

# **QNB FİNANSBANK ANONİM ŞİRKETİ**

## **INDEPENDENT AUDITOR’S AUDIT REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED DECEMBER 31, 2017**

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

**(Convenience translations of the independent auditor’s report originally issued in Turkish, See Note I. of Section three)**

## **INDEPENDENT AUDITOR’S REPORT**

**To the Board of Directors of QNB Finansbank Anonim Şirketi:**

### **Report on the Audit of Unconsolidated Financial Statements**

#### **Qualified Opinion**

We have audited the accompanying unconsolidated financial statements of QNB Finansbank A.Ş (the Bank), which comprise the statement of financial position as at December 31, 2017, and the unconsolidated statement of profit or loss accounted for under equity, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the “Basis for Qualified Opinion” section of our report, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of QNB Finansbank A.Ş. as at December 31, 2017 and unconsolidated financial performance and unconsolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and “BRSA Accounting and Financial Reporting Legislation” which includes the provisions of Turkish Accounting Standards (TAS) for the matters which are not regulated by these regulations.

#### **Basis for Qualified Opinion**

The Bank management has reversed the free provision in 2016 income statement amounting to thousand TL 100.000 which were provided for possible results of the circumstances which may arise from possible changes in the economy and market conditions” in prior periods and does not comply with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” requirements. Since such provision has been reversed in 2016 income statement instead of restating prior year financial statements, 2016 net income has been overstated by thousand TL 100.000.

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

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the unconsolidated financial statements of the current period. Key audit matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section we have determined the matter described below to be the key audit matters to be communicated in our report.

<b>Key Audit Matter</b>	<b>How the Key Audit Matter is addressed in our audit</b>
<b><i>Impairment on Loans and Advances</i></b>	
<p>Impairment of loans and receivables is a key area of judgement for the management. There is a potential risk of provision that has been provided or that will be provided may not meet the requirements of BRSA Accounting and Financial Reporting Legislation. Aforementioned risk is a failure in identifying the loans and receivables which are impaired and not providing the adequate provision for these impaired loans. Therefore, impairment of the loans and receivables is considered as a key audit matter. Related explanations regarding the financial statement relating to the impairment of loans and advances have been disclosed in “Section Five Note I.6”.</p>	<p>Our audit procedures included among others, selecting samples of loans and receivables based on our judgement in order to identify whether there is objective evidence that impairment exists on these loans and receivables and the assess the adequacy of provision for those loans and receivables in accordance with the requirements of BRSA Accounting and Financial Reporting Legislation.</p> <p>In addition our audit procedures include assessing the relevant controls over granting, booking, monitoring and derecognition and testing the design and operational effectiveness of the key controls in place for identifying impaired loans and the calculation of provisions which were provided for them.</p>
<b><i>Hedge accounting</i></b>	
<p>As explained in “Section Five Note III.5”, the Bank enters into hedge relationships to manage exposures to interest rate and foreign currency risks and applies hedge accounting. The Bank uses of derivatives and other hedge relationships to hedge the financial risk of its loans and receivables, financial assets available for sale, deposits, marketable securities issued, borrowings and non-financial assets.</p> <p>Hedge accounting is considered as a key audit matter due to the potential risks in complying the eligibility criteria defined in TAS 39: “Financial instruments: Recognition and Measurement”, calculation of fair value of financial instruments, documentation and effectiveness of hedge accounting.</p>	<p>Our audit procedures included among others include re-calculation of fair values of derivative financial instruments, the assessment of financial risk component, reviewing the effectiveness , documentations of all hedge accounting transactions and controlling the accounting entries of hedge accounting.</p>
<b><i>Derivative Financial Instruments</i></b>	
<p>Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency options, currency futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in “Section Five Note I.2 and Note II.2”.</p> <p>Fair value of the derivative financial instruments is determined by selecting the most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered as a key audit matter due to the subjectivity in the estimates, assumptions and judgements used.</p>	<p>Our audit procedures included among others include reviewing fair valuation policies adopted by Bank Management, re-calculation of samples basis fair values by our experts, assessing the estimations and judgements used in valuation and testing the assessment of operating effectiveness of the key controls in the process for fair value determination.</p>

## **Responsibilities of Management and Directors for the Unconsolidated Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements**

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

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 – December 31, 2017 are not in compliance with the laws and provisions of the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Damla Harman.

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

Damla Harman, SMMM  
Partner

2 February 2018  
İstanbul, Türkiye

**THE UNCONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.  
FOR THE YEAR ENDED DECEMBER 31, 2017**

The Bank's;

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

The unconsolidated financial report for the year ended December 31, 2017, designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections below:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED YEAR END FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE UNCONSOLIDATED YEAR END FINANCIAL STATEMENTS OF THE BANK
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- FOOTNOTES AND EXPLANATIONS ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDIT REPORT

The unconsolidated financial statements and related disclosures and footnotes for the year ended December 31, 2017, are prepared in accordance with the Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless stated otherwise, the accompanying unconsolidated financial statements are presented in **thousands of Turkish Lira (TL)**.

