cannot 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 nonperforming 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 as of the date of reclassification.

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

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

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

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

Funds 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".

As of the balance sheet date, securities subject to repo amounting to TL 15.549.567 (December 31, 2019 – 11.992.093)

As of June 30, 2020 the Bank has no securities that are subject to lending transactions (December 31, 2019 – 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 TFRS 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 June 30, 2020 the Bank has assets held for sale and discontinued operations explained in footnote 1.15. 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.

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**XIII. Explanations on Goodwill and Other Intangible Assets**

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

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

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

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

**XIV. Explanations on Tangible Assets**

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

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

Property	2%
Movables purchased and acquired under finance lease contracts	7% - 25%

The depreciation of leasehold improvements acquired before December 2009, under operating lease agreements, is calculated according to their useful lives. Depreciation of leasehold improvements acquired after this date is calculated over the lease period not exceeding 5 years where the lease duration is certain; or 5 years where the lease period is not certain in accordance with "Communiqué on the Amendment of Communiqué on Uniform Chart of Accounts and Explanatory Notes" dated January 10, 2011. Depreciation is calculated on a pro-rata basis for the assets that have been placed in use for less than a year as of the balance sheet date.

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

Expenses for repairs are capitalized if the expenditure increases economic life of the asset; otherwise they are expensed. There are no changes in the accounting estimates in regards to amortization duration that could have a significant impact on the current and future financial statements. There are no pledges, mortgages or other restrictions on the tangible assets. There are no purchase commitments related to the fixed assets.

**XV. Explanations on Leasing Transactions**

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

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**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 accounting policies of the Bank upon application 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 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.

On 5 June 2020, the POA made amendments to TFRS 16 “Leases” standard by publishing “Concessions Regarding COVID-19” on Lease Payments - “TFRS 16 Leases”. With this change, tenants were granted an exemption from not being able to evaluate whether the privileges, which are recognized due to COVID-19 in the lease payments, have been made in the lease. The amendment does not have a significant impact on the financial situation or performance of the Bank.

Due to the Bank's implementation of TFRS 16, assets classified under tangible assets as of June 30, 2020 amounted to TL 402.485 (December 31, 2019 – TL 458.369) , lease liability amounted to TL 377.398 (December 31, 2019 – TL 431.753), financing expense amounted to TL 27.332 (December 31, 2019 – TL 61.839) and depreciation expense amounted to TL 108.457 (December 31, 2019 – TL 215.641).

**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 accounted for immediately 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”. In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled, and a reliable estimate can be made of the amount obligation. If these criteria are not met, the Bank discloses these issues in the explanations and notes related to the financial statements. In cases where reliable estimate cannot be made of the amount of the obligation, it is considered contingent liabilities. For contingent liabilities if the probability that the event will occur is greater than the probability that it will not and the amount of the obligation can be measured reliably, a provision is made.

**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 TAS 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 TAS 19 and reflected to the financial statements.

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

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**XVIII. Explanations on Taxation**

**1. Corporate Tax**

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

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

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

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

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

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

**2. Deferred Taxes**

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

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

The Bank has started to be recognized deferred tax from the expected credit losses of Stage 1 and Stage 2 expected credit losses provisions.

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 June 30, 2020 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% (December 31, 2019: 20%) tax rate is used for the temporary differences expected to be realized/closed after 2020.

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**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 June 30, 2020 the Bank does not have any government incentives or grants (December 31, 2019 – None).

**XXIII. Explanations on Segment Reporting**

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

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

The Corporate Marketing Unit provides services to firms that are institutional, big size, that have annual revenues of TL 300.000 and higher and multi-national firms operating in Turkey. The firms that have annual revenues between TL 60.000 and TL 300.000 are considered as “Commercial Enterprise”. The Bank gives importance to the commercial segmentation in order to hedge risk and decrease the concentration of income. Moreover; The Bank also offers sectoral solution packages to these small and medium-size firms.

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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 – June 30, 2020)</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury and Head Office</b>	<b>Total Operations of the Bank</b>
Net Interest Income	1.628.877	1.249.631	1.814.803	4.693.311
Net Fees and Commissions Income	805.499	389.469	(26.358)	1.168.610
Other Operating Income and Net Trading Income	20.325	12.628	(1.060.184)	(1.027.231)
Dividend Income	-	-	128.041	128.041
<b>Operating Income</b>	<b>2.454.701</b>	<b>1.651.728</b>	<b>856.302</b>	<b>4.962.731</b>
Expected Loss Provisions (-)	581.293	726.330	(9.239)	1.298.384
Other Loss Provisions (-)	-	-	76.292	76.292
Personnel Expense (-)	218.274	249.243	441.112	908.629
Other Operating Expenses (-)	888.354	508.814	(283.462)	1.113.706
<b>Profit Before Taxes</b>	<b>766.780</b>	<b>167.341</b>	<b>631.599</b>	<b>1.565.720</b>
<b>Provision Tax (-)</b>	<b>-</b>	<b>-</b>	<b>(293.699)</b>	<b>(293.699)</b>
<b>Net Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.272.021</b>
<b>Total Assets</b>	<b>41.941.549</b>	<b>80.915.551</b>	<b>67.840.367</b>	<b>208.358.273</b>
Segment Assets	41.941.549	80.915.551	67.840.367	190.697.467
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	1.413.969
Undistributed Assets	-	-	-	16.246.837
<b>Total Liabilities</b>	<b>79.130.998</b>	<b>37.972.451</b>	<b>61.910.248</b>	<b>208.358.273</b>
Segment Liabilities	79.130.998	37.972.451	61.910.248	179.013.697
Undistributed Liabilities	-	-	-	12.315.969
Equity	-	-	-	17.028.607
<b>Other Segment Accounts</b>	<b>446.450</b>	<b>255.708</b>	<b>(142.274)</b>	<b>559.884</b>
Capital Expenditures	233.739	133.876	(74.583)	293.032
Depreciation and Amortization	212.711	121.832	(67.691)	266.852

<b>Prior Period (January 1 – June 30, 2019)</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury and Head Office</b>	<b>Total Operations of the Bank</b>
Net Interest Income	1.165.738	1.414.997	761.110	3.341.845
Net Fees and Commissions Income	974.944	333.834	(19.405)	1.289.373
Other Operating Income and Net Trading Income	19.854	4.877	(370.908)	(346.177)
Dividend Income	-	-	51.187	51.187
<b>Operating Income</b>	<b>2.160.536</b>	<b>1.753.708</b>	<b>421.984</b>	<b>4.336.228</b>
Expected Loss Provisions (-)	493.215	668.323	(136.402)	1.025.136
Other Loss Provisions (-)	-	-	12.139	12.139
Personnel Expense (-)	196.161	231.506	406.014	833.681
Other Operating Expenses (-)	858.742	454.621	(305.536)	1.007.827
<b>Profit Before Taxes</b>	<b>612.418</b>	<b>399.258</b>	<b>445.769</b>	<b>1.457.445</b>
<b>Provision Tax (-)</b>	<b>-</b>	<b>-</b>	<b>(177.772)</b>	<b>(177.772)</b>
<b>Net Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.279.673</b>
<b>Total Assets<sup>(*)</sup></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>249.376</b>	<b>132.020</b>	<b>(88.656)</b>	<b>292.740</b>
Capital Expenditures	42.828	22.673	(15.238)	50.263
Depreciation and Amortization	206.548	109.347	(73.418)	242.477

(\*) Refers to year-end figures

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**XXIV. Explanations on Profit Reserves and Profit Distribution**

The Ordinary Board of Directors Meeting of the Bank was held on March 26, 2020. In the Board of Directors meeting, it was decided that profit from 2019 operations to be distributed as follows.

**2019 profit distribution table:**

<b>Current Year Profit</b>	<b>2.622.157</b>
A – I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	670.000
C – Extraordinary Reserves	1.952.157

**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.

	<b>Current Period</b>	<b>Prior Period</b>
Net Profit for the Period	1.272.021	1.279.673
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
<b>Earnings Per Share</b>	<b>0,0380</b>	<b>0,0382</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 2020 is none (Amount of issued bonus shared in 2019 is none).

**XXVI. Explanations on Other Matters**

None.

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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 June 30, 2020 Bank's total capital has been calculated as TL 25.851.136 (December 31, 2019 – TL 24.280.307), capital adequacy ratio is 17,11%. (December 31, 2019 – 15,73%). This ratio is well above the minimum ratio required by the legislation.

Based on the press release made by the BRSA on 23 March, 2020; due to the fluctuations in the financial markets as a result of the COVID-19 outbreak; in the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy; with monetary assets and non-monetary assets excluding assets that are measured in terms of historical cost in a foreign currency valued amount of items in accordance with TAS and its special provision amounts, spot purchase exchange rate can be used in preparation of financial statements as of 31 December, 2019, may be considered in the calculation of Turkish Lira equivalent of credit risk exposures in foreign currencies, and negative revaluation differences of the securities classified under "Financial Assets Measured at Fair Value through Other Comprehensive Income" which acquired before 23 March, 2020 may not be included in capital calculation.

**Components of unconsolidated shareholders' equity items:**

<b>Explanations on Equity:</b>	<b>Current Period June 30, 2020</b>	<b>Prior Period December 31, 2019</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	3.350.000
Share issue premiums	714	714
Reserves	13.199.191	10.577.034
Gains recognized in equity as per TAS	1.061.564	1.224.356
Profit	1.272.021	2.622.157
Current Period Profit	1.272.021	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	2.689
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>18.886.179</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	663.571	525.783
Improvement costs for operating leasing	67.916	74.009
Goodwill (net of related tax liability)	430.465	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>1.161.952</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	260.624	390.936
<b>Total Common Equity Tier 1 Capital</b>	<b>17.984.851</b>	<b>17.171.315</b>

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<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	3.592.155	3.118.605
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	<b>3.592.155</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 deduct 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>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>3.592.155</b>	<b>3.118.605</b>
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>21.577.006</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)	2.634.247	2.286.977
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.655.100	1.731.935
<b>Tier II Capital Before Deductions</b>	<b>4.289.347</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>-</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>4.289.347</b>	<b>4.018.912</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>25.866.353</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	5.857	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 (-)	9.360	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	-	-

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	Current Period June 30, 2020	Prior Period December 31, 2019
<b>TOTAL CAPITAL</b>		
Total Capital	25.851.136	24.280.307
Total Risk Weighted Amounts	151.106.533	154.338.272
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	11,90	11,13
Tier I Capital Adequacy Ratio (%)	14,28	13,15
Capital Adequacy Ratio (%)	17,11	15,73
<b>BUFFERS</b>		
Bank specific total common equity tier 1 capital ratio	2,51	2,51
a) Capital conservation buffer requirement	2,50	2,50
b) Bank specific counter-cyclical buffer requirement	0,01	0,01
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	0,06	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	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)	3.487.809	2.571.026
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.655.100	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	3.592.155	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	2.634.247	2.286.977
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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

Information od debt instruments included in the calculation of equity:			
	1	2	3
Issuer	Qatar National Bank Q.P.S.C.	Qatar National Bank Q.P.S.C.	Qatar National Bank Q.P.S.C.
Unique identifier (eg 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	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - 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)	3,592	855	1,779
Par value of instrument (Currency in million)	3,592	855	1,779
Accounting classification	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost	Liability – Subordinated Loans- amortized cost
Original date of issuance	June 30, 2019	April 1, 2019	May 22, 2017
Perpetual or dated	Undated	Dated	Dated
Original maturity date	-	10 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	Every 5 years	5 years	5 years
Subsequent call dates, if applicable	-	-	-
Coupons / dividends	-	-	-
Fixed or floating dividend/coupon	Fixed	Floating	Floating
Coupon rate and any related index	First 5 years fixed at 9.50%, next 5 years fixed at MS + 7.08%	6M LIBOR + 5.75%	6M LIBOR + 3.87%
Existence of a dividend stopper	There will be no interest on the deducted value after thr impairment	-	-
Fully discretionary, partially discretionary or mandatory	Optional	-	-

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	1	2	3
Existence of set-up or another 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.S.	QNB Finansbank A.S.
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>
Common Equity	17.984.851	17.854.539	17.724.227
Transition process not implemented Common Equity	17.724.227	17.724.227	17.724.227
Tier 1 Capital	21.577.006	21.446.694	21.316.382
Transition process not implemented Tier 1 Capital	21.316.382	21.316.382	21.316.382
Total Capital	25.851.136	25.720.824	25.590.512
Transition process not implemented Equity	25.590.512	25.590.512	25.590.512
<b>TOTAL RISK WEIGHTED AMOUNTS</b>			
Total Risk Weighted Amounts	151.106.533	151.106.533	151.106.533
<b>Capital Adequacy Ratio</b>			
Common Equity Adequacy Ratio (%)	11,90	11,82	11,73
Transition process not implemented Common Equity Ratio (%)	11,73	11,73	11,73
Tier 1 Capital Adequacy Ratio (%)	14,28	14,19	14,11
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	14,11	14,11	14,11
Capital Adequacy Ratio (%)	17,11	17,02	16,94
Transition process not implemented Capital Adequacy Ratio (%)	16,94	16,94	16,94
<b>LEVERAGE</b>			
Leverage Ratio Total Risk Amount	307.293.437	307.293.437	307.293.437
Leverage (%)	6,95	6,95	6,95
Transition process not implemented Leverage Ratio (%)	6,87	6,87	6,87

**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**

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about RWA flow statements of credit risk exposures under IRB Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of March 31, 2016. According to Communiqué have to be presented on three-month basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of June 30, 2020:

- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- IRB (stock investment subject to specialized loans and simple risk weight approach)
- RWA flow statements of market risk exposures under an IMA
- Comparing VaR estimations with profit/loss

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**1) GB1 – Overview of risk weighted assets:**

	Risk Weighted Amount		Minimum Capital Requirement	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
1 Credit Risk (Excluding Counterparty Credit Risk)	127.028.097	133.737.010	10.162.248	10.698.961
2 Standardized approach	127.028.097	133.737.010	10.162.248	10.698.961
3 Internal rating-based approach	-	-	-	-
4 Counterparty credit risk	5.379.912	4.817.823	430.393	385.426
5 Standardized approach for counterparty credit Risk	5.379.912	4.817.823	430.393	385.426
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	4.029.738	3.347.613	322.379	267.809
17 Standardized approach	4.029.738	3.347.613	322.379	267.809
18 Internal model approaches	-	-	-	-
19 Operational Risk	14.668.786	12.435.826	1.173.503	994.866
20 Basic Indicator Approach	14.668.786	12.435.826	1.173.503	994.866
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>151.106.533</b>	<b>154.338.272</b>	<b>12.088.523</b>	<b>12.347.062</b>

**2) Credit Risk Disclosures**

**a) CR1 – Credit Quality of assets:**

Current Period	Gross carrying values of as per TAS		Allowances/Impairments	Net Values
	Defaulted Exposures	Non-defaulted exposures		
1 Loans	8.349.922	124.267.691	6.329.681	126.287.932
2 Debt Securities	-	30.873.034	-	30.873.034
3 Off-balance sheet exposures	-	86.005.531	49.953	85.955.578
<b>4 Total</b>	<b>8.349.922</b>	<b>241.146.256</b>	<b>6.379.634</b>	<b>243.116.544</b>

Prior Period	Gross carrying values of as per TAS		Allowances/Impairments	Net Values
	Defaulted Exposures	Non-defaulted exposures		
1 Loans	8.274.415	110.784.774	5.943.713	113.115.476
2 Debt Securities	-	28.334.946	-	28.334.946
3 Off-balance sheet exposures	-	76.131.500	45.614	76.085.886
<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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**b) CR2 – Changes in stock of defaulted loans and debt securities:**

	Current Period	Prior Period
1 Defaulted loans and debt securities at the end of the previous reporting period	8.274.415	6.155.252
2 Loans and debt securities that have defaulted since the last reporting period	698.458	4.357.917
3 Returned to non-performing status	-	-
4 Amounts written-off <sup>(*)</sup>	1.178	929.246
5 Other changes <sup>(**)</sup>	621.773	1.309.508
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)</b>	<b>8.349.922</b>	<b>8.274.415</b>

<sup>(\*)</sup> In current period, there is not any balance regarding sales of non-performing loans (December 31, 2019 – TL 918.518).