**Ömer A. Aras**  
Chairman of  
the Board of Directors

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

**Ramzi T.A. Mari**  
Member of the Board of  
Directors and of the  
Audit Committee

**Fatma Abdulla S.S. Al-Suwaidi**  
Member of the Board of  
Directors and of the  
Audit Committee

**Durmuş Ali Kuzu**  
Member of the Board of  
Directors and of the  
Audit Committee

**Temel Güzeloglu**  
General Manager  
and Member of the  
Board of Directors

**Adnan Menderes Yayla**  
Executive Vice President  
Responsible of Financial Control  
and Planning

**Ercan Sakarya**  
Director of Financial,  
Statutory Reporting and  
Treasury Control

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

Name-Surname/Title : Ercan Sakarya / Director of Financial, Statutory Reporting and Treasury Control

Phone Number : (0 212) 318 52 92

Facsimile Number : (0 212) 318 55 78

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

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

**SECTION ONE  
GENERAL INFORMATION**

**I. Explanatory note on the establishment date, nature of activities and history of the Bank**

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

**II. Information about the Bank's shareholding structure, shareholders who individually or jointly have power to control the management and audit directly or indirectly, changes regarding these subjects during the year, if any, and information about the controlling group of the Bank**

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the Bank in previous periods, and Qatar National Bank ("QNB") regarding the direct or indirect sales of NBG's shares, owned by affiliates and current associations of the Bank, at the rate of 99,81% to QNB at a price of EUR 2.750 million as of December 21, 2015. On April 7, 2016, BRSA permitted to transfer shares at ratios of 82,23%, 7,90%, 9,68% owned by National Bank of Greece S.A., 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 (Finans Yatırım Menkul Değerler A.Ş., Finans Portföy Yönetimi A.Ş., 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 and the new logo of the Parent Bank has started to be used as "QNB FİNANSBANK" as of October 20, 2016. According to the decision dated January 17, 2018 which was taken by the General Assembly, "The Bank's trade name is changed from FINANS BANK A.Ş to QNB FİNANSBANK A.Ş as of January 19, 2018.

99,88% of shares of QNB Finansbank A.Ş. are controlled by Qatar National Bank as of December 31, 2017 and remaining 0,12% of related shares are public shares.

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



**CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES  
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**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

Name	Title	Date of Appointment	Education
Dr. Ömer A. Aras	Chairman	April 16, 2010	Phd
Sinan Şahinbaş	Deputy Chairman and Executive Member	April 16, 2010	Masters
Ali Teoman Kerman	Board Member and Chairman of the Audit Committee	April 16, 2013	Masters
Ramzi Talat A. Mari	Board Member and Audit Committee Member	June 16, 2016	Masters
Fatma Abdulla S.S. Al-Suwaidi	Board Member and Audit Committee Member	June 23, 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
Abdulla Mubarak N. Alkhalifa	Board Member	June 23, 2016	Graduate
Assistant Prof. Osman Reha Yolalan	Board Member	June 21, 2016	Phd
Ali Rashid A.S. Al-Mohannadi	Board Member	June 16, 2016	Graduate
Noor Mohd J. A. Al-Naimi	Board Member	June 22, 2017	Graduate
Adnan Menderes Yayla	Executive Vice President	May 20, 2008	Masters
Murat Şakar	Executive Vice President	August 1, 2008	Graduate
Köksal Çoban	Executive Vice President	August 19, 2008	Masters
Dr. Mehmet Kürşad Demirkol	Executive Vice President	October 8, 2010	Phd
Özlem Cinemre	Executive Vice President	July 9, 1997	Graduate
Hakan Alp	Executive Vice President	July 7, 2010	Graduate
Erkin Aydın	Executive Vice President	May 16, 2011	Masters
Ömür Tan	Executive Vice President	October 28, 2011	Graduate
Halim Ersun Bilgici	Executive Vice President	March 15, 2013	Masters
Enis Kurtoglu	Executive Vice President	May 14, 2015	Masters
Murat Koraş	Executive Vice President	May 14, 2015	Masters
Emel Yılmaz Özbay	Executive Vice President	Feb 12, 2016	Graduate
Engin Turhan	Executive Vice President	June 14, 2016	Masters
Ahmet Erzençin	Head of the Department of Internal Control and Compliance	September 12, 2012	Graduate
Bülent Yurdalan	Head of Department of Internal Systems	August 6, 2013	Graduate
Ersin Emir	Head of Internal Audit	February 18, 2011	Masters
Zeynep Aydın Demirkıran	Head of Risk Management	September 16, 2011	Masters

The top level management listed above possesses immaterial number of shares of the Bank.

**IV. Information about the persons and institutions that have qualified shares**

Name Surname/Trade Name	Amount of Shares	Percentage of Shares	Paid-up Shares	Unpaid Shares
Qatar National Bank ("QNB")	3.345.892	99,88%	3.345.892	-
Other	4.108	0,12%	4.108	-

**V. Explanations on the Bank's services and activities**

The Bank's activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets and securities operations and credit card operations. In addition, the Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of December 31, 2017, the Bank operates through 578 domestic (December 31, 2016 – 628), 1 abroad (December 31, 2016 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2016 – 1) branches. As of December 31, 2017, the Bank has 12.007 employees (December 31, 2016 - 12.451 employees).

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

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

*(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 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. Income Statement (Statement of Income / Loss)
- IV. Statement of Profit and Loss Accounted for Under Equity ( Statement of Other Comprehensive Income and Loss )
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flow
- VII. Statement of unconsolidated profit appropriation

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**BALANCE SHEET AS OF DECEMBER 31, 2017 (STATEMENT OF FINANCIAL POSITION)**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

**I. BALANCE SHEET – ASSETS**

		Audited 31/12/2017			Audited 31/12/2016		
	Section5 Part I	TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	<b>(1)</b>	<b>2.130.940</b>	<b>13.751.332</b>	<b>15.882.272</b>	<b>1.929.860</b>	<b>11.174.023</b>	<b>13.103.883</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	<b>(2)</b>	<b>2.284.916</b>	<b>252.410</b>	<b>2.537.326</b>	<b>2.603.817</b>	<b>211.858</b>	<b>2.815.675</b>
2.1 Financial assets held for trading		2.274.337	252.410	2.526.747	2.580.846	211.858	2.792.704
2.1.1 Public sector debt securities		16.093	8.355	24.448	5.950	11.486	17.436
2.1.2 Equity securities		-	-	-	-	-	-
2.1.3 Assets on trading derivatives		2.258.244	244.055	2.502.299	2.574.896	200.372	2.775.268
2.1.4 Other securities		-	-	-	-	-	-
2.2 Financial assets at fair value through profit and loss		10.579	-	10.579	22.971	-	22.971
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans		10.579	-	10.579	22.971	-	22.971
2.2.4 Other securities		-	-	-	-	-	-
<b>III. BANKS</b>	<b>(3)</b>	<b>13.720</b>	<b>1.279.045</b>	<b>1.292.765</b>	<b>13.503</b>	<b>260.283</b>	<b>273.786</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>115.504</b>	<b>-</b>	<b>115.504</b>	<b>1.547.549</b>	<b>-</b>	<b>1.547.549</b>
4.1 Interbank money market placements		1.029	-	1.029	-	-	-
4.2 Istanbul Stock Exchange money market placements		114.475	-	114.475	246.944	-	246.944
4.3 Receivables from reverse repurchase agreements	(4)	-	-	-	1.300.605	-	1.300.605
<b>V. INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)</b>	<b>(5)</b>	<b>5.120.108</b>	<b>3.229.602</b>	<b>8.349.710</b>	<b>4.151.905</b>	<b>2.880.043</b>	<b>7.031.948</b>
5.1 Equity securities		4.912	70.891	75.803	4.225	44.961	49.186
5.2 Public sector debt securities		5.115.196	3.143.191	8.258.387	4.147.680	2.796.651	6.944.331
5.3 Other securities		-	15.520	15.520	-	38.431	38.431
<b>VI. LOANS AND RECEIVABLES</b>	<b>(6)</b>	<b>63.442.004</b>	<b>19.230.476</b>	<b>82.672.480</b>	<b>50.044.814</b>	<b>12.855.446</b>	<b>62.900.260</b>