<sup>(\*\*)</sup> Includes collections from credits in default.

**c) 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	121.892.146	4.395.786	2.290.707	-	-	-	-
2 Debt securities	30.873.034	-	-	-	-	-	-
<b>3 Total</b>	<b>152.765.180</b>	<b>4.395.786</b>	<b>2.290.707</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4 Of which defaulted	2.003.883	16.358	311	-	-	-	-
<b>Prior Period</b>							
1 Loans	108.894.572	4.220.904	2.032.650	-	-	-	-
2 Debt securities	28.334.946	-	-	-	-	-	-
<b>3 Total</b>	<b>137.229.518</b>	<b>4.220.904</b>	<b>2.032.650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4 Of which defaulted	2.319.740	10.962	321	-	-	-	-

**d) CR4 – Standart Approach – Credit risk exposure and credit risk mitigation (CRM) effects:**

Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Exposure Categories	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Exposures to central governments or central banks	49.580.419	-	54.534.260	-	-	-
2 Exposures to regional governments or local authorities	96.907	65	96.907	-	48.453	50%
3 Exposures to public sector entities	325.673	38.913	322.895	11.944	334.840	100%
4 Exposures to multilateral development banks	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to institutions	3.168.867	7.504.862	2.120.210	7.750.227	4.129.989	42%
7 Exposures to corporates	43.459.611	39.167.086	29.161.458	36.792.380	65.953.838	100%
8 Retail exposures	94.193.702	53.574.798	19.747.634	39.276.849	44.268.362	75%
9 Exposures secured by residential property	2.388.121	292.476	2.388.120	7.254	838.381	35%
10 Exposures secured by commercial real estate	3.009.510	97.390	3.009.510	48.291	1.528.900	50%
11 Past-due loans	1.856.317	-	1.856.018	-	1.322.723	71%
12 Higher-risk categories by the Agency Board	188.443	12.539	188.431	3.162	287.388	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	9.186.354	246.321	9.186.354	-	6.706.349	73%
17 Investment in equities	1.608.874	-	1.608.874	-	1.608.874	100%
<b>18 Total</b>	<b>209.062.798</b>	<b>100.934.450</b>	<b>124.220.671</b>	<b>83.890.107</b>	<b>127.028.097</b>	<b>61%</b>

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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	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	Investment in equities	1.682.670	-	1.682.670	-	1.682.670	100%
18	<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>

**e) CR5 – Standart approach – exposures by asset classes and risk:**

Current Period											Total Credit Risk Exposure Amount
	Exposure Categories/Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	
1	Exposures to central governments or central banks	54.534.260	-	-	-	-	-	-	-	-	54.534.260
2	Exposures to regional governments or local authorities	-	-	-	-	96.907	-	-	-	-	96.907
3	Exposures to public sector entities	-	-	-	-	-	-	334.839	-	-	334.839
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	2.773.277	-	7.043.654	-	53.506	-	-	9.870.437
7	Exposures to corporates	-	-	-	-	-	-	65.953.838	-	-	65.953.838
8	Retail exposures	-	-	-	-	-	59.024.483	-	-	-	59.024.483
9	Exposures secured by residential property	-	-	-	2.395.374	-	-	-	-	-	2.395.374
10	Exposures secured by commercial real estate	-	-	-	-	3.057.801	-	-	-	-	3.057.801
11	Past-due loans	-	-	-	-	1.066.590	-	789.428	-	-	1.856.018
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	191.593	-	191.593
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	Investment in equities	-	-	-	-	-	-	1.608.874	-	-	1.608.874
17	Other Assets	2.479.963	-	53	-	-	-	6.706.338	-	-	9.186.354
18	Total	57.014.223	-	2.773.330	2.395.374	11.264.952	59.024.483	75.446.823	191.593	-	208.110.778

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Prior Period										Total Credit Risk Exposure Amount
Exposure Categories/Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	
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 Investment in equities	-	-	-	-	-	-	1.682.670	-	-	1.682.670
17 Other Assets	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>

**3) Disclosures regarding counterparty credit risk**

**a) CCR1 – Assessment of Counterparty Credit Risk according to the models of measurement:**

Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standard approach - CCR (for derivatives)	6.378.326	1.576.714		1,4	4.612.893	2.841.621
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)					3.534.610	1.385.982
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>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.227.603</b>

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Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standard approach - CCR (for derivatives)	4.846.796	1.397.176	-	1,4	3.134.602	2.040.809
2 Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3 The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4 Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	3.966.290	2.022.498
5 Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
<b>6 Total</b>	-	-	-	-	-	<b>4.063.307</b>

**b) CCR2 – Credit Valuation Adjustment (CVA) capital charge:**

	Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
	Current Period	Prior Period	Current Period	Prior Period
Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1 (i) Value at risk component (3*multiplier included)	-	-	-	-
2 (ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3 Total portfolio value with simplified approach CVA capital adequacy	4.612.893	3.134.602	1.152.309	754.518
<b>4 Total amount of CVA capital adequacy</b>	<b>4.612.893</b>	<b>3.134.602</b>	<b>1.152.309</b>	<b>754.518</b>

**c) CCR3 – Standart approach – CCR exposures by regulatory portfolio and risk weights:**

Current Period									Total Credit Risk
Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others	
1 Exposures from central governments or central banks	320.185	-	-	-	-	-	-	1.833	322.018
2 Exposures from regional or local governments	-	-	-	-	-	-	-	-	-
3 Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	15	-	-	15
4 Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-
5 Exposures from international organizations	-	-	-	-	-	-	-	-	-
6 Exposures from banks and brokerage houses	-	-	1.302.109	5.111.053	-	-	-	-	6.413.162
7 Exposures from corporates	-	-	-	-	-	1.407.027	-	-	1.407.027
8 Retail receivables	-	-	-	-	4.460	-	-	-	4.460
9 Mortgage receivables	-	-	-	-	-	-	-	-	-
10 Non performing receivables	-	-	-	-	-	-	-	-	-
11 High risk defined receivables	-	-	-	-	-	-	821	-	821
12 Mortgage backed securities	-	-	-	-	-	-	-	-	-
13 Securitization Positions	-	-	-	-	-	-	-	-	-
14 Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
15 Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
16 Equity Investments	-	-	-	-	-	-	-	-	-
17 Other Receivables	-	-	-	-	-	-	-	-	-
18 Other Assets	-	-	-	-	-	-	-	-	-
19 Total	320.185	-	1.302.109	5.111.053	4.460	1.407.042	821	1.833	8.147.503

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Prior Period										Total Credit Risk
Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others		
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>

**d) CCR4 – Risk Class and Counterparty Credit Risk on the basis of Possibility of Default**

Related table is not presented due to the standard method is used for calculation of capital adequacy (December 31, 2019 – None).

**e) CCR5 – Composition of collateral for CCR exposure:**

Current Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-Local Currency	-	-	-	-	2.855.515	-
Cash - Foreign Currency	-	4.063.783	-	5.932.247	9.373.788	-
Government bond/bill-domestic	-	-	-	-	350.075	-
Government bond/bill-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>4.063.783</b>	<b>-</b>	<b>5.932.247</b>	<b>12.579.378</b>	<b>-</b>

  

Prior Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-Local Currency	-	-	-	-	256.811	-
Cash - Foreign Currency	-	3.792.115	-	3.124.158	7.636.052	-
Government bond/bill-domestic	-	-	-	-	3.040.962	-
Government bond/bill-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>3.792.115</b>	<b>-</b>	<b>3.124.158</b>	<b>10.933.825</b>	<b>-</b>

**f) CCR6 – Credit derivatives exposures**

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Related table is not presented due to the Bank has no risk arrived from derivative credit received or sold. (December 31, 2019 - None).

**g) 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>1.833</b>	<b>37</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			-	-
4 (ii) Exchange-traded Derivatives	1.833	37	9.481	190
5 (iii) Securities financing transactions	-	-	-	-
6 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
7 Segregated initial margin	-	-	-	-
8 Non-segregated initial margin	-	-	-	-
9 Pre-funded default fund contributions	-	-	-	-
10 Unfunded default fund contributions	-	-	-	-
11 Exposures to non-QCCPs (total)	-	-	-	-
12 Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which				
13 (i) OTC Derivatives	-	-	-	-
14 (ii) Exchange-traded Derivatives	-	-	-	-
15 (iii) Securities financing transactions	-	-	-	-
16 (iv) Netting sets where cross-product netting has been approved	-	-	-	-
17 Segregated initial margin	-	-	-	-
18 Non-segregated initial margin	-	-	-	-
19 Pre-funded default fund contributions	-	-	-	-
20 Unfunded default fund contributions	-	-	-	-

**4. Securitization exposures**

The Bank has no securitization transactions (December 31, 2019).

**5. Market risk under standardised approach**

RWA (**)		
	Current Period	Prior Period
Outright products (*)	4.005.413	3.271.550
1 Interest rate risk (general and specific)	1.758.025	2.125.287
2 Equity risk (general and specific)	41.050	49.125
3 Foreign exchange risk	2.047.963	923.788
4 Commodity risk	158.375	173.350
Options	24.325	76.063
5 Simplified approach	-	-
6 Delta-plus method	24.325	76.063
7 Scenario approach	-	-
8 Securitization	-	-
<b>9 Total</b>	<b>4.029.738</b>	<b>3.347.613</b>

(\*) Outright Product refer to positioning products that are not optional.

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

**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 ("cross currency risk").

Board of Directors determine the limits considering the consistency with the "Foreign Currency Net General Position." Positions are being followed daily and limits are reviewed at least once a year depending on economic conditions and Bank strategy and updated as deemed necessary.

In measuring the exchange rate exposure of the Bank, the "standard method" used in the legal reports and the internal method are used in the VaR. 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.

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**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 Three 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 6,8422  
Euro purchase rate at the date of the balance sheet TL 7,7082

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
June 30, 2020	6,8422	7,7082
June 29, 2020	6,8417	7,6776
June 26, 2020	6,8434	7,6796
June 25, 2020	6,8452	7,7363
June 24, 2020	6,8440	7,7278

**4. The basic arithmetical average of the Bank's foreign exchange bid rate for the last thirty days**

The basic arithmetical average of the Bank's US Dollar and Euro purchase rates for June 2020 are TL 6,8088 and TL 7,6624 respectively.

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**5. Information on the foreign currency exchange rate risk of the Bank (Thousands of 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>	15.924.796	8.725.789	677.410	25.327.995
Due From Banks	191.254	385.332	137.111	713.697
Financial Assets at Fair Value through Profit/Loss <sup>(2)</sup>	617.795	1.062.946	345	1.681.086
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	1.734.313	6.034.940	-	7.769.253
Loans and Receivables <sup>(3)</sup>	26.193.173	15.900.975	153.618	42.247.766
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	1.370.778	6.760.070	-	8.130.848
Derivative Financial Assets Hedging Purposes	-	582.882	-	582.882
Tangible Assets	-	-	46	46
Intangible Assets	-	-	-	-
Other Assets <sup>(4)</sup>	2.486.333	3.410.353	183	5.896.869
<b>Total Assets</b>	<b>48.518.442</b>	<b>42.863.287</b>	<b>968.713</b>	<b>92.350.442</b>
<b>Liabilities</b>				
Bank Deposits	573.376	3.991.401	148.042	4.712.819
Foreign Currency Deposits <sup>(5)</sup>	13.963.091	43.898.293	11.297.708	69.159.092
Money Market Borrowings	849.727	8.682.318	-	9.532.045
Funds Provided from Other Financial Institutions	7.131.865	15.692.273	-	22.824.138
Securities Issues	-	10.660.130	608.420	11.268.550
Sundry Creditors	2.950.628	1.374.608	3.492	4.328.728
Derivative Fin. Liabilities for Hedging Purposes	40.553	1.692.074	-	1.732.627
Other Liabilities <sup>(6)</sup>	711.727	1.422.475	699	2.134.901
<b>Total Liabilities</b>	<b>26.220.967</b>	<b>87.413.572</b>	<b>12.058.361</b>	<b>125.692.900</b>
<b>Net Balance Sheet Position</b>	<b>22.297.475</b>	<b>(44.550.285)</b>	<b>(11.089.648)</b>	<b>(33.342.458)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(22.302.284)</b>	<b>42.226.748</b>	<b>11.087.189</b>	<b>31.011.653</b>
Financial Derivative Assets	19.842.909	106.451.974	11.655.504	137.950.387
Financial Derivative Liabilities	42.145.193	64.225.226	568.315	106.938.734
Non-Cash Loans <sup>(7)</sup>	8.642.070	11.665.989	581.704	20.889.763
<b>Prior Period</b>				
Total Assets	34.267.167	38.569.548	1.023.236	73.859.951
Total Liabilities	24.574.639	72.790.345	5.677.136	103.042.120
<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>	<b>(9.599.135)</b>	<b>33.099.527</b>	<b>4.660.214</b>	<b>28.160.606</b>
Financial Derivative Assets	18.473.411	89.357.689	4.984.700	112.815.800
Financial Derivative Liabilities	28.072.546	56.258.162	324.486	84.655.194
Non-Cash Loans	8.107.684	9.513.266	625.822	18.246.772

<sup>(1)</sup> Cash and Balances with TR Central Bank; Other FC include TL 614.836 (December 31, 2019 – TL 737.276) precious metal deposit account.

<sup>(2)</sup> Does not include TL 280.217 (December 31, 2019– TL 167.549) of currency income accruals arising from derivative transactions. In accordance with TFRS 9, TL 104.005 which is accounted under Financial Assets at Fair Value Through profit or Loss is not included.

<sup>(3)</sup> Includes TL 1.090.945 (December 31, 2019 – TL 1.083.065) FC indexed loans.

<sup>(4)</sup> Does not include FC prepaid expenses amounting to TL 44.562 (December 31, 2019 – TL 37.315) as per BRSA's Communiqué published in Official Gazette no 26085 on 19 February 2006.

<sup>(5)</sup> Other foreign currency includes TL 9.867.253 (December 31, 2019 – TL 3.700.363) of precious metal deposit account..

<sup>(6)</sup> Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 131.199 (December 31, 2019 – TL 103.590)

<sup>(7)</sup> Does not have an effect on Net Off-Balance Sheet Position.

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**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 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 from interest rate and maturity risk.