6.1 Loans and receivables		62.641.721	19.230.476	81.872.197	49.431.744	12.855.446	62.287.190
6.1.1 Loans to risk group of the Bank		253.581	78.113	331.694	167.228	98.076	265.304
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		62.388.140	19.152.363	81.540.503	49.264.516	12.757.370	62.021.886
6.2 Non-performing loans		4.330.104	-	4.330.104	3.840.927	-	3.840.927
6.3 Specific provisions (-)		3.529.821	-	3.529.821	3.227.857	-	3.227.857
<b>VII. FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. INVESTMENT SECURITIES HELD TO MATURITY (Net)</b>	<b>(7)</b>	<b>3.740.199</b>	<b>3.428.465</b>	<b>7.168.664</b>	<b>3.383.952</b>	<b>2.516.555</b>	<b>5.900.507</b>
8.1 Public sector debt securities		3.740.199	2.826.843	6.567.042	3.383.952	1.915.594	5.299.546
8.2 Other securities		-	601.622	601.622	-	600.961	600.961
<b>IX. INVESTMENT IN ASSOCIATES (Net)</b>	<b>(8)</b>	<b>3.766</b>	<b>-</b>	<b>3.766</b>	<b>3.766</b>	<b>-</b>	<b>3.766</b>
9.1 Equity method associates		-	-	-	-	-	-
9.2 Unconsolidated		3.766	-	3.766	3.766	-	3.766
9.2.1 Financial Investments		-	-	-	-	-	-
9.2.2 Non-financial Investments		3.766	-	3.766	3.766	-	3.766
<b>X. INVESTMENT IN SUBSIDIARIES (Net)</b>	<b>(9)</b>	<b>742.967</b>	<b>-</b>	<b>742.967</b>	<b>665.618</b>	<b>-</b>	<b>665.618</b>
10.1 Unconsolidated financial investments		724.921	-	724.921	647.572	-	647.572
10.2 Unconsolidated non-financial investments		18.046	-	18.046	18.046	-	18.046
<b>XI. ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)</b>	<b>(10)</b>	<b>154.769</b>	<b>-</b>	<b>154.769</b>	<b>129.443</b>	<b>-</b>	<b>129.443</b>
11.1 Equity method entities under common control		-	-	-	-	-	-
11.2 Unconsolidated		154.769	-	154.769	129.443	-	129.443
11.2.1 Financial investments		151.969	-	151.969	126.643	-	126.643
11.2.2 Non-financial Investments		2.800	-	2.800	2.800	-	2.800
<b>XII. LEASE RECEIVABLES (Net)</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Financial lease receivables		-	-	-	-	-	-
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS HEDGING PURPOSES</b>	<b>(12)</b>	<b>2.875.719</b>	<b>48.158</b>	<b>2.923.877</b>	<b>3.409.777</b>	<b>33.561</b>	<b>3.443.338</b>
13.1 Fair value hedge		1.964.761	14.483	1.979.244	2.346.595	18.509	2.365.104
13.2 Cash flow hedge		910.958	33.675	944.633	1.063.182	15.052	1.078.234
13.3 Hedging of a net investment in foreign subsidiaries		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	<b>(13)</b>	<b>1.937.691</b>	<b>43</b>	<b>1.937.734</b>	<b>1.833.271</b>	<b>48</b>	<b>1.833.319</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	<b>(14)</b>	<b>329.097</b>	<b>-</b>	<b>329.097</b>	<b>280.166</b>	<b>-</b>	<b>280.166</b>
15.1 Goodwill		-	-	-	-	-	-
15.2 Others		329.097	-	329.097	280.166	-	280.166
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	<b>(15)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. TAX ASSETS</b>	<b>(16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33.517</b>	<b>-</b>	<b>33.517</b>
17.1 Current tax assets		-	-	-	-	-	-
17.2 Deferred tax assets		-	-	-	33.517	-	33.517
<b>ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>(17)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18.1 Assets held for sale		-	-	-	-	-	-
18.2 Discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	<b>(18)</b>	<b>1.331.984</b>	<b>414.255</b>	<b>1.746.239</b>	<b>1.135.700</b>	<b>404.579</b>	<b>1.540.279</b>
<b>TOTAL ASSETS</b>		<b>84.223.384</b>	<b>41.633.786</b>	<b>125.857.170</b>	<b>71.166.658</b>	<b>30.336.396</b>	<b>101.503.054</b>

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**

**BALANCE SHEET AS OF DECEMBER 31, 2017 (STATEMENT OF FINANCIAL POSITION)**

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

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

		Audited 31/12/2017				Audited 31/12/2016		
		Section 5						
		Part II	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(1)	34.622.366	33.019.129	67.641.495	31.546.849	22.391.851	53.938.700
1.1	Deposits from risk group of the Bank		659.786	78.974	738.760	208.763	60.106	268.869
1.2	Other		33.962.580	32.940.155	66.902.735	31.338.086	22.331.745	53.669.831
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	1.871.878	198.892	2.070.770	2.387.017	214.921	2.601.938
III.	FUNDS BORROWED	(3)	114.947	16.158.820	16.273.767	101.236	10.656.671	10.757.907
IV.	MONEY MARKET BORROWINGS		1.858.565	4.631.256	6.489.821	2.995.752	3.519.709	6.515.461
4.1	Interbank money markets takings		-	-	-	1.500.708	-	1.500.708
4.2	Istanbul Stock Exchange money markets takings		50.000	-	50.000	-	-	-
4.3	Funds provided under repurchase agreements	(4)	1.808.565	4.631.256	6.439.821	1.495.044	3.519.709	5.014.753
V.	SECURITIES ISSUED (Net)	(5)	3.079.753	4.833.817	7.913.570	1.124.543	3.187.028	4.311.571
5.1	Bills		2.975.932	57.156	3.033.088	1.124.543	53.683	1.178.226
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		103.821	4.776.661	4.880.482	-	3.133.345	3.133.345
VI.	FUNDS		-	-	-	-	-	-
6.1	Borrower funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	SUNDRY CREDITORS		2.637.390	3.257.730	5.895.120	2.212.951	4.389.726	6.602.677
VIII.	OTHER LIABILITIES	(6)	574.219	277.455	851.674	858.329	170.008	1.028.337
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES (Net)	(7)	47	6.652	6.699	273	667	940
10.1	Financial lease payables		70	7.310	7.380	322	728	1.050
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred financial lease expenses ( - )		23	658	681	49	61	110
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(8)	296.819	232.504	529.323	196.239	230.489	426.728
11.1	Fair value hedge		16.615	197.837	214.452	-	190.559	190.559
11.2	Cash flow hedge		280.204	34.667	314.871	196.239	39.930	236.169
11.3	Hedge of net investments in foreign subsidiaries		-	-	-	-	-	-
XII.	PROVISIONS	(9)	2.060.459	-	2.060.459	1.768.642	-	1.768.642
12.1	General provisions		1.396.268	-	1.396.268	1.288.394	-	1.288.394
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee benefits		357.044	-	357.044	276.595	-	276.595
12.4	Insurance technical provisions (Net)		-	-	-	-	-	-
12.5	Other provisions		307.147	-	307.147	203.653	-	203.653
XIII.	TAX LIABILITY	(10)	458.233	-	458.233	188.032	-	188.032
13.1	Current tax liability		405.169	-	405.169	188.032	-	188.032
13.2	Deferred tax liability		53.064	-	53.064	-	-	-
XIV.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(11)	-	-	-	-	-	-
14.1	Held for sale		-	-	-	-	-	-
14.2	Discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	(12)	-	3.510.837	3.510.837	-	3.235.793	3.235.793
XVI.	SHAREHOLDERS' EQUITY		12.308.551	(153.149)	12.155.402	10.499.697	(373.369)	10.126.328
16.1	Paid-in capital	(13)	3.350.000	-	3.350.000	3.150.000	-	3.150.000
16.2	Capital reserves		481.633	(153.149)	328.484	276.220	(373.369)	(97.149)
16.2.1	Share Premium	(14)	714	-	714	714	-	714
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Securities value increase fund	(15)	335.581	(176.412)	159.169	275.394	(379.478)	(104.084)
16.2.4	Revaluation fund on tangible asset		-	-	-	-	-	-
16.2.5	Revaluation fund on intangible asset		-	-	-	-	-	-
16.2.6	Investment property revaluation differences		-	-	-	-	-	-
16.2.7	Bonus shares obtained from associates, subsidiaries and entities under common control (joint ventures)		2.689	-	2.689	2.689	-	2.689
16.2.8	Hedging funds (effective portion)		208.629	23.263	231.892	39.442	6.109	45.551
16.2.9	Accumulated valuation differences from assets held for sale and discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		(65.980)	-	(65.980)	(42.019)	-	(42.019)
16.3	Profit reserves		6.873.477	-	6.873.477	5.870.067	-	5.870.067
16.3.1	Legal reserves		504.698	-	504.698	444.527	-	444.527
16.3.2	Status reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		6.368.779	-	6.368.779	5.425.540	-	5.425.540
16.3.4	Other profit reserves		-	-	-	-	-	-
16.4	Profit or loss		1.603.441	-	1.603.441	1.203.410	-	1.203.410
16.4.1	Prior years' income/ (losses)		-	-	-	-	-	-
16.4.2	Current period income/ (loss)		1.603.441	-	1.603.441	1.203.410	-	1.203.410
TOTAL LIABILITIES AND EQUITY			59.883.227	65.973.943	125.857.170	53.879.560	47.623.494	101.503.054