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

(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing <sup>(1)</sup>	Total
<b>Current Period</b>							
Assets							
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>	14.210.724	-	-	-	-	12.905.847	27.116.571
Banks <sup>(3)</sup>	892.406	-	-	-	-	708.929	1.601.335
Financial Assets at Fair Value Through Profit/Loss <sup>(4)</sup>	174.031	49.995	118.171	25.099	26.531	8.286.233	8.680.060
Money Market Placements	350.075	-	-	-	-	-	350.075
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) <sup>(5)</sup>	1.152.669	1.423.038	4.098.787	3.300.921	4.119.308	1.826.155	15.920.878
Loans and Receivables	24.648.325	12.820.272	50.652.435	29.604.712	3.111.116	2.020.241	122.857.101
Financial Assets Measured at Amortized Cost <sup>(6)</sup>	2.109.188	2.161.183	4.859.372	3.118.845	4.333.053	348.010	16.929.651
Other Assets	-	-	-	-	-	14.902.602	14.902.602
<b>Total Assets</b>	<b>43.537.418</b>	<b>16.454.488</b>	<b>59.728.765</b>	<b>36.049.577</b>	<b>11.590.008</b>	<b>40.998.017</b>	<b>208.358.273</b>
Liabilities							
Bank Deposits	2.895.869	1.098.716	546.681	-	-	230.447	4.771.713
Other Deposits	57.835.395	15.772.189	3.256.458	294.450	113	39.944.887	117.103.492
Money Market Borrowings	4.140.619	3.973.572	4.211.015	-	-	62.355	12.387.561
Sundry Creditors	4.328.728	-	-	-	-	3.710.317	8.039.045
Securities Issued	1.663.779	2.216.075	336.950	10.554.026	-	-	14.770.830
Funds Borrowed	1.037.897	11.107.257	7.366.505	50.475	3.594.282	1.975	23.158.391
Other Liabilities <sup>(7)</sup>	912	2.602	13.651	371.605	13.576	27.724.895	28.127.241
<b>Total Liabilities</b>	<b>71.903.199</b>	<b>34.170.411</b>	<b>15.731.260</b>	<b>11.270.556</b>	<b>3.607.971</b>	<b>71.674.876</b>	<b>208.358.273</b>
On Balance Sheet Long Position	-	-	43.997.505	24.779.021	7.982.037	-	76.758.563
On Balance Sheet Short Position	(28.365.781)	(17.715.923)	-	-	-	(30.676.859)	(76.758.563)
Off-Balance Sheet Long Position	3.047.253	13.229.153	1.422.251	-	-	-	17.698.657
Off-Balance Sheet Short Position	-	-	-	(3.440.510)	(8.750.320)	-	(12.190.830)
<b>Total Position</b>	<b>(25.318.528)</b>	<b>(4.486.770)</b>	<b>45.419.756</b>	<b>21.338.511</b>	<b>(768.283)</b>	<b>(30.676.859)</b>	<b>5.507.827</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 1.884 expected loss provisions.

<sup>(3)</sup> Banks include balance of expected loss provisions amounting to TL 13.166.

<sup>(4)</sup> Financial Assets at Fair Value Through Profit/Loss include TL 8.262.074 derivative financial assets used for hedging purposes.

<sup>(5)</sup> Financial Assets at Fair Value Through Other Comprehensive Income include TL 1.763.698 derivative financial assets used for hedging purposes.

<sup>(6)</sup> Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 9.538.

<sup>(7)</sup> Other Liabilities includes Derivative Financial Liabilities amounting to TL 6.821.712.

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	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing <sup>(1)</sup>	Total
<b>Prior Period</b>							
Assets							
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
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	3.040.962	-	-	-	-	-	3.040.962
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) <sup>(5)</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
Financial Assets Measured at Amortized Cost <sup>(6)</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>
Liabilities							
Bank Deposits	3.244.393	1.864.410	103.274	-	-	194.282	5.406.359
Other Deposits	56.711.063	14.379.041	3.507.554	253.342	149	25.368.275	100.219.424
Money Market Borrowings	3.169.354	3.117.558	2.580.779	47.000	94.372	55.791	9.064.854
Sundry Creditors	3.943.415	-	-	-	-	3.652.793	7.596.208
Securities Issued	1.427.774	2.238.188	406.078	9.013.934	-	-	13.085.974
Funds Borrowed	2.594.108	9.297.887	5.662.540	63.315	3.121.810	2.302	20.741.962
Other Liabilities <sup>(7)</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 TL 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 Liabilities amounting to TL 4.978.934.

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

	EURO %	USD %	JPY %	TL %
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	-	-	8,00
Due from Banks	-	-	-	7,96
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	4,00	8,62	-	8,00
Money Market Placements	-	-	-	7,81
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	2,94	5,25	-	9,82
Loans and Receivables	4,25	5,94	2,42	13,21
Financial Assets Measured at Amortized Cost	3,76	5,53	-	10,14
<b>Liabilities</b>				
Bank Deposits	0,85	1,76	-	6,70
Other Deposits	0,24	1,35	0,04	9,51
Money Market Borrowings	0,05	1,62	-	7,33
Sundry Creditors	(0,46)	-	-	-
Securities Issued	-	5,70	-	9,35
Funds Borrowed	2,19	5,31	-	10,09
	EURO %	USD %	JPY %	TL %
<b>Prior Period</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

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

Equity Securities (shares)	Comparison		
	Carrying Value	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>	525.210	-	525.210
Quoted Securities	525.210	-	525.210
<b>4. Investment in Shares- grade Other (*)</b>	886.694	839.864	-

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

Portfolio	Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses	
		Amount under Supplementary Capital	Amount under Core Capital	Amount under Supplementary Capital	Amount under Core Capital
1. Private Equity Investments	-	810.029	810.029	-	-
2. Quoted Shares	(5.639)	-	-	-	-
3. Other Shares	-	-	-	-	-
<b>4. Total</b>	<b>(5.639)</b>	<b>810.029</b>	<b>810.029</b>	<b>-</b>	<b>-</b>

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**VI. Explanations on Remarks Regarding Liquidity Risk Management and Liquidity Coverage Ratio**

Liquidity Risk of the Bank is monitored and managed in accordance with Liquidity Risk Management Policy. According to this policy, Board of Directors is responsible to review and approve risk profile and appetite of the Bank periodically. Senior Management takes necessary measures to monitor aforementioned risk and controls liquidity risk in line with accepted strategies and policies.

Treasury Department is responsible to carry out liquidity strategy determined and approved by Board of Directors. Risk Management Department is responsible to define, measure, monitor and control liquidity risk besides developing internal and external methods and procedures which are in line with context and structure of applicable activities in the Bank in order to monitor related limits. Senior management of the Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of Bank's liquidity risk profile. Assets and Liabilities Committee (ALC) meetings, which ensure the necessary monitoring for liquidity risk, are held monthly. Risk Committee reviews the liquidity risk of the Bank monthly in addition to aforementioned meetings and informs Board of Directors. The Bank reviews its liquidity position daily. Internal and legal reports related to liquidity positions are examined in ALC meetings monthly with the participation of senior management. Several decisions are taken related to management of short and long term liquidity in this scope. Internal metrics such as reserve liquidity and deposit concentration are monitored daily besides liquidity coverage rate related to measurement of liquidity coverage. Internal limit and warning level are periodically monitored and reported to related parties by the Board of Directors.

The Bank has no liquidity management center and each entity, which is under control of the Bank, performs its liquidity management separately from the Bank by an authority responsible for liquidity management. Fund amounts, which shall be used by associates from the Bank, are determined in the framework of limits.

It is essential for the Bank to monitor its liquidity position and funding strategy consistently. Funding management of the Bank is carried out in line with limits and internal warning systems within the framework of ALC decisions. Funding and placement strategies are developed through evaluating the liquidity of the Bank. Liquidity position is evaluated and funding strategy is developed taking into consideration customer based concentration and maturity levels. While developing this strategy, it is aimed to fully utilize funding from long term and consistent resources.

A large part of the Bank's liabilities consist of TL, USD and EUR. Gap reports issued based on the aforementioned three currencies are presented in ALC meetings. Maturity mismatches based on currencies are managed through FC swap and FC forward.

The Bank diversifies its funding sources as customer deposits, foreign loans and bond issuance in order to reduce its liquidity risk. Measures are taken through making investments to assets having higher capacity to generate cash against liquidity crisis. The Bank watches over reducing customer deposit concentration and controls concentration level daily in line with warning level approved by the Board of Directors.

Liquidity life cycle approach is determined as the liquidity risk stress test methodology. This approach is a stress test to measure the period in which the Bank can meet its cumulative cash outflows without providing a fund from the market. Liquidity life cycle is calculated according to various scenarios and simulated in line with possible scenarios in crisis situation and the results are reported to Risk Committee and Board of Directors.

Emergency Funding Plan (EMP) of the Bank regulates funding activities to be used in liquidity crisis periods specific to the Bank or in liquidity crisis at financial markets. EMP defines components triggering the crisis and early warning indicators which help to evaluate and manage the liquidity crisis and determine primary funding structure. EMP also defines actions of the Bank against cash and guarantee need. In addition to aforementioned issues, EMP determines duties and responsibilities in performing actions in a liquidity crisis included in risk management and emergency funding plan.

Due to the financial uncertainty caused by the coronavirus epidemic, undemonstrative liquidity management has been one of the top priorities of the Bank. Although a flexibility provided to comply with the minimum ratios of the Liquidity Coverage Ratio (LCR) according to the regulation published by the BRSA on March 26, 2020, the Bank manages LCR above the limit by keeping its high-quality liquid assets at a sufficient level. The Bank has created four different stress test scenarios that measure how long it can meet the cumulative cash outflows, without providing any new funds from the market or by providing very low levels of funding. A new scenario created by observing the financial movements that occurred during the coronavirus epidemic process, and it is observed that the Bank's liquid assets can be converted into cash in order to meet its liquidity needs over 30 days, which is the minimum life span of all scenarios.

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**Liquidity Coverage Ratio**

Current Period – June 30, 2020	Unweighted Amounts <sup>(*)</sup>		Weighted Amounts <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>			<b>40.557.555</b>	<b>27.335.777</b>
1 High Quality Liquid Assets	40.557.555	27.335.777	40.557.555	27.335.777
<b>CASH OUTFLOWS</b>				
2 Retail and Small Business Customers Deposits	88.851.473	48.701.518	7.995.751	4.870.152
3 Stable deposits	17.787.921	-	889.396	-
4 Less stable deposits	71.063.552	48.701.518	7.106.355	4.870.152
5 Unsecured Funding other than Retail and Small Business Customers Deposits	36.162.136	24.699.536	20.888.748	14.604.034
6 Operational deposits	724.174	160.020	181.044	40.005
7 Non-Operational Deposits	30.034.277	22.565.910	16.316.623	12.619.609
8 Other Unsecured Funding	5.403.685	1.973.606	4.391.081	1.944.420
9 Secured funding	-	-	190.717	190.717
10 Other Cash Outflows	42.762.726	37.053.809	42.762.726	37.053.809
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	42.762.726	37.053.809	42.762.726	37.053.809
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	36.297.001	193.581	1.814.850	9.679
15 Other irrevocable or conditionally revocable commitments	85.182.934	22.570.177	6.269.050	2.204.710
<b>16 TOTAL CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>79.921.842</b>	<b>58.933.101</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	2.312.492	1.077	-	-
18 Unsecured Lending Transactions	7.668.837	2.373.200	4.931.386	1.815.774
19 Other contractual cash inflows	40.936.316	39.886.830	40.936.316	39.886.830
<b>20 TOTAL CASH INFLOWS</b>	<b>50.917.645</b>	<b>42.261.107</b>	<b>45.867.702</b>	<b>41.702.604</b>
			<b>Capped Amounts</b>	
<b>21 TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>40.557.555</b>	<b>27.335.777</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>34.054.140</b>	<b>17.234.293</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>119,10%</b>	<b>158,61%</b>

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

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Prior 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>-</b>	<b>-</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>
			Capped Amounts	
<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 Ratio's are used.

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The dates and values of minimum and maximum foreign currency and total liquidity coverage ratios calculated weekly related to the last three months of 2020 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>	129,57	24.04.2020	112,42	15.05.2020	119,14
<b>FC</b>	182,78	10.04.2020	145,03	12.06.2020	159,18

Liquidity coverage ratio is regulated by the BRSA to make sure that the Banks sustain high quality liquid asset stock to cover probable cash outflows in the short term.

All of Bank's high quality liquid assets are comprised of first quality liquid assets, most of which are CBT accounts and securities that are issued by the Turkish Treasury that have not been collateralized. Optional use of reserve levels and fluctuations in repo amount lead up to periodical variations in liquidity coverage ratio. Additionally syndication loans and large amount funds such as foreign bond issuances that have less than 1 month to maturity, lead up to short term fall in liquidity coverage ratios.

Funding sources of the Bank mainly consist of deposits which constitute 58% of total liabilities of the bank (December 31, 2019 – 57%) 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 securized 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**

Current Period	Demand	Up to 1 month	1-3 months	3-12 months	1-5 Years	5 Years and Over	Unallocated <sup>(1)</sup>	Total
<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>	12.105.814	15.012.641	-	-	-	-	(1.884)	27.116.571
Due from Banks <sup>(3)</sup>	714.303	900.198	-	-	-	-	(13.166)	1.601.335
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) <sup>(4)</sup>	20.526	377.007	655.769	2.209.797	3.978.997	1.437.964	-	8.680.060
Money Markets Placements <sup>(5)</sup>	-	350.075	-	-	-	-	-	350.075
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) <sup>(6)</sup>	223.335	39	619.023	2.720.831	7.163.030	5.194.620	-	15.920.878
Loans and Receivables	-	20.395.765	9.192.860	40.329.505	37.819.655	13.099.075	2.020.241	122.857.101
Financial Assets Measured at Amortized Cost <sup>(7)</sup>	-	-	100.145	1.153.760	9.235.202	6.450.082	(9.538)	16.929.651
Other Assets	-	7.996.694	-	-	1.426.558	-	5.479.350	14.902.602
<b>Total Assets</b>	<b>13.063.978</b>	<b>45.032.419</b>	<b>10.567.797</b>	<b>46.413.893</b>	<b>59.623.442</b>	<b>26.181.741</b>	<b>7.475.003</b>	<b>208.358.273</b>
<b>Liabilities</b>								
Bank Deposits	230.447	2.895.869	1.098.716	546.681	-	-	-	4.771.713
Other Deposits	39.944.887	57.835.395	15.772.189	3.256.458	294.450	113	-	117.103.492
Funds Borrowed	-	313.780	759.172	8.806.285	8.667.611	4.611.543	-	23.158.391
Money Market Borrowings	-	4.152.624	3.054.713	3.113.137	998.679	1.068.408	-	12.387.561
Securities Issued	-	1.663.779	2.216.075	336.950	10.554.026	-	-	14.770.830
Sundry Creditors	-	8.039.045	-	-	-	-	-	8.039.045
Other Liabilities <sup>(8)</sup>	-	3.289.965	294.014	1.529.819	2.112.495	2.943.386	17.957.562	28.127.241
<b>Total Liabilities</b>	<b>40.175.334</b>	<b>78.190.457</b>	<b>23.194.879</b>	<b>17.589.330</b>	<b>22.627.261</b>	<b>8.623.450</b>	<b>17.957.562</b>	<b>208.358.273</b>
<b>Liquidity Excess / Gap</b>	<b>(27.111.356)</b>	<b>(33.158.038)</b>	<b>(12.627.082)</b>	<b>28.824.563</b>	<b>36.996.181</b>	<b>17.558.291</b>	<b>(10.482.559)</b>	<b>-</b>
<b>Net Off Balance Sheet Position <sup>(9)</sup></b>								
Receivables from Financial Derivative Instruments	-	39.798.901	16.822.875	17.100.042	44.798.275	28.769.189	-	147.289.282
Liabilities from Derivatives	-	39.778.560	16.062.246	15.979.599	42.275.354	28.674.617	-	142.770.376
<b>Non-cash Loans <sup>(10)</sup></b>	<b>-</b>	<b>2.357.251</b>	<b>3.523.007</b>	<b>11.102.759</b>	<b>6.234.465</b>	<b>397.410</b>	<b>7.599.983</b>	<b>31.214.875</b>
<b>Prior period</b>								
Total Assets	11.270.286	38.086.116	11.944.597	36.170.125	52.780.199	23.471.168	7.958.020	181.680.511
Total Liabilities	25.562.557	76.345.703	22.425.212	11.187.036	21.876.638	6.517.092	17.766.273	181.680.511
<b>Liquidity 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>								
Receivables from Derivative Instruments	-	28.122.718	10.960.908	18.695.045	43.542.178	25.704.743	-	127.025.592
Liabilities from Derivative Instruments	-	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>

<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 17.028.607 (December, 31 2019 : TL 16.685.059) and unallocated provisions amounting to TL 900.262 (December 31, 2019: TL 875.641)

<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 1.884 (December 31, 2019 : TL 2.309).