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**

**STATEMENT OF OFF-BALANCE SHEET AS OF DECEMBER 31, 2017**

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

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

		Audited 31/12/2017			Audited 31/12/2016			
		Section 5 Part III	TL	FC	Total	TL	FC	Total
A.	OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		133.468.990	133.002.912	266.471.902	107.724.136	100.291.889	208.016.025
I.	GUARANTEES	(1), (2), (3),(4)	8.839.416	10.475.633	19.315.049	7.171.006	6.013.004	13.184.010
1.1.	Letters of guarantee		8.818.479	5.700.387	14.518.866	7.158.585	3.648.130	10.806.715
1.1.1.	Guarantees subject to State Tender Law		426.846	30.598	457.444	310.573	36.451	347.024
1.1.2.	Guarantees given for foreign trade operations		4.699.770	5.669.789	10.369.559	3.527.000	3.611.679	7.138.679
1.1.3.	Other letters of guarantee		3.691.863	-	3.691.863	3.321.012	-	3.321.012
1.2.	Bank loans		19.991	2.992.901	3.012.892	7.421	1.248.056	1.255.477
1.2.1.	Import letter of acceptance		19.991	2.992.901	3.012.892	7.421	1.248.056	1.255.477
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		946	1.782.345	1.783.291	5.000	1.116.818	1.121.818
1.3.1.	Documentary letters of credit		946	1.713.499	1.714.445	5.000	1.084.124	1.089.124
1.3.2.	Other letters of credit		-	68.846	68.846	-	32.694	32.694
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		51.243.772	2.408.863	53.652.635	39.611.999	1.954.418	41.566.417
2.1.	Irrevocable commitments	(1)	31.229.725	2.408.863	33.638.588	39.371.199	1.954.418	41.325.617
2.1.1.	Forward asset purchase commitments		992.621	1.883.881	2.876.502	355.574	860.966	1.216.540
2.1.2.	Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-	30.000	-	30.000
2.1.4.	Loan granting commitments		9.774.194	381	9.774.575	19.364.771	353	19.365.124
2.1.5.	Securities underwriting commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7.	Payment commitment for checks		2.754.045	-	2.754.045	2.707.388	-	2.707.388
2.1.8.	Tax and fund liabilities from export commitments		15.358	-	15.358	10.267	-	10.267
2.1.9.	Commitments for credit card expenditure limits		17.115.833	-	17.115.833	16.396.189	-	16.396.189
2.1.10.	Commitments for promotions related with credit cards and banking activities		45.880	-	45.880	19.721	-	19.721
2.1.11.	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12.	Payables for short sale commitments		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		531.794	524.601	1.056.395	487.289	1.093.099	1.580.388
2.2.	Revocable commitments		20.014.047	-	20.014.047	240.800	-	240.800
2.2.1.	Revocable loan granting commitments		20.014.047	-	20.014.047	240.800	-	240.800
2.2.2.	Other revocable commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(5), (6)	73.385.802	120.118.416	193.504.218	60.941.131	92.324.467	153.265.598
3.1	Derivative financial instruments for hedging purposes		21.810.180	31.752.593	53.562.773	16.730.698	21.068.526	37.799.224
3.1.1	Fair value hedge		4.973.074	13.303.877	18.276.951	3.456.411	11.638.573	15.094.984
3.1.2	Cash flow hedge		16.837.106	18.448.716	35.285.822	13.274.287	9.429.953	22.704.240
3.1.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2	Held for trading transactions		51.575.622	88.365.823	139.941.445	44.210.433	71.255.941	115.466.374
3.2.1	Forward foreign currency buy/sell transactions		4.523.196	6.139.645	10.662.841	4.118.082	6.260.934	10.379.016
3.2.1.1	Forward foreign currency transactions-buy		1.583.405	3.700.991	5.284.396	2.683.949	2.466.591	5.150.540
3.2.1.2	Forward foreign currency transactions-sell		2.939.791	2.438.654	5.378.445	1.434.133	3.794.343	5.228.476
3.2.2	Swap transactions related to foreign currency and interest rates		43.402.634	77.385.816	120.788.450	35.589.750	58.950.398	94.540.148
3.2.2.1	Foreign currency swap-buy		20.224.643	30.250.673	50.475.316	15.367.108	23.909.128	39.276.236
3.2.2.2	Foreign currency swap-sell		23.177.991	26.854.475	50.032.466	18.682.642	20.320.208	39.002.850
3.2.2.3	Interest rate swaps-buy		-	10.140.334	10.140.334	770.000	7.360.531	8.130.531
3.2.2.4	Interest rate swaps-sell		-	10.140.334	10.140.334	770.000	7.360.531	8.130.531
3.2.3	Foreign currency, interest rate and securities options		3.626.434	4.025.073	7.651.507	4.502.601	5.087.199	9.589.800
3.2.3.1	Foreign currency options-buy		1.485.641	2.325.582	3.811.223	2.355.495	2.402.267	4.757.762
3.2.3.2	Foreign currency options-sell		2.140.793	1.699.491	3.840.284	2.147.106	2.684.932	4.832.038
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		23.358	186.573	209.931	-	74.460	74.460
3.2.4.1	Foreign currency futures-buy		23.358	81.855	105.213	-	37.230	37.230
3.2.4.2	Foreign currency futures-sell		-	104.718	104.718	-	37.230	37.230
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		-	628.716	628.716	-	882.950	882.950
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		616.043.148	110.258.036	726.301.184	518.509.096	88.699.243	607.208.339
IV.	ITEMS HELD IN CUSTODY		10.275.742	1.561.318	11.837.060	8.741.145	2.223.883	10.965.028
4.1.	Assets under management		3.057.959	-	3.057.959	4.509.095	-	4.509.095
4.2.	Investment securities held in custody		1.916.543	637.461	2.554.004	263.988	1.348.273	1.612.261
4.3.	Checks received for collection		4.120.187	423.509	4.543.696	3.047.124	416.731	3.463.855
4.4.	Commercial notes received for collection		1.181.053	198.922	1.379.975	920.938	192.617	1.113.555
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		-	301.426	301.426	-	266.262	266.262
4.8.	Custodians		-	-	-	-	-	-
V.	PLEDGED ITEMS		369.834.726	64.199.119	434.033.845	320.129.826	47.175.906	367.305.732
5.1.	Marketable securities		1.973.989	6.076.387	8.050.376	1.059.127	3.186.362	4.245.489
5.2.	Guarantee notes		338.396	110.531	448.927	201.294	76.487	277.781
5.3.	Commodity		58.875	-	58.875	61.743	-	61.743
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		85.341.634	36.591.013	121.932.647	78.296.557	25.750.041	104.046.598
5.6.	Other pledged items		282.121.832	21.421.188	303.543.020	240.511.105	18.163.016	258.674.121
5.7.	Pledged items-depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		235.932.680	44.497.599	280.430.279	189.638.125	39.299.454	228.937.579
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)			749.512.138	243.260.948	992.773.086	626.233.232	188.991.132	815.224.364

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(STATEMENT OF INCOME/LOSS)**

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

**III. INCOME STATEMENT**

		<b>Audited</b>	<b>Audited</b>
	<b>Section 5</b>	<b>01.01 –</b>	<b>01.01 –</b>
	<b>Part IV</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>10.934.836</b>	<b>8.720.486</b>
1.1 Interest on loans		9.319.852	7.735.476
1.2 Interest received from reserve deposits		113.120	52.930
1.3 Interest received from banks		200.243	9.917
1.4 Interest received from money market placements		54.185	74.670
1.5 Interest received from marketable securities portfolio		1.241.311	842.488
1.5.1 Held-for-trading financial assets		5.344	3.248
1.5.2 Financial assets at fair value through profit and loss		1.898	4.450
1.5.3 Available-for-sale financial assets		617.790	483.872
1.5.4 Investments held-to-maturity		616.279	350.918
1.6 Finance lease income		-	-
1.7 Other interest income		6.125	5.005
<b>II. INTEREST EXPENSE</b>	<b>(2)</b>	<b>5.283.235</b>	<b>4.216.383</b>
2.1 Interest on deposits		4.069.753	3.293.772
2.2 Interest on funds borrowed		596.917	342.535
2.3 Interest on money market borrowings		164.327	287.486
2.4 Interest on securities issued		438.658	279.722
2.5 Other interest expense		13.580	12.868
<b>III. NET INTEREST INCOME (I - II)</b>		<b>5.651.601</b>	<b>4.504.103</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>1.685.893</b>	<b>1.362.603</b>
4.1 Fees and commissions received		2.048.989	1.684.192
4.1.1 Non-cash loans		84.629	69.602
4.1.2 Other		1.964.360	1.614.590
4.2 Fees and commissions paid		363.096	321.589
4.2.1 Non-cash loans		1.220	1.159
4.2.2 Other		361.876	320.430
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>14.499</b>	<b>57</b>
<b>VI. NET TRADING INCOME</b>	<b>(4)</b>	<b>(1.234.157)</b>	<b>(677.047)</b>
6.1 Securities trading gains/ (losses)		4.000	13.989
6.2 Gains / (losses) from financial derivatives transactions		(1.257.498)	(713.488)
6.3 Foreign exchange gains/ (losses)		19.341	22.452
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>131.780</b>	<b>410.535</b>
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>6.249.616</b>	<b>5.600.251</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>1.233.440</b>	<b>1.315.946</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>2.967.211</b>	<b>2.800.484</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>2.048.965</b>	<b>1.483.821</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XIII. GAIN / (LOSS) ON EQUITY METHOD</b>		-	-
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>(8)</b>	<b>2.048.965</b>	<b>1.483.821</b>
<b>XVI. TAX CHARGE FOR CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>(445.524)</b>	<b>(280.411)</b>
16.1 Current income tax charge		(446.266)	(182.485)
16.2 Deferred tax charge / benefit		742	(97.926)
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>(10)</b>	<b>1.603.441</b>	<b>1.203.410</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and entities under common control		-	-
18.3 Income on other discontinued operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and entities under common control		-	-
19.3 Loss from other discontinued operations		-	-
<b>XX. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>	<b>(8)</b>	-	-
<b>XXI. TAX CHARGE FOR DISCONTINUED OPERATIONS (±)</b>	<b>(9)</b>	-	-
21.1 Current income tax charge		-	-
21.2 Deferred tax charge / benefit		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>	<b>(10)</b>	-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	<b>(11)</b>	<b>1.603.441</b>	<b>1.203.410</b>
Earnings per share		0,04786	0,03592