<sup>(3)</sup> Banks include balance of expected loss provisions amounting to TL 13.166 (December 31, 2019 : TL 5.498).

<sup>(4)</sup> Financial Assets at Fair Value Through Profit/Loss includes TL 8.262.074 (December 31, 2019 : TL 6.586.311) derivative financial assets used for Financial Assets at Fair Value Through Profit/Loss.

<sup>(5)</sup> There is no balance at Receivables from Money Markets include the balance of expected loss provisions (December 31, 2019 : None).

<sup>(6)</sup> Financial Assets at Fair Value Through Other Comprehensive Income include TL 1.763.698 (December 31, 2019: TL 1.359.842) derivative financial assets used for hedging purposes.

<sup>(7)</sup> Financial assets measured at amortized cost include TL 9.538 (December 31, 2019: TL 11.852) of expected loss provisions.

<sup>(8)</sup> Other Liabilities includes Derivative Financial Liabilities amounting to TL 6.821.712 (December 31, 2019 TL 4.978.934).

<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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**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 6,95% (December 31, 2019: 7,34%). 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:

	<b>Book Value</b>	
	<b>Current Period (*)</b>	<b>Prior Period (*)</b>
<b>Assets on Balance sheet</b>		
Assets on Balance sheet (except for derivative financial instruments and credit (Assets deducted from capital stock)	200.730.243	171.361.772
	494.655	470.352
<b>Total risk amount related to Assets on Balance sheet</b>	<b>200.235.588</b>	<b>170.891.420</b>
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	10.740.043	8.793.072
Potential credit risk amount of derivative financial instruments and credit derivatives	1.665.197	268.312
<b>Total risk amount related to derivative financial instruments and credit derivatives</b>	<b>12.405.240</b>	<b>9.061.384</b>
<b>Financial transactions having security or commodity collateral</b>		
Risk amount of financial transactions having security or commodity collateral	77.830	110.193
Risk amount sourcing from transactions mediated	42.532	2.245
<b>Total risk amount related to financial transactions having security or commodity collateral</b>	<b>120.362</b>	<b>112.438</b>
<b>Off-Balance sheet Transaction</b>		
Gross nominal amount of off-balance sheet transactions	126.987.453	118.646.144
(Adjustment amount sourcing from multiplying to credit conversion rates)	32.455.206	30.571.236
<b>Total risk amount related to off-balance sheet transactions</b>	<b>94.532.247</b>	<b>88.074.908</b>
<b>Capital and Total Risk</b>		
Core Capital	21.360.402	19.678.486
Amount of total risk	307.293.437	268.140.150
<b>Financial leverage ratio</b>		
Financial leverage ratio	6,95%	7,34%

(\*) Amounts stated in table shows the last three months averages of related period.

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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	692.782	1.877.265	681.485	944.326
T.R. Central Bank	1.021.130	23.339.121	446.072	16.659.924
Other	76.548	111.609	-	18.734
<b>Total</b>	<b>1.790.460</b>	<b>25.327.995</b>	<b>1.127.557</b>	<b>17.622.984</b>

**b) Balances with the Central Bank of Turkey**

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1.021.130	8.326.480	446.072	8.505.856
Restricted Time Deposits	-	15.012.641	-	8.154.068
<b>Total</b>	<b>1.021.130</b>	<b>23.339.121</b>	<b>446.072</b>	<b>16.659.924</b>

As of June 30, 2020 amount of TL 1.884 (December 31, 2019: TL 2.309) provision provided for the account T.R. Central Bank.

As of 30 June 2020, our bank has been appointed to C.B.R.T. depending on the maturity structure, the required reserve rates for TL liabilities vary between 1% and 2% for TL deposits and other liabilities according to their maturities. The reserve rates for foreign currency liabilities vary between 0% and 16% for deposit and other foreign currency liabilities according to their maturities.

In accordance with the "Communiqué Regarding the Reserve Requirements", the reserve requirements can be maintained as TL, USD, EUR and standard gold. As of June 30, 2020 the Bank received an interest rate since the Bank reaches to a credit growth rate of 8%.

**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 balance sheet date, amount of financial assets at fair value through profit/loss which has given as collateral or blocked is TL 4.356 (December 31, 2019 – TL 6.227).

**b) Financial assets at fair value through profit/loss which subject to repurchase agreement**

None (December 31, 2019: None).

**c) Positive differences related to derivative financial assets held for trading**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	43.108	-	65.165	-
Swap Transactions	3.460.815	1.757.386	2.705.538	889.149
Futures Transactions	-	-	-	-
Options	1.416	189.195	1.371	152.948
Other	-	-	-	-
<b>Total</b>	<b>3.505.339</b>	<b>1.946.581</b>	<b>2.772.074</b>	<b>1.042.097</b>

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**3. a) Information on banks accounts**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	900.802	88.462	400.733	5.806
Foreign	2	625.235	2	453.038
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>900.804</b>	<b>713.697</b>	<b>400.735</b>	<b>458.844</b>

As of June 30, 2020 amount of TL 13.166 provision provided for the Bank account (December 31, 2019 - TL 5.498).

**b) Information on foreign bank accounts**

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	209.368	133.118	27.475	23.958
USA and Canada	274.372	193.790	81.653	79.671
OECD Countries (*)	2.625	3.084	-	-
Off-shore Banking Regions	-	-	-	-
Other	29.744	19.419	-	-
<b>Total</b>	<b>516.109</b>	<b>349.411</b>	<b>109.128</b>	<b>103.629</b>

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

(\*\*) Includes blocked placements amounting to TL 109.128 at foreign banks (December 31, 2019 - TL 103.629) 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>350.075</b>	<b>-</b>	<b>3.040.962</b>	<b>-</b>
T.R Central Bank	-	-	-	-
Banks	350.075	-	3.040.962	-
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>350.075</b>	<b>-</b>	<b>3.040.962</b>	<b>-</b>

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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 that are subject to repurchase agreements and given as Collateral/blocked**

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral/ Blocked	30.606	630.450	307.921	533.272
Subject to repurchase agreements	1.544.639	5.765.027	257.608	5.217.454
<b>Total</b>	<b>1.575.245</b>	<b>6.395.477</b>	<b>565.529</b>	<b>5.750.726</b>

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

	Current Period	Prior Period
<b>Debt securities</b>	<b>14.356.931</b>	<b>12.315.104</b>
Quoted on a stock exchange (*)	14.356.931	12.315.104
Unquoted on a stock exchange	-	-
<b>Share certificates</b>	<b>223.441</b>	<b>189.904</b>
Quoted on a stock exchange	-	-
Unquoted on a stock exchange (**)	223.441	189.904
<b>Impairment provision(-) (***)</b>	<b>(423.192)</b>	<b>(161.567)</b>
<b>Total</b>	<b>14.157.180</b>	<b>12.343.441</b>

(\*) The Eurobond Portfolio amounting to TL 3.047.403 (December 31, 2019 - TL 2.788.968) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as financial assets measured at fair value through other comprehensive income in order to be in line with balance sheet presentation.

(\*\*) It includes 11.695 Type C Visa Inc. shares transferred to Main Partner Bank because of exchange of stock as a result of transferring of Visa Europe Ltd to Visa Inc.

(\*\*\*) As of June 30, 2020 amount of TL 2.018 (December 31, 2019 - TL 1.958) provision provided for financial assets measured at fair value through other comprehensive income account.

**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>3.941</b>	<b>42.764</b>	<b>3.192</b>	<b>37.126</b>
Corporate Shareholders	3.941	42.764	3.192	37.126
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
<b>Loans Granted to Employees(*)</b>	<b>140.113</b>	<b>-</b>	<b>127.384</b>	<b>-</b>
<b>Total</b>	<b>144.054</b>	<b>42.764</b>	<b>130.576</b>	<b>37.126</b>

(\*) Includes the advances given to the bank personnel.

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

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

Cash Loans	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Loans and Receivables Not Subject to restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract	Refinance
			Terms	
<b>Non-specialized Loans</b>	<b>111.661.265</b>	<b>4.170.877</b>	<b>572.391</b>	<b>7.759.153</b>
Discount Notes	1.326.478	2.797	-	-
Export Loans	4.722.560	34.683	-	-
Import Loans	1.976	-	-	-
Loans Given to Financial Sector	1.402.404	-	-	-
Retail Loans	23.745.051	781.878	469.330	480.266
Credit Cards	15.160.093	968.394	-	559.790
Other	65.302.703	2.383.125	103.061	6.719.097
<b>Specialized Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>111.661.265</b>	<b>4.170.877</b>	<b>572.391</b>	<b>7.759.153</b>

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	Standard Loans	Loans and other receivables under close monitoring
<b>Current Period</b>		
Provision for 12 Month Expected Credit Losses	1.368.898	-
Significant Increase in Credit Risk	-	1.957.928
<b>Prior Period</b>		
Provision for 12 Month Expected Credit Losses	907.293	-
Significant Increase in Credit Risk	-	1.524.953

**b.2) Loans measured at fair value through profit/loss**

In the current period, the Bank follows the loan amounting to TL 104.005 under financial assets at fair value through profit or loss in line with TFRS 9 (31 December 2019 - TL 86.838).

**c) Loans measured at amortized cost and other receivables according to their maturity structure**

Cash Loans	Standard Loans	Loans Under Close Monitoring	
		Loans Not Subject to restructuring	Loans with Restructured Loans
Short-term Loans	41.837.028	968.394	559.790
Medium and Long-term Loans	69.824.237	3.202.483	7.771.754
<b>Total</b>	<b>111.661.265</b>	<b>4.170.877</b>	<b>8.331.544</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>804.875</b>	<b>23.010.872</b>	<b>23.815.747</b>
Housing Loans	237	3.992.539	3.992.776
Automobile Loans	-	15.573	15.573
Personal Need Loans	804.638	19.002.760	19.807.398
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>2.994</b>	<b>2.994</b>
Housing Loans	-	2.690	2.690
Automobile Loans	-	-	-
Personal Need Loans	-	304	304
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>12.426.494</b>	<b>554.390</b>	<b>12.980.884</b>
Installment	5.020.690	479.642	5.500.332
Non- Installment	7.405.804	74.748	7.480.552
<b>Individual Credit Cards-FC</b>	<b>9.696</b>	<b>33</b>	<b>9.729</b>
Installment	-	-	-
Non- Installment	9.696	33	9.729
<b>Personnel Loans-TL</b>	<b>13.972</b>	<b>80.253</b>	<b>94.225</b>
Housing Loans	-	133	133
Automobile Loans	-	-	-
Personal Need Loans	13.972	80.120	94.092
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>42.045</b>	<b>424</b>	<b>42.469</b>
Installment	16.048	162	16.210
Non-Installment	25.997	262	26.259
<b>Personnel Credit Cards-FC</b>	<b>72</b>	<b>-</b>	<b>72</b>
Installment	-	-	-
Non-Installment	72	-	72
<b>Overdraft Accounts-TL (Real Persons)</b>	<b>1.494.617</b>	<b>68.942</b>	<b>1.563.559</b>
<b>Overdraft Accounts-FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>14.791.771</b>	<b>23.717.908</b>	<b>38.509.679</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>2.183.074</b>	<b>17.880.515</b>	<b>20.063.589</b>
Real Estate Loans	-	272.980	272.980
Automobile Loans	2.347	173.597	175.944
Personal Need Loans	2.180.727	17.433.938	19.614.665
Other	-	-	-
<b>Commercial Loans with Installment Facility - FC Indexed</b>	<b>-</b>	<b>543.735</b>	<b>543.735</b>
Real Estate Loans	-	9.995	9.995
Automobile Loans	-	12.956	12.956
Personal Need Loans	-	520.784	520.784
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>3.574.082</b>	<b>80.158</b>	<b>3.654.240</b>
Installment	1.238.829	56.588	1.295.417
Non-Installment	2.335.253	23.570	2.358.823
<b>Corporate Credit Cards –FC</b>	<b>880</b>	<b>3</b>	<b>883</b>
Installment	-	-	-
Non-Installment	880	3	883
<b>Overdraft Accounts-TL (Legal Entities)</b>	<b>858.460</b>	<b>6.827</b>	<b>865.287</b>
<b>Overdraft Accounts-FC (Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>6.616.496</b>	<b>18.511.238</b>	<b>25.127.734</b>

**f) Allocation of loans to customers**

	Current Period	Prior Period
Public	123.000	-
Private	124.040.686	110.697.936
<b>Total</b>	<b>124.163.686</b>	<b>110.697.936</b>

**g) Allocation of domestic and foreign loans**

	Current Period	Prior Period
Domestic Loans	123.255.380	109.998.461
Foreign Loans	908.306	699.475
<b>Total</b>	<b>124.163.686</b>	<b>110.697.936</b>

**h) Loans granted to subsidiaries and associates**

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	602.709	1.015.749
Indirect Loans Granted to Subsidiaries and Associates	-	-
<b>Total</b>	<b>602.709</b>	<b>1.015.749</b>

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

	Current Period	Prior Period
<b>Provisions</b>		
Loans and Receivables with Limited Collectability	59.663	1.093.928
Doubtful Loans and Other Receivables	1.500.095	892.639
Uncollectible Loans and Receivables	4.769.923	3.957.146
<b>Total</b>	<b>6.329.681</b>	<b>5.943.713</b>

**j) Non-performing loans (NPLs) (Net)**

**j.1) Non-performing loans and other receivables restructured or rescheduled**

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
<b>Current Period</b>			
Gross Amounts Before the Provisions	69	13.467	74.803
Restructured Loans	69	13.467	74.803
<b>Prior Period</b>			
Gross Amounts Before the Provisions	264	3.091	67.342
Restructured Loans	264	3.091	67.342

**j.2) Movement of total non-performing loans**

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
<b>Prior Period End Balance</b>	<b>1.914.374</b>	<b>1.437.367</b>	<b>4.922.674</b>
Additions (+)	497.432	139.176	61.850
Transfers from Other Categories of Non-Performing Loans (+)	-	2.212.754	1.311.963
Transfers to Other Categories of Non-Performing Loans (-)	2.212.754	1.311.963	-
Collections (-)	120.205	114.158	387.410
Write-offs (-)	-	-	1.178
<b>Debt Sales (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
<b>Current Period End Balance</b>	<b>78.847</b>	<b>2.363.176</b>	<b>5.907.899</b>
Provision (-)	59.663	1.500.095	4.769.923
<b>Net Balances on Balance Sheet</b>	<b>19.184</b>	<b>863.081</b>	<b>1.137.976</b>

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

None (December 31, 2019- None).