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(STATEMENT OF OTHER COMPREHENSIVE INCOME / LOSS)**  
*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

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

	Audited 01.01 – 31.12.2017	Audited 01.01 – 31.12.2016
<b>I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>305,348</b>	<b>(111,192)</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	-	-
<b>V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective Portion of Fair Value Differences)</b>	<b>239,675</b>	<b>(44,530)</b>
<b>VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (Effective Portion of Fair Value Differences)</b>	-	-
<b>VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES</b>	-	-
<b>VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS</b>	<b>(32,067)</b>	<b>2,389</b>
<b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>	<b>(87,323)</b>	<b>52,475</b>
<b>X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)</b>	<b>425,633</b>	<b>(100,858)</b>
<b>XI. PROFIT/LOSS</b>	<b>1,603,441</b>	<b>1,203,410</b>
11.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	5,073	15,452
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes recycled to Income Statement	(1,327)	18,624
11.3 Transfer of hedge of net investments in foreign operations recycled to Income Statement	-	-
11.4 Other	1,599,695	1,169,334
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (X±XI)</b>	<b>2,029,074</b>	<b>1,102,552</b>

The accompanying notes are an integral part of these financial statement



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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

																		Acc. Val. Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity
		Section 5 Part V	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds			
	Audited																		
I.	Prior period – 01.01 – 31.12.2016																		
II.	Beginning balance		3,000,000	-	714	-	409,238	-	4,905,057	(43,930)	-	705,772	(36,939)	-	2,689	81,175	-	9,023,776	
2.1	Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Adjusted balances at beginning of the period (I-II)		3,000,000	-	714	-	409,238	-	4,905,057	(43,930)	-	705,772	(36,939)	-	2,689	81,175	-	9,023,776	
IV.	Changes in period																		
V.	Increase/decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Marketable securities valuation differences	(1)	-	-	-	-	-	-	-	-	-	-	(67,145)	-	-	-	-	(67,145)	
6.1	Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	(35,624)	-	(35,624)	
6.2	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(35,624)	-	(35,624)	
	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Bonus shares obtained from associates, subsidiaries and entities under common control		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Foreign exchange differences	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	The disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII.	The reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII.	The effect of change in associates' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV.	Capital increase	(5)	150,000	-	-	-	-	-	(150,000)	-	-	-	-	-	-	-	-	-	
14.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2	Internal sources		150,000	-	-	-	-	-	(150,000)	-	-	-	-	-	-	-	-	-	
XV.	Share issue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII.	Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII.	Other		-	-	-	-	-	-	-	1,911	-	-	-	-	-	-	-	1,911	
XIX.	Period net income/(loss)		-	-	-	-	-	-	-	-	1,203,410	-	-	-	-	-	-	1,203,410	
XX.	Profit distribution	(3)	-	-	-	-	35,289	-	670,483	-	-	(705,772)	-	-	-	-	-	-	
20.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20.2	Transfers to reserves		-	-	-	-	35,289	-	670,483	-	-	(705,772)	-	-	-	-	-	-	
20.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Closing Balance																		
	(III+IV+V+...+XVII+XIX+XX)		3,150,000	-	714	-	444,527	-	5,425,540	(42,019)	1,203,410	-	(104,084)	-	2,689	45,551	-	10,126,328	

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

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

			Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Val. Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity
Audited	Section 5 Part V	Paid-in Capital															
I. Current period – 01.01 – 31.12.2017		3,150,000	-	714	-	444,527	-	5,425,540	(42,019)	-	1,203,410	(104,084)	-	2,689	45,551	-	10,126,328
Beginning balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Increase/decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities valuation differences	(1)	-	-	-	-	-	-	-	-	-	-	263,253	-	-	-	-	263,253
IV. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	186,341	-	186,341
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	186,341	-	186,341
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares obtained from associates, subsidiaries and entities under common control		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. The disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. The reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. The effect of change in associates' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase	(5)	200,000	-	-	-	-	-	(200,000)	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		200,000	-	-	-	-	-	(200,000)	-	-	-	-	-	-	-	-	-
XIII. Share issue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	(23,961)	-	-	-	-	-	-	-	(23,961)
XVII. Period net income/(loss)		-	-	-	-	-	-	-	-	1,603,441	-	-	-	-	-	-	1,603,411
XVIII. Profit distribution	(3)	-	-	-	-	60,171	-	1,143,239	-	-	(1,203,410)	-	-	-	-	-	-
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to reserves		-	-	-	-	60,171	-	1,143,239	-	-	(1,203,410)	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance																	