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**j.4) Breakdown of non-performing loans according to their gross and net values**

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
<b>Current Period (Net)</b>	<b>19.184</b>	<b>863.081</b>	<b>1.137.976</b>
Loans to Real Persons and Legal Entities (Gross)	78.847	2.363.176	6.079.975
Provision (-)	59.663	1.500.095	4.941.999
Loans to Real Persons and Legal Entities (Net)	19.184	863.081	1.137.976
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	172.076
Provision (-)	-	-	172.076
Other Loans and Receivables (Net)	-	-	-
<b>Prior 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
Specific 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)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	126.118
Specific provision (-)	-	-	126.118
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 other receivables
<b>Current Period (Net)</b>			
Interest Accruals and Valuation Differences	6.752	271.517	460.375
Provision (-)	4.718	177.223	337.486
<b>Prior Period (Net)</b>			
Interest Accruals and Valuation Differences	214.810	149.201	332.194
Provision (-)	137.580	96.472	250.993

**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	609.954	94.766	364.213	116.736
Subject to repurchase agreements	1.278.025	6.961.876	-	6.517.031
<b>Total</b>	<b>1.887.979</b>	<b>7.056.642</b>	<b>364.213</b>	<b>6.633.767</b>

**b) Information on government debt securities measured at amortized cost**

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	8.808.341	7.516.679	8.588.791	6.727.311
Treasury Bill	-	-	-	-
Other Debt Securities	-	193.908	-	300.872
<b>Total</b>	<b>8.808.341</b>	<b>7.710.587</b>	<b>8.588.791</b>	<b>7.028.183</b>

**c) Information on investment securities measured at amortized cost**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Debt Securities</b>	<b>8.808.341</b>	<b>8.130.848</b>	<b>8.588.791</b>	<b>7.592.511</b>
Publicly-traded	8.808.341	8.130.848	8.588.791	7.592.511
Non-publicly traded	-	-	-	-
Provision for losses (-)	-	-	-	-
<b>Total</b>	<b>8.808.341</b>	<b>8.130.848</b>	<b>8.588.791</b>	<b>7.592.511</b>

**d) Movements of financial assets measured at amortized cost**

	Current Period	Prior Period
<b>Value at the beginning of the period</b>	<b>16.181.302</b>	<b>12.932.193</b>
Exchange differences on monetary assets	1.051.235	790.412
Acquisitions during the year	1.652.760	3.406.328
Disposals through sales and redemptions	(2.119.388)	(1.496.516)
Provision for losses (-)	-	-
Valuation effect	173.280	548.885
<b>The sum of end of the period</b>	<b>16.939.189</b>	<b>16.181.302</b>

As of June 30, 2020, a provision amounting to TL 9.538 (December 31,2019 - TL 11.852) is provided for the financial assets measured at amortized cost.

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

**8.1 Investments in associates**

**a) Information on the unconsolidated subsidiaries**

							Bank's Risk Group Share (%)
Title	Address (City/ Country)				Bank's Share-If Different, Voting Rights (%)		
Bankalararası Kart Merkezi (BKM) <sup>(*)</sup>				Istanbul/Turkey		9,23	9,23
Ulusal Derecelendirme A.Ş. <sup>(**)</sup>				Istanbul/Turkey		2,86	2,86
Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
147.898	100.459	69.456	1.439	-	8.961	8.943	-
31.238	25.827	22.785	1.354	-	6.146	-	-

(\*) Current period information is based on March 31, 2020 financials. Prior period profit and loss amounts are based on March 31, 2019 financials.

(\*\*) Current period information is based on December 31, 2019 financials. Prior period profit and loss amounts are based on December 31, 2018 financials.

**b) Information on the consolidated subsidiaries**

None (December 31, 2019 – None).

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**8.2. Movements of investments in associates**

	Current Period	Prior Period
Balance at the Beginning of Period	5.982	5.982
Movements During the Period	2.066	-
Purchases	-	-
Bonus Shares Received	2.066	-
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	8.048	5.982
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

On January 17, 2020, the Bank registered to JCR Avrasya Rating Anonim Şirketi as a Non-Financial Subsidiary, by purchasing 28.599 shares with a nominal value of amounting to TL 28.599, based on the share transfer agreement.

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

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	8.048	5.982
Total	8.048	5.982

**8.4 Quoted Associates**

None (December 31, 2019 - None)

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

	Current Period	Prior Period
Valued at Cost	8.048	5.982
Valued at Fair Value	-	-
Valued at Equity Method	-	-
Total	8.048	5.982

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

**a) Information on the unconsolidated subsidiaries**

Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank's Risk Group Share (%)
1. İbtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	Istanbul/Turkey	99,91	99,99
2. EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	Istanbul/Turkey	100,00	100,00

	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	50.223	13.492	31.851	-	-	(68)	3.788	-
2.	19.880	6.957	5.384	455	-	(4.473)	3.540	-

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**b) Information on the consolidated subsidiaries**

**b.1) Information on the consolidated subsidiaries**

	Subsidiary	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1.	QNB Finans Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99,80	100,00
2.	QNB Finans Finansal Kiralama A.Ş. (*)	Istanbul/Turkey	99,40	99,40
3.	Hemenal Finansman A.Ş.	Istanbul/Turkey	100,00	100,00
4.	QNB Finans Portföy Yönetimi A.Ş.	Istanbul/Turkey	0,03	100,00
5.	QNB Finans Faktoring A.Ş.	Istanbul/Turkey	99,99	100,00
6.	QNB Finans Varlık Kiralama Şirketi A.Ş.	Istanbul/Turkey	-	100,00

Information on subsidiaries in the order presented in the table above

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value(*)
1.	1.078.371	323.465	11.014	46.149	1.603	74.342	34.326	312.123
2.	6.416.211	969.412	8.101	285.982	-	72.221	53.103	525.210
3.	41.099	25.682	647	2.143	-	6.217	(5.789)	-
4.	21.995	17.803	321	322	-	5.004	(206)	-
5.	1.710.855	191.961	10.808	96.700	-	21.295	27.468	233.370
6.	235.519	382	-	-	-	182	-	-

(\*) 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
Balance at the beginning of the period	1.212.068	1.103.202
Movements during the period	(80.970)	108.866
Purchases	-	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Increase	(80.970)	108.866
Impairment Provision	-	-
Balance at the End of the Period	1.131.098	1.212.068
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

**b.3) Sectoral information on consolidated financial subsidiaries and the related carrying amounts**

	Current Period	Prior Period
Factoring Companies	233.370	266.769
Leasing Companies	525.210	624.551
Finance Companies	60.395	58.395
Other Subsidiaries	312.123	262.353
<b>Total</b>	<b>1.131.098</b>	<b>1.212.068</b>

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

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	525.210	624.551
Quoted on International Stock Exchanges	-	-
<b>Total</b>	<b>525.210</b>	<b>624.551</b>

**b.5) Explanation to capital adequacy of the significant subsidiaries**

The Bank does not have any significant subsidiaries.

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**10. Information on joint ventures**

	<b>Title</b>	<b>Address (City/Country)</b>	<b>Bank's Share-If different, Voting Rights (%)</b>	<b>Bank's Risk Group Share (%)</b>
1.	Cigna Finans Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	49,00	49,00
2.	Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	Istanbul/Turkey	33,33	33,33

  

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Asset</b>	<b>Interest Income</b>	<b>Securities Income</b>	<b>Current Period Profit/Loss</b>	<b>Prior Period Profit/Loss</b>	<b>Company's Fair Value</b>
1. (*)	1.821.611	172.394	31.073	-	-	80.717	62.816	233.977
2.	129.007	83.858	49.384	-	-	4.173	17.470	-

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

**11. Information on lease receivables (Net)**

None (December 31, 2019 - None).

**12. Information on the hedging derivative financial assets**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Fair Value Hedge (*)	2.505.988	304.166	2.693.288	78.852
Cash Flow Hedge (**)	1.484.982	278.716	1.314.595	45.247
Foreign Net Investment Hedges	-	-	-	-
<b>Total</b>	<b>3.990.970</b>	<b>582.882</b>	<b>4.007.883</b>	<b>124.099</b>

(\*) Derivative Financial Instruments at fair value consists swaps. As of June 30, 2020, TL 304.166 (December 31, 2019 - TL 74.535) from securities, TL 2.505.988 (December 31, 2019 - TL 2.693.288) from loans, represents the fair value of derivatives which are designated as hedging instruments to hedge the fair value. In current period, there is a not balance of securities (December 31, 2019 – TL 1.927) and funds borrowed (December 31, 2019 – TL 2.390) for the fair value of derivatives which are designated as hedging instruments to hedge the fair value.

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

**13. Explanations regarding the investment properties**

None (December 31, 2019- None).

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**14. Information on Tax Asset**

As of June 30, 2020, the Bank has TL 303.940 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 June 30, 2020, the Bank has deferred tax assets amounting to TL 1.462.806 and deferred tax liabilities amounting to TL 1.158.866, 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 229.087 has been netted under equity (December 31, 2019 - TL 220.543 deferred tax asset).

	<b>Accumulated Temporary Differences</b>		<b>Deferred Tax Assets/(Liabilities)</b>	
	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2020</b>	<b>31.12.2019</b>
Provision for Employee Rights	454.316	529.565	99.950	116.504
Difference Between the Book Value of Financial Assets and Tax				
Base	1.869.453	663.646	411.280	146.002
Other (*)	4.325.346	3.179.775	951.576	699.551
<b>Deferred Tax Assets</b>			<b>1.462.806</b>	<b>962.057</b>
Difference Between the Book Value Financial Assets and Tax Base	(282.183)	(277.655)	(62.080)	(61.084)
Difference Between the Book Value of Financial Assets and Tax				
Base	(3.101.573)	(1.746.251)	(682.346)	(384.175)
Other	(1.883.818)	(764.133)	(414.440)	(168.110)
<b>Deferred Tax Liabilities</b>			<b>(1.158.866)</b>	<b>(613.369)</b>
<b>Deferred Tax Assets/(Liabilities), Net</b>			<b>303.940</b>	<b>348.688</b>

(\*) Includes expected loss provision and accumulated temporary differences for other provisions.

	<b>Current Period 01.01-30.06.2020</b>	<b>Prior Period 01.01-30.06.2019</b>
Deferred Tax as of January 1 Active/ Passive – Net	348.688	522.283
Deferred Tax (Loss) / Gain	(273.835)	(318.715)
Deferred Tax that is Realized Under Shareholder's Equity	229.087	190.906
<b>Deferred Tax Active/ (Passive) – Net</b>	<b>303.940</b>	<b>394.474</b>

**15. 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>	-	-

(\*) In prior period, 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.

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**16. Information on other assets**

**16.1. Information on prepaid expense, tax and similar items**

	<b>Current Period</b>	<b>Prior Period</b>
Collateral Given for Derivative Transactions	5.936.029	3.148.281
Assets Held for Resale (net)	1.426.560	1.308.747
Other Prepaid Expenses	894.561	673.809
Cheques Receivables from Other Banks	711.382	506.612
Miscellaneous Receivables	306.501	296.615
Prepaid rent expenses	47.317	42.170
Prepaid Agency Commissions	12.943	7.790
Advances Given	151	105
Other	82.393	6.532
<b>Total</b>	<b>9.417.837</b>	<b>5.990.661</b>

As of June 30, 2020, the bank provisions for other assets to TL 5.415 (December 31, 2019 – TL 9.213).

**16.2. 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.

**17. 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:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Derivative Financial Instruments	7.496.309	2.529.463	6.779.957	1.166.196
Loans	3.491.807	586.945	3.289.333	477.119
Financial Assets measured at amortized cost	242.097	115.452	175.593	112.638
Financial Assets at Fair Value Through Other Comprehensive Income	208.031	(242.569)	258.678	89.025
Central Bank of Turkey	6.807	-	5.441	-
Financial Assets at Fair Value Through Profit or Loss	3.504	129	1.648	347
Banks	274	-	1.089	-
Other Accruals	77.229	320	2.544	1.814
<b>Total</b>	<b>11.526.058</b>	<b>2.989.740</b>	<b>10.514.283</b>	<b>1.847.139</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	1 Year and Over	Accumulated Deposit Accounts	Total
<b>Saving Deposits</b>	7.217.791	-	9.553.615	16.855.055	719.800	212.867	950.382	867	35.510.377
<b>Foreign Currency</b>	19.138.529	-	5.526.042	27.677.453	4.199.500	1.192.756	1.553.787	3.772	59.291.839
Residents in Turkey	18.421.524	-	5.454.115	27.247.066	4.157.704	1.026.894	1.177.766	3.772	57.488.841
Residents Abroad	717.005	-	71.927	430.387	41.796	165.862	376.021	-	1.802.998
<b>Public Sector Deposits</b>	321.479	-	13.502	5.277	1.279	5	-	-	341.542
<b>Commercial Deposits</b>	4.200.312	-	3.423.820	3.459.878	337.389	47.258	46.095	-	11.514.752
<b>Other Ins. Deposits</b>	72.734	-	47.603	292.499	53.092	110.067	1.734	-	577.729
<b>Precious Metal Deposits</b>	8.994.042	-	1.622	478.326	9.675	4.346	379.242	-	9.867.253
<b>Bank Deposits</b>	230.447	-	2.895.869	1.098.716	543.995	2.686	-	-	4.771.713
T.R Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	3.738	-	-	-	-	-	-	-	3.738
Foreign Banks	223.491	-	2.895.869	1.098.716	543.995	2.686	-	-	4.764.757
Participation Banks	3.218	-	-	-	-	-	-	-	3.218
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>40.175.334</b>	<b>-</b>	<b>21.462.073</b>	<b>49.867.204</b>	<b>5.864.730</b>	<b>1.569.985</b>	<b>2.931.240</b>	<b>4.639</b>	<b>121.875.205</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>	4.749.725	-	8.337.031	18.244.106	214.359	247.901	1.113.219	910	32.907.251
<b>Foreign Currency</b>	13.163.632	-	5.467.902	24.282.951	3.533.737	2.032.562	1.474.559	2.998	49.958.341
Residents in Turkey	12.648.241	-	5.400.228	23.964.674	3.492.160	1.913.436	1.106.457	2.998	48.528.194
Residents Abroad	515.391	-	67.674	318.277	41.577	119.126	368.102	-	1.430.147
<b>Public Sector Deposits</b>	403.375	-	2.296	9.734	569	19	-	-	415.993
<b>Commercial Deposits</b>	3.470.806	-	4.537.787	4.486.426	82.770	35.395	66.801	-	12.679.985
<b>Other Ins. Deposits</b>	63.232	-	31.454	418.746	1.441	40.772	1.847	-	557.492
<b>Precious Metal Deposits</b>	3.517.505	-	1.068	7.602	1.192	2.780	170.215	-	3.700.362
<b>Bank Deposits</b>	194.282	-	3.244.393	1.864.410	74.941	28.333	-	-	5.406.359
T.R Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	5.128	-	-	-	-	-	-	-	5.128
Foreign Banks	183.471	-	3.244.393	1.864.410	74.941	28.333	-	-	5.395.548
Participation Banks	5.683	-	-	-	-	-	-	-	5.683
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>25.562.557</b>	<b>-</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>

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**1.1. Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount other 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	20.464.130	18.451.527	15.037.922	14.447.019
Foreign Currency Savings Deposits	12.437.678	10.426.031	33.947.886	28.403.256
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
<b>Total</b>	<b>32.901.808</b>	<b>28.877.558</b>	<b>48.985.808</b>	<b>42.850.275</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 that are not covered under the guarantee of deposit insurance fund**

	Current Period	Prior Period
Deposits and accounts in branches abroad	13.448	25.886
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	206.328	149.317
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>219.776</b>	<b>175.203</b>

**2. Information on trading derivative financial liabilities**

**Negative differences table for derivative financial liabilities held for trading**

	Current Period <sup>(*)</sup>		Prior Period	
	TL	FC	TL	FC
Forwards	237.403	-	110.238	-
Swaps	3.032.513	1.695.794	2.570.815	903.344
Futures	-	-	-	-
Options	70	15.985	211	34.565
Other	-	-	-	-
<b>Total</b>	<b>3.269.986</b>	<b>1.711.779</b>	<b>2.681.264</b>	<b>937.909</b>

<sup>(\*)</sup> Derivative financial liabilities held for trading in the current period are shown on the financial statement in 7.1 Derivative Financial Liabilities line.

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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	334.253	205.824	380.249	216.059
Foreign Bank, Institutions and Funds	-	16.363.009	-	14.713.101
<b>Total</b>	<b>334.253</b>	<b>16.568.833</b>	<b>380.249</b>	<b>14.929.160</b>

**b) Maturity information on funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	334.253	3.529.702	380.249	1.578.044
Medium and Long-Term	-	13.039.131	-	13.351.116
<b>Total</b>	<b>334.253</b>	<b>16.568.833</b>	<b>380.249</b>	<b>14.929.160</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 June 30, 2020 the Bank's liabilities comprise; 58% deposits (December 31, 2019 – 58%), 8% funds borrowed (December 31, 2019 – 8%), 7% issued bonds (December 31, 2019 – 7%) and 6% Money Market Debts (December 31, 2019 – 5%).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From domestic transactions</b>	<b>2.851.725</b>	<b>-</b>	<b>255.279</b>	<b>-</b>
Financial institutions and organizations	2.824.901	-	232.383	-
Other institutions and organizations	9.925	-	11.123	-
Real persons	16.899	-	11.773	-
<b>From foreign transactions</b>	<b>3.791</b>	<b>9.532.045</b>	<b>2.393</b>	<b>8.797.038</b>
Financial institutions and organizations	-	9.532.045	-	8.797.038
Other institutions and organizations	3.791	-	2.393	-
Real persons	-	-	-	-
<b>Total</b>	<b>2.855.516</b>	<b>9.532.045</b>	<b>257.672</b>	<b>8.797.038</b>

**5. Information on securities issued (Net)**

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	3.455.339	712.200	3.954.629	116.648
Bills	46.941	10.556.350	-	9.014.697
<b>Total</b>	<b>3.502.280</b>	<b>11.268.550</b>	<b>3.954.629</b>	<b>9.131.345</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, 2019 - 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, 2019- None)

- 7.2. Financial Lease Payables**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	15.004	11.373	12.827	9.373
Between 1 - 4 years	15.592	11.820	9.035	6.604
More than 4 years	2.318	1.757	-	-
<b>Total</b>	<b>32.914</b>	<b>24.950</b>	<b>21.862</b>	<b>15.977</b>

- 7.3. Information on liabilities arising from operational lease transactions**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	13.063	11.491	29.388	25.177
Between 1 - 4 years	415.986	365.907	474.585	406.576
More than 4 years	-	-	-	-
<b>Total</b>	<b>429.049</b>	<b>377.398</b>	<b>503.973</b>	<b>431.753</b>

- 7.4. Information and footnotes 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, 2019 None).

- 8. Information on liabilities arising from hedging purpose derivatives**

	Current Period (***)		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (*)	70.610	753.625	285.204	355.077
Cash Flow Hedge (**)	36.710	979.002	487.387	232.093
Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>107.320</b>	<b>1.732.627</b>	<b>772.591</b>	<b>587.170</b>

(\*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of June 30, 2020, TL 753.625 from securities (December 31, 2019 – TL 355.077), TL 70.610 (December 31, 2019 - TL 285.204) from loans, represents the fair value of the derivative financial instruments used in the fair value hedging transaction.

(\*\*) Represents the fair value of derivative financial instruments for cash flow hedges of deposits and floating rate borrowings.

(\*\*\*) Derivative financial liabilities for the fair value hedge purposes in the current period are presented in line 7.1 of the financial statements and financial liabilities for the purpose of cash flow hedges are shown in line 7.2.

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**9. Information on provisions**

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

	<b>Current Period</b>	<b>Prior Period</b>
Foreign Exchange Provision for Foreign Currency Indexed Loans <sup>(*)</sup>	-	-

<sup>(\*)</sup> 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 or expected loss provision for non-cash**

	<b>Current Period</b>	<b>Prior Period</b>
Stage 1	118.870	92.437
Stage 2	12.110	17.471
Stage 3	49.953	45.614
<b>Total</b>	<b>180.933</b>	<b>155.522</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 June 30, 2020 TL 245.285 (December 31, 2019 - TL 230.438) reserve for employee termination benefits was provided in the accompanying financial statements.

As of June 30, 2020, the Bank accrued TL 53.871 (December 31, 2019 - TL 48.707) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of June 30, 2020 TL 155.160 (December 31, 2019 - TL 250.420) 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>01.01-30.06.2020</b>	<b>01.01-30.06.2019</b>
As of January 1	230.436	173.924
Service Cost	15.225	11.417
Interest Cost	14.620	14.342
Settlement / curtailment / termination loss	2.765	5.971
Actuarial Difference	(137)	1.414
Paid during the period	(17.624)	(18.239)
<b>Total</b>	<b>245.285</b>	<b>188.829</b>

**9.4. Information on other provisions**

Except for those mentioned in footnote 9.2, other provisions of the balance sheet amounting to TL 265.013 (December 31, 2019 – TL 190.554) consist of lawsuits against the Bank.

**10. Taxation**

**10.1. Current Taxes**

**10.1.1. Current tax liability**

As of June 30, 2020, the Bank's current tax liability is TL 57.624 (December 31, 2019 - TL 205.582). As of June 30, 2020, the Bank's prepaid tax is amounting to TL 28.931 (December 31, 2019 - None).

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**10.1.2. Information on taxes payable**

	Current Period	Prior Period
Corporate taxes payable	28.693	205.582
Banking and Insurance Transaction Tax (BITT)	91.410	93.665
Taxation on Securities Income	57.615	84.849
Taxation on Real Estates Income	2.790	2.591
Other	29.121	34.904
<b>Total</b>	<b>209.629</b>	<b>421.591</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	12.678	11.685
Social Security Premiums - Employer Share	14.004	12.914
Unemployment Insurance - Employee Share	890	820
Unemployment Insurance - Employer Share	1.780	1.640
<b>Total</b>	<b>29.352</b>	<b>27.059</b>

**11. Information on payables related to assets held for sale**

None (December 31, 2019 – 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>3.593.070</b>	-	<b>3.120.203</b>
Subordinated Loans	-	3.593.070	-	3.120.203
Subordinated debt instruments	-	-	-	-
<b>Debt instruments to be included in contribution capital calculation</b>	-	<b>2.662.235</b>	-	<b>2.312.350</b>
Subordinated loans	-	2.662.235	-	2.312.350
Subordinated debt instruments	-	-	-	-
<b>Total</b>	-	<b>6.255.305</b>	-	<b>5.432.553</b>

On April 1, 2019, the current due date of subordinated loan of amounting to US \$ 125 million was renewed to 2029 in line with Basel III by incorporating calculation of supplementary capital.

On June 30, 2019, the current due date of subordinated loan of amounting to US \$ 525 million was renewed by applying required arrangements in line with loan prospectus.

**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

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**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, 2019 – None).

**13.4. Information on share capital increases from revaluation funds**

None (December 31, 2019 – 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, 2019 – None).

**13.7. Information on the privileges given to stocks representing the capital**

None (December 31, 2019 – 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>810.029</b>	<b>-</b>	<b>942.899</b>	<b>-</b>
Valuation Difference	810.029	-	942.899	-
Foreign Exchange Rate Difference	-	-	-	-
<b>Securities Measured at Fair Value Through Other Comprehensive Income (FVOCI)</b>	<b>383.783</b>	<b>(1.120.183)</b>	<b>210.214</b>	<b>(381.200)</b>
Valuation Difference	383.783	(1.120.183)	210.214	(381.200)
Foreign Exchange Rate Difference	-	-	-	-
<b>Total</b>	<b>1.193.812</b>	<b>(1.120.183)</b>	<b>1.153.113</b>	<b>(381.200)</b>

**16. Accrued interest and expenses**

The details of accrued interest and expenses allocated to the related items on the liability side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Liabilities	3.377.306	3.444.406	3.453.855	1.525.079
Deposits	169.304	53.033	234.755	76.634
Securities Issued	10.280	432.039	2.100	188.376
Funds Borrowed	9.053	88.805	7.801	107.553
Money Market Borrowings	8.161	54.195	74	55.717
Other Accruals	299.597	178.808	175.722	159.239
<b>Total</b>	<b>3.873.701</b>	<b>4.251.286</b>	<b>3.874.307</b>	<b>2.112.598</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**

	<b>Current Period</b>	<b>Prior Period</b>
Credit Cards Limit Commitments	32.959.232	28.781.240
Commitment For Use Guaranteed Credit Allocation	16.264.348	14.309.950
Forward, Asset Purchase Commitments	2.866.543	5.330.542
Payment Commitments for Cheques	2.389.462	2.377.515
Other Irrevocable Commitments	3.077.047	2.045.048
Commitments for Promotions Related with Credit Cards and Banking Activities	67.680	71.447
Tax and Fund Liabilities due to Export Commitments	32.887	29.197
<b>Total</b>	<b>57.657.199</b>	<b>52.944.939</b>

**1.2. Type and amount of possible losses and commitments from off-balance sheet items**

Specific provision is provided for the non-cash loans amounting to TL 180.933 (December 31, 2019 - TL 155.522) followed in the off-balance sheet accounts that are not indemnified and liquidated yet.

**1.3. Final guarantees, provisional guarantees, sureties and similar transactions**

	<b>Current Period</b>	<b>Prior Period</b>
Bank Loans	6.677.252	5.822.343
Letters of Credit	3.345.867	2.667.496
<b>Total</b>	<b>10.023.119</b>	<b>8.489.839</b>

**1.4. Final guarantees, provisional guarantees, sureties and similar transactions**

	<b>Current Period</b>	<b>Prior Period</b>
Final Letters of Guarantee	8.213.461	9.374.933
Advance Letters of Guarantee	2.705.802	2.421.977
Provisional Letters of Guarantee	1.146.142	990.557
Letters of Guarantee Given to Customs Offices	446.721	486.170
Other Letters of Guarantee	8.679.630	6.753.628
<b>Total</b>	<b>21.191.756</b>	<b>20.027.265</b>

**2. Total amount of non-cash loans**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Non-Cash Loans granted for Obtaining Cash Loans</b>	<b>3.568.875</b>	<b>2.009.076</b>
Less Than or Equal to One Year with Original Maturity	953.514	341.272
More Than One Year with Original Maturity	2.615.361	1.667.804
<b>Other Non-Cash Loans</b>	<b>27.646.000</b>	<b>26.508.028</b>
<b>Total</b>	<b>31.214.875</b>	<b>28.517.104</b>

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

	Current Period				Prior Period			
	TP	%	YP	%	TP	%	YP	%
<b>Agricultural</b>	<b>33.974</b>	<b>0,33</b>	<b>69.605</b>	<b>0,33</b>	<b>37.497</b>	<b>0,37</b>	<b>69.559</b>	<b>0,38</b>
Farming and Raising Livestock	29.284	0,28	3.507	0,02	32.555	0,32	9.636	0,05
Forestry	3.436	0,03	-	-	3.919	0,04	-	-
Fishing	1.254	0,01	66.098	0,32	1.023	0,01	59.923	0,33
<b>Manufacturing</b>	<b>1.769.995</b>	<b>17,14</b>	<b>10.253.343</b>	<b>49,08</b>	<b>1.645.765</b>	<b>16,03</b>	<b>8.248.440</b>	<b>45,21</b>
Mining and Quarrying	79.290	0,77	36.067	0,17	73.698	0,72	39.774	0,22
Production	1.528.041	14,80	10.048.279	48,10	1.429.199	13,92	8.147.353	44,65
Electricity, gas and water	162.664	1,58	168.997	0,81	142.868	1,39	61.313	0,34
<b>Construction</b>	<b>3.332.717</b>	<b>32,28</b>	<b>2.871.968</b>	<b>13,75</b>	<b>3.132.469</b>	<b>30,50</b>	<b>2.776.877</b>	<b>15,22</b>
<b>Services</b>	<b>5.006.154</b>	<b>48,49</b>	<b>7.374.243</b>	<b>35,30</b>	<b>5.271.352</b>	<b>51,33</b>	<b>7.068.110</b>	<b>38,73</b>
Wholesale and Retail Trade	3.362.675	32,57	1.971.153	9,44	3.305.446	32,18	2.917.959	15,99
Hotel, Food and Beverage								
Services	121.910	1,1	832.446	3,98	150.928	1,47	661.151	3,62
Transportation&Communication	462.720	4,48	1.206.597	5,78	411.693	4,01	901.782	4,94
Financial Institutions	668.817	6,48	3.148.842	15,07	1.014.605	9,88	2.028.298	11,12
Real Estate and Renting Services	4.392	0,04	1.295	0,01	13.138	0,13	665	-
Self Employment Services	184.499	1,79	95.322	0,46	213.365	2,08	98.682	0,54
Educational Services	8.566	0,08	15.282	0,07	7.721	0,08	13.334	0,07
Health and Social Services	192.575	1,87	103.306	0,49	154.456	1,50	446.239	2,45
<b>Other</b>	<b>182.272</b>	<b>1,76</b>	<b>320.604</b>	<b>1,53</b>	<b>183.249</b>	<b>1,77</b>	<b>83.786</b>	<b>0,46</b>
<b>Total</b>	<b>10.325.112</b>	<b>100,00</b>	<b>20.889.763</b>	<b>100,00</b>	<b>10.270.332</b>	<b>100,00</b>	<b>18.246.772</b>	<b>100,00</b>

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

Current Period (*)	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	9.894.504	10.989.359	173.132	84.808
Bills of Exchange and Acceptances	145.060	6.520.904	-	11.288
Letters of Credit	62.463	3.282.448	-	956
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
<b>Non-Cash Loans</b>	<b>10.102.027</b>	<b>20.792.711</b>	<b>173.132</b>	<b>97.052</b>

(\*) Does not include non-cash loans amounting to TL 49.953, for which special provision is provided, but which are not indemnified and not liquidated yet.

Prior Period (*)	I. Group		II. Group	
	TL	FC	TL	FC
Letters of Guarantee	9.971.815	9.792.164	162.338	55.334
Bills of Exchange and Acceptances	22.742	5.782.178	-	17.423
Letters of Credit	67.823	2.563.908	-	35.765
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
<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.

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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>142.066.587</b>	<b>115.303.643</b>
Forward transactions <sup>(*)</sup>	10.089.127	13.397.168
Swap transactions	124.913.254	88.466.508
Futures transactions	-	197.110
Option transactions	7.064.206	13.242.857
<b>Interest Related Derivative Transactions (II)</b>	<b>71.598.218</b>	<b>58.871.980</b>
Forward rate transactions	-	-
Interest rate swap transactions	71.598.218	58.871.980
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
<b>Other trading derivative transactions (III)</b>	<b>1.094.752</b>	<b>1.217.741</b>
<b>A.Total Trading Derivative Transactions (I+II+III)</b>	<b>214.759.557</b>	<b>175.393.364</b>
<b>Types of hedging transactions</b>		
Fair value hedges	29.493.032	31.148.040
Cash flow hedges	48.673.612	49.101.851
Net investment hedges	-	-
<b>B.Total Hedging Related Derivatives</b>	<b>78.166.644</b>	<b>80.249.891</b>
<b>Total Derivative Transactions (A+B)</b>	<b>292.926.201</b>	<b>255.643.255</b>

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

As of June 30, 2020, 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	Futures Buy	Futures Sell	Other
<b>Current Period</b>									
TL	1.557.075	504.030	6.585.807	32.512.892	404.427	1.589.585	-	-	-
USD	1.230.994	3.574.437	104.513.304	60.495.828	2.326.598	1.352.731	-	-	1.094.752
Euro	1.932.598	524.252	17.646.251	41.482.249	825.117	448.086	-	-	-
Other	237.232	528.509	11.416.356	25.429	46.474	71.188	-	-	-
<b>Total</b>	<b>4.957.899</b>	<b>5.131.228</b>	<b>140.161.718</b>	<b>134.516.398</b>	<b>3.602.616</b>	<b>3.461.590</b>	<b>-</b>	<b>-</b>	<b>1.094.752</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	Futures Buy	Futures Sell	Other
<b>Prior 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.

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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 5.873.571 (December 31, 2019 – TL 8.122.097) were subject to hedge accounting by swaps with a nominal of TL 4.978.575 (December 31, 2019 – TL 6.608.353). On June 30, 2020 the net market valuation difference loss amounting to TL 887 due to the loss from the loans amounting to TL 136.321 (December 31, 2019 – TL 919.613 gain) and gain from swaps amounting to TL 135.433 (December 31, 2019 – TL 864.039 loss) gain is accounted for under “gain / (loss) from financial derivatives transactions” line in the accompanying financial statements.

According to TAS 39, fair value hedge accounting definitions, some of the fair value hedge accounting applications 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 98.901 (December 31, 2019 – TL 136.590 loss) related to the loans that are ineffective for hedge accounting under “gain / (loss) from financial derivatives transactions” as loss during the current period.

**b) Financial assets measured at fair value through other comprehensive income**

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 at the balance sheet date; Eurobonds with a nominal of USD 372.759 million and EUR 49.8 million (December 31, 2019 – USD 373.663 million and EUR 49.8 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On June 30, 2020, the net market valuation difference gain amounting to TL 3.040 due to gain from Eurobonds amounting to TL 397.372 (December 31, 2019 – TL 215.945 gain) and loss from swaps amounting to TL 394.332 (December 31, 2019 – TL 215.250 loss) is accounted for under “gain / (loss) 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. (December 31, 2019 - none)

**c) Bonds issued**

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 780 million (December 31, 2019 – USD 780 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of June 30, 2020, TL 264 net fair valuation difference loss, net of TL 221.419 (December 31, 2019 – TL 69.763 loss) loss from issued bonds and TL 221.155 (December 31, 2019 – TL 69.801 gain) gain from swaps, has been recorded under “Gain / (loss) from financial derivatives transactions” on accompanying financial statements.

**d) Borrowings**

The Bank; applies fair value hedge accounting through interest rate swaps in order to protect itself from changes in interest rates with respect to the fixed rate foreign currency loan it uses. In this context; The Bank ended its fair value hedge accounting practice on January 1, 2020, which started on December 27, 2015, regarding the loan amounting to EUR 30 million. In the current period, within the scope of application of deteriorated hedge accounting, the Bank accounted the valuation effect which is amounting to TL 693 (December 31, 2019- None) as an income in the income statement under “Gain/Losses from Derivative Transactions”.

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**5.2. Cash flow hedge accounting**

**a) Floating 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 2019 - of USD 875 million) have been subject to hedging accounting as hedging instruments. As a result of the said hedging accounting, fair value income before tax of TL 249.135 (31 December 2019 – TL 20.790) was accounted under equity in the current period. The gain amounting to TL 3 relating to the ineffective portion is accounted for at the income statement.

**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 months, 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 210.000 are subject to hedge accounting as hedging instruments (December 31, 2019 – TL 1.600.000). As a result of the mentioned hedge accounting, fair value gains before taxes amounting to TL 32.723 are accounted for under equity during the current period (December 31, 2019 – TL 243.972 loss). The gain amounting to TL 641 (December 31, 2019 – TL 182 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 2.244 million (December 31, 2019 – USD 2.529 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 74 million (December 31, 2019 – EUR 104 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value loss before taxes amounting to TL 430.088 are accounted for under equity during the current period (December 31, 2019 – TL 790.817 loss). The loss amounting to TL 850 (December 31, 2019 – TL 1.525 loss) 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 gain TL 13.639 transferred amount from equity to income statement due to ineffectiveness or matured swaps. (December 31, 2019 – TL 20.045 gain).

The measurements as of June 30, 2020, hedge of cash flow transactions stated above are determined as effective.

**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, 2019 – USD 485 million). As a result of the mentioned hedge accounting, fair value loss before taxes amounting to TL 133.966 are accounted for under equity during the current period (December 31, 2019 – 94.034 loss). Regarding the ineffective portion has not 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; due to hedge accounting practices terminated in the current year, a gain amounting to TL 13.054 (31 December 2019 - TL 4.568) was transferred from the equity to the income statement.

The measurements as of June 30, 2020, 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 June 30, 2020, the Bank has no commitments "Credit Linked Notes" (As of December 31, 2019 - None).

As of June 30, 2020, "Other Derivative Financial Assets" with nominal amount of USD 160.000.000 (December 31, 2019 - USD 205.000.000) are included in Bank's "Credit Default Swap.". In aforementioned transaction, the Bank is the seller of the protection for USD 160.000.000.

**7. Information on contingent liabilities and assets**

The Bank has recorded a provision of TL 152.450 (December 31, 2019 - TL 106.152) Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

**8. Information on the services in the name and account of third parties**

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

**9. Information on the Bank's rating by international rating institutions**

MOODY's June 2019		FITCH May 2020	
Long-Term Deposit Rating (FC)	B3	Long -Term Issuer Default Rating(FC)	B+ (Negative)
Long-Term Deposit Rating (TL)	B1	Short-Term Issuer Default Rating(FC)	B (Stable)
Short-Term Deposit Rating (FC)	NP	Long-Term Issuer Default Rating(TL)	BB-
Short-Term Deposit Rating (TL)	NP	Short-Term Issuer Default Rating(TL)	B
Main Credit Evaluation	b3	Long-Term National	AA(tur)
Adjusted Main Credit Evaluation	b1	Appearance	Stable
Appearance	Negative	Support	4
Long-Term Foreign Currency	B1		b+
Denominated Debt Rating(FC)		Financial Capacity Rating	

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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	2.249.210	154.795	3.333.268	132.210
Medium and Long-Term Loans	3.312.356	974.435	3.342.258	898.331
Non-Performing Loans	26.517	-	34.804	-
Resource Utilization Support Fund Premiums	-	-	-	-
<b>Total (*)</b>	<b>5.588.083</b>	<b>1.129.230</b>	<b>6.710.330</b>	<b>1.030.541</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	43.073	105	58.430	87
Foreign Banks	1.137	13.756	1.858	44.182
Foreign Headquarters and Branches	-	-	-	-
<b>Total</b>	<b>44.210</b>	<b>13.861</b>	<b>60.288</b>	<b>44.269</b>

(\*) The interest income on Required Reserve amounting TL 13.568 is not included into interest income on Banks (June 30, 2019: TL 130.369).

**c) Information on interest income from securities portfolio**

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	5.717	455
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	337.729	198.425
Financial Assets Measured at Amortized Cost	460.159	208.607
<b>Total</b>	<b>803.605</b>	<b>407.487</b>
	Prior Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	2.874	391
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	413.426	133.921
Financial Assets Measured at Amortized Cost	620.774	168.248
<b>Total</b>	<b>1.037.074</b>	<b>302.560</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. In this context, as of June 30, 2020, valuation of such assets is made according to estimated annual inflation rate of 7%. If valuation of these securities indexed to the CPI had been done by the reference index valid through June 30, 2020, the Bank's Marketable securities valuation differences would be decreased by TL 9,3 million and net profit would be increased by TL 52,5 million to TL 1,325 million.

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

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	51.152	41.905

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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>20.723</b>	<b>535.052</b>	<b>13.005</b>	<b>594.077</b>
T.R. Central Bank	-	-	-	-
Domestic Banks	18.814	3.407	11.097	5.113
Foreign Banks	1.909	531.645	1.908	588.964
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>20.723</b>	<b>535.052</b>	<b>13.005</b>	<b>594.077</b>

<sup>(\*)</sup> 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	7.770	30.608

**c) Information on interest expense paid to securities issued**

As of June 30, 2020 interest paid to securities issued is TL 506.815 (June 30, 2019 – TL 661.697).

**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	-	4.624	50	-	-	-	-	4.674
Saving Deposits	22	308.345	814.106	18.296	12.087	66.492	-	1.219.348
Public Sector Deposits	-	116	297	36	-	-	-	449
Commercial Deposits	2	172.958	241.549	11.934	2.008	3.320	-	431.771
Other Deposits	-	1.520	26.037	1.125	2.249	124	-	31.055
7 Days Call Accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>24</b>	<b>487.563</b>	<b>1.082.039</b>	<b>31.391</b>	<b>16.344</b>	<b>69.936</b>	<b>-</b>	<b>1.687.297</b>
<b>Foreign Currency</b>								
Deposits	51	15.516	155.288	32.935	15.038	20.950	-	239.778
Bank Deposits	25	34.152	13.187	6.524	32	-	-	53.920
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1.142	-	-	-	-	-	1.142
<b>Total</b>	<b>76</b>	<b>50.810</b>	<b>168.475</b>	<b>39.459</b>	<b>15.070</b>	<b>20.950</b>	<b>-</b>	<b>294.840</b>
<b>Grand Total</b>	<b>100</b>	<b>538.373</b>	<b>1.250.514</b>	<b>70.850</b>	<b>31.414</b>	<b>90.886</b>	<b>-</b>	<b>1.982.137</b>

**Information on maturity structure of interest expense on deposits (Prior 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	-	10.045	-	327	-	-	-	10.372
Saving Deposits	18	512.013	1.701.195	190.719	160.082	250.570	-	2.814.597
Public Sector Deposits	-	51	325	84	6	8	-	474
Commercial Deposits	352	491.607	502.865	73.734	25.750	28.083	-	1.122.391
Other Deposits	-	9.267	81.183	966	1.799	1.025	-	94.240
7 Days Call Accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>370</b>	<b>1.022.983</b>	<b>2.285.568</b>	<b>265.830</b>	<b>187.637</b>	<b>279.686</b>	<b>-</b>	<b>4.042.074</b>
<b>Foreign Currency</b>								
Deposits	2	30.142	313.581	30.634	23.794	17.092	-	415.245
Bank Deposits	300	35.379	16.671	2.787	775	-	-	55.912
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	719	-	-	-	-	-	719
<b>Total</b>	<b>302</b>	<b>66.240</b>	<b>330.252</b>	<b>33.421</b>	<b>24.569</b>	<b>17.092</b>	<b>-</b>	<b>471.876</b>
<b>Grand Total</b>	<b>672</b>	<b>1.089.223</b>	<b>2.615.820</b>	<b>299.251</b>	<b>212.206</b>	<b>296.778</b>	<b>-</b>	<b>4.513.950</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>	135.334	101.088	79.061	100.444

<sup>(\*)</sup> Includes "Interest on Money Market Transactions".

**f) Information on lease expenses**

	Current Period	Prior Period
Finance Lease Expenses	30.501	36.449

**g) Information on interest expense on factoring payables**

None (June 30, 2019 – 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	128.041	51.187
<b>Total</b>	<b>128.041</b>	<b>51.187</b>

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

	Current Period	Prior Period
<b>Trading Income</b>	<b>9.337.738</b>	<b>9.206.669</b>
Gains on Capital Market Operations	204.698	47.534
Derivative Financial Instruments	4.429.014	7.239.342
Foreign Exchange Gains	4.704.026	1.919.793
<b>Trading Loss (-)</b>	<b>10.382.826</b>	<b>9.573.269</b>
Losses on Capital Market Operations	47.874	34.939
Losses on Derivative Financial Instruments	5.862.564	7.457.490
Foreign Exchange Losses	4.472.388	2.080.840
<b>Net Trading Income/Loss</b>	<b>(1.045.088)</b>	<b>(366.600)</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 cancellations in "Other Operating Income" account.

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**6. Provision for losses**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Expected Credit Loss</b>	<b>1.298.325</b>	<b>1.042.783</b>
12 month expected credit loss (stage 1)	462.737	14.542
Significant increase in credit risk (stage 2)	459.828	364.461
Non-performing loans (stage 3)	375.760	663.780
<b>Marketable Securities Impairment Expense</b>	<b>59</b>	<b>(17.647)</b>
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	59	(17.647)
<b>Investments in Associates, Subsidiaries and Held-to-maturity Securities</b>		
<b>Value Decrease</b>	<b>-</b>	<b>-</b>
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
<b>Other</b>	<b>76.292</b>	<b>12.139</b>
<b>Total</b>	<b>1.374.676</b>	<b>1.037.275</b>

**7. Information on other operating expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for Employee Termination Benefits <sup>(*)</sup>	14.987	13.491
Depreciation Expenses of Fixed Assets	196.205	180.455
Amortization Expenses of Intangible Assets	70.647	62.022
Other Operating Expenses	578.981	540.509
<i>Leasing Expenses Related to TFRS 16 Exemptions</i>	<i>1.195</i>	<i>2.021</i>
<i>Maintenance Expenses</i>	<i>120.813</i>	<i>120.921</i>
<i>Advertisement Expenses</i>	<i>43.000</i>	<i>42.522</i>
<i>Other Expenses</i>	<i>413.973</i>	<i>375.045</i>
Loss on Sales of Assets	109	34
Other <sup>(**)</sup>	267.764	224.807
<b>Total</b>	<b>1.128.693</b>	<b>1.021.318</b>

(\*) Includes "Personnel Expenses" that not exist in the income statement "Other Operating Expenses" line.

(\*\*)Comprising repayments amounting to TL 1.504 (June 30, 2019: TL 2.952) in respect of Consumer Arbitration Committee and courts' decision recognized in previous years as an income, which were fees and commissions recognized in previous year as income. Also, SDIF premium amount and financial operation fees are included.

**8. Information on profit/loss from continued and discontinued operations before taxes**

For the period ended June 30, 2020 net interest income in income items amounting to TL 4.693.311 (June 30, 2019– TL 3.341.845), net fees and commission income amounting to TL 1.168.610 (June 30, 2019 – TL 1.289.373) and other operating income amounting to TL 17.857 (June 30, 2019 – TL 20.423) 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 June 30, 2020, the Bank has tax expense amounting to TL 19.864 (June 30, 2019 – TL 140.943 tax income). According to the Bank's records amount of TL 609.221 deferred tax expense (June 30, 2019 – TL 665.388 deferred tax expense), amount of TL 335.386 deferred tax income (June 30, 2019 – TL 346.673 deferred tax income), reflected.

**9.2. Explanations on operating profit/loss after taxes**

None (June 30, 2019 - None).

**10. Explanations on net profit/(loss) from continued and discontinued operations**

Net profit of the Bank from continued operations is TL 1.272.021 (June 30, 2019 – TL 1.279.673).

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**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 (June 30, 2019 - 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.

**V. Explanations And Disclosures Related To Statement of Changes in Shareholders’ Equity**

Have not been prepared in accordance with the 25th clause of Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements.

**VI. Explanations And Disclosures Related To Cash Flows Statements**

Have not been prepared in accordance with the 25th clause of Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements.

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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 June 30, 2020, the Bank's risk group has deposits amounting to TL 451.542 (December 31, 2019 – TL 333.718), cash loans amounting to TL 606.709 (December 31, 2019 – TL 1.018.962) and non-cash loans amounting to TL 63.720 (December 31, 2019 – TL 56.511).

**Current Period**

Bank's Risk Group <sup>(*)</sup>	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group <sup>(**)</sup>	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	1.015.749	13.861	3.192	37.126	21	5.524
Balance at the End of the Period	602.709	15.589	3.941	42.764	59	5.367
Interest and Commission Income	51.152	11	-	3	3	1

**Prior Period**

Bank's Risk Group <sup>(*)</sup>	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group <sup>(**)</sup>	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	548.148	12.011	1.755	16.572	96	8.887
Balance at the End of the Period	1.015.749	13.861	3.192	37.126	21	5.524
Interest and Commission Income <sup>(***)</sup>	41.905	88	-	-	349	37

<sup>(\*)</sup> As described in the Article 49 of Banking Law No 5411.

<sup>(\*\*)</sup> Includes the loans given to the Bank's indirect subsidiaries.

<sup>(\*\*\*)</sup> Prior Period Balance Represents June 30, 2019 balance.

**1.2. Information on deposits held by the Bank's risk group**

Bank's Risk Group <sup>(*)</sup>	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group <sup>(**)</sup>	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Deposit</b>						
Balance at the Beginning of the Period	125.529	264.237	-	-	208.189	159.107
Balance at the End of the Period	233.456	125.529	-	-	218.086	208.189
Interest on deposits <sup>(***)</sup>	7.770	30.608	-	-	4.323	8.841

<sup>(\*)</sup> As described in the Article 49 of Banking Law No 5411.

<sup>(\*\*)</sup> Includes the loans given to the Bank's indirect subsidiaries.

<sup>(\*\*\*)</sup> Prior Period Balance Represents June 30, 2019 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	1.470.504	1.569.213	-	-	-	-
End of the Period	1.394.342	1.470.504	-	-	-	-
Total Income/Loss (***)	52.669	(65.146)	-	-	-	46
<b>Transactions for Hedging Purposes</b>						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss (***)	-	-	-	-	-	-

(\*) 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 June 30, 2019 balance.

**1.4. Information on benefits provided to top management**

As of June 30, 2020, the total amount of remuneration and bonuses paid to top management of the Bank is TL 103.326 (December 31, 2019 - TL 117.794).

**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 June 30 2020, cash loans of the risk group represented 0,5% of the Bank's total cash loans (December 31, 2019 – 0,9%), the deposits represented 0,4% of the Bank's total deposits (December 31, 2019 – 0,3%) and derivative transactions represented 0,5% of the Bank's total derivative transactions (December 31, 2019 – 0,6%).

**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 June 30, 2020, the Bank has net finance lease payables to QNB Finans Finansal Kiralama A.Ş. amounting to TL 24.950 (December 31, 2019 - TL 15.977) relating with finance lease agreements.

The Bank has signed an agreement with Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek Sanayi ve Ticaret A.Ş. regarding research, development, advisory and improvement services.

Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., in which the Bank participated 33,33% shareholding, provides cash transfer services to the Bank.

Information about the Bank's subordinated loans is explained under Section 5, Part II. footnote 12.

Banka 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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**SECTION FIVE**

**VIII. 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**

**1.1** The issuance 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>
01.07.2020	GBP	12.000	1,40	92
02.07.2020	GBP	13.000	1,40	92
03.07.2020	TRY	408.630	8,87	98
07.07.2020	GBP	10.000	1,40	92
10.07.2020	TRY	264.500	8,87	98
16.07.2020	GBP	10.000	1,62	186
17.07.2020	TRY	413.950	8,87	98
21.07.2020	GBP	10.300	1,60	184
24.07.2020	TRY	31.410	8,87	105

**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.

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**SECTION SIX**

**INDEPENDENT AUDITOR’S LIMITED REPORT**

**I. Explanations on the Independent Review Report**

The unconsolidated financial statements for the period ended June 30, 2020 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor’s report dated July 29, 2020 is presented preceding the unconsolidated financial statements.

**II. Explanations and Notes Prepared by Independent Auditors**

None (December 31, 2019- None).

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**SECTION SEVEN**  
**CONSOLIDATED INTERIM ACTIVITY REPORT**

**I. Interim Consolidated Activity Report that Includes the Assessment of the Chairman of the Board of Directors and General Manager of Operations**

**Message by the Chairman**

Dear Shareholders,

The year 2020 and the COVID-19 pandemic will be recorded as a milestone in the world history, marking a change in human health and the world economy, alongside social restructuring and awareness of climate and sustainability.

The World has gradually adopted a new normal since June 2020, and the wheels of the global economy have slowly started turning again. The world still struggles with the pandemic on the one hand, while acting towards preventing from the material economic shrinkage on the other.

IMF has revised its forecast for the global economy, projecting a 4.9 percent contraction this year, lower than the 3 percent fall it had projected back in April, as COVID-19 pandemic impacts the economy more adversely than initially expected.

Since the beginning of the pandemic, Turkey has been able to overcome COVID-19 with a lower death toll compared to other nations, particularly thanks to the thriving Turkish healthcare system as well as the big achievements and devoted endeavours of Turkish health care professionals.

Turkey will serve as a major supply chain hub in this period as well, with its regional advantage and strong real sector. Export and production will be our most important topics of focus in the coming period.

At QNB Finansbank, our utmost priority is the health of our employees and customers during the COVID-19 period. We became the first bank to have adopted remote working and back-up branch practices. As of June 1, we resumed processes with the new normal. With that being said, the health of our employees and customers will always be our number one priority. We maintain our pioneering mission with the measures that we took in this field.

In this period, we fulfilled our responsibilities to turn the wheels in real sector. We supported the real sector by introducing loans aimed at SME and the agricultural banking clients for return to business, and postponing loan repayments and debt restructuring to offer peace of mind to our clients.

Our Bank prioritizes standing by the economy and real sector with all of their financial needs. It was named the Best Bank for SMEs in the Central and Eastern Europe in "2020 Awards of Excellence" organized by one of the world's most prominent and prestigious financial institutions and publishing groups, Euromoney. We owe this achievement to walking beside our clients, identifying the needs accurately, creating new models during significant financial changes, and our leading position in the industry with our digital infrastructure.

A new process awaits everybody in the coming period with COVID-19. As with all the other industries, banking sector will undergo a restructuring process with digitalization, advancement of online and mobile banking, new ways of doing business and new working life models. At QNB Finansbank, we will be one of the fastest banks to adapt to this process with our strong capital base, pioneering initiatives in digital banking and our financiers.

Commenting on our financial results of the first half of 2020, total assets of QNB Finansbank increased by 15 percent, compared the year-end of 2019, reaching TL 208 billion 358 million as of June 30, 2020. While net loans of the Bank rose by 11 percent to TL 122 billion 961 million, and customer deposits grew by 17 percent to TL 117 billion 103 million. In the first half of 2020, net interest income of the Bank increased by 40 percent, compared to the same period of 2019, reaching TL 4 billion 693 million, and the net fee and commission revenues realized at TL 1 billion 169 million in the same period. The profit before taxes of the Bank amounted to TL 1 billion 566 million, while net profit in the same period reached TL 1 billion 272 million.

We sustained our prominent position in the industry by maintaining our profitability in the first half of 2020, which marks one of the most challenging times in the world history.

I would like to thank our bankers, customers and esteemed stakeholders for their immense contributions during this unprecedented time.

Kind regards,  
Ömer A. Aras  
Chairman of the Board  
QNB Finansbank A.Ş

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Message by the General Manager**

Dear Shareholders and Board Members,

QNB Finansbank has proved to be one of the most geared-up banks in coping with the COVID-19 outbreak, which marked the first half of 2020, thanks to its robust balance sheet, devoted employees and proactive precautionary actions.

As of June 30, 2020, total assets of our bank increased by 15 percent compared to the year-end of 2019, reaching TL 208 billion 358 million. Tapping into our customer-oriented approach, we continued to grow particularly in the fields of corporate and commercial loans in 2020. Net loans rose by 11 percent compared to the year-end of 2019 to TL 122 billion 961 million, while customer deposits grew by 17 percent to TL 117 billion 103 million. In the first half of 2020, net interest income increased by 40 percent, compared to the same period of 2019, reaching TL 4 billion 693 million, and net fee and commission revenues realized at TL 1 billion 169 million in the same period. Profit before tax for the period amounted to TL 1 billion 566 million, while net profit came to TL 1 billion 272 million.

QNB Finansbank has become the first bank to adopt remote working practices in the middle of March, limit the number of customers inside our branches, and initiate back-up branch approach in order to protect the health of our employees and clients against the effects of COVID-19 pandemic. After wrapping up this process through the devoted efforts of valuable bankers and uninterrupted banking activities, we resumed our work in our branches and headquarters gradually with the “new normal” rules as of June 1, 2020.

Throughout this period, we additionally strove to fulfill our responsibilities towards our clients. We deployed novel solutions to assist our retail and business clients with their financial difficulties and to provide them with uninterrupted cash flows. We announced long-term loan packages with grace periods exclusively for our SME and agricultural banking clients returning back to business. Through our Digital Bridge Project, we stood by and supported SMEs, with a turnover below TL 5 million, to be subject to mandatory e-transformation as of July 1, 2020.

We attained a tremendous achievement in “2020 Awards of Excellence” organized by one of the world’s most prominent and prestigious financial institutions and publishing groups, Euromoney, and were named the Best Bank for SMEs in the Central and Eastern Europe thanks to our financial and digital solutions for SMEs, and our Digital Bridge Project, as well as loan support packages aimed at the real sector throughout COVID-19 pandemic.

At QNB Finansbank, we renewed our syndication loan with a 50% increase in May, and raised USD 390 million funds with varying maturities from international banks and institutions. We utilized these resources to support the real sector.

Enpara.com website was named “the best in its class”, with popular vote, in the Banking and Finance category at the 18th edition of Golden Spider Web Awards this year.

We made the first investment in Kassa, an early initiative under the QNBeyond Acceleration Program, with USD 200,000. Additionally, we established QNBeyond Ventures by allocating USD 15 million to support important FinTech enterprises. Planning to invest directly in a total of 20 different enterprises, QNBeyond Ventures will also take part in other venture capital funds as an investor.

COVID-19 pandemic undoubtedly affected both ways of doing business and working order for everybody with its impact on the economy. However, we paid attention to our social responsibility, and changed our training for children to online platform under our CSR Platform, Small Hands Big Dreams, with migration quickly in two months. The By the Power of Dreams Project that we realize in association with TOG (Community Volunteers Foundation) and Tiny Hands Are Coding Project, together with the Habitat Association, were also moved to online platform, where we deliver them to all children in Turkey free-of-charge.

I would like to thank our bankers, clients, all of our strategic business partners and correspondent banks, who reinforce our Bank’s strong progress in these challenging times.

Kind regards,  
Temel Güzelöğlu  
General Manager  
QNB Finansbank A.Ş.

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTH PERIOD THEN ENDED JUNE 30, 2020**  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

**Summary Financial Belonging to the Period of June 30, 2020**

<b>Principal Financial Indicators (Million TL)</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Total Loans	122.961	110.683
Securities	31.401	28.761
Total Assets	208.358	181.681
Customer Deposits	117.103	100.219
Equity	17.029	16.685
	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Net interest income	4.693	3.342
Net fees and commission income	1.169	1.289
Provision loans and other Receivables(-)	(1.375)	(1.037)
<b>Profit before tax</b>	<b>1.566</b>	<b>1.457</b>
Tax Provision	(294)	(178)
<b>Net profit for the period</b>	<b>1.272</b>	<b>1.280</b>

As of June 30, 2020 total assets of Bank increased by 15% compared with the end of the year 2019 and realized as TL 208 billion and 358 million. When compared with the end of year 2019, total loans increased by 11% and reached TL 122 billion and 961 million while Customer Deposits increased by 17% and reached up to TL 117 billion and 103 million.

Net interest income increased by 40% and reached 4 billion and 693 million TL and net fees and commissions income increased to TL 1 billion 169 million in the first six-month period of the year 2020 compared to same period of previous year. Unconsolidated profit of the Bank before tax reached TL 1 billion 566 million and the unconsolidated net profit realized as TL 1 billion 272 million.

As of June 30, 2020, total unconsolidated shareholders' equity reached up to TL 17 billion and 29 million while capital adequacy ratio of the Bank was 17,11%.

As of June 30, 2020 QNB Finansbank has 11.882 personnel and 515 branches.

**Information Regarding the Financial Status, Profitability and Solvency of the Bank**

**Assets:**

The Bank maintained its customer-oriented activities during year 2020 and continued to grow mainly in corporate and commercial loans. While total performing loans were realized as 122 billion 961 million TL with a rise of 11% in the first quarter of the year, total assets increased by 15% and reached 208 billion 358 million TL. In 2020, the Bank continued to grow corporate credits (Corporate, Commercial, SME and Working Capital Loans), which strategically emphasized, and realized a 15% increase in corporate loans compared to the end of 2019.

**Liabilities**

Total customer deposits of the Bank increased by 17% and reached to TL 117 billion and 103 million and shareholders' equity reached to 17 billion TL 29 million.

**Profitability**

Net interest income increased by 40% and reached TL 4 billion and 693 million and net fees and commission income amounts reached to TL 1 billion 169 million. Profit before tax of the Bank amounts to TL 1 billion 566 million and the net profit for the period is TL 1 billion 272 million.

**Solvency**

Due to its strong capital structure and high shareholders' equity profitability, QNB Finansbank has a sound financial structure. Bank has utilized its capital efficiently for its banking activities and has maintained its profitability of shareholders' equity. When taking into consideration of its funding structure; beside large deposit base that QNB Finansbank has, The Bank has also fund to its loans by using long-term external sources. Bank has a quite great cost advantage due to benefiting from such various funding resources and at the same time it is minimizing the risks arising from differences in the maturity dates. As having a significant place in the Turkish financial markets; QNB Finansbank with its strong financial structure also proves its credibility by the high ratings that received from the independent rating firms.

**General Grants realized during the Period:**

General grants realized as of June 30, 2020 was TL 9.033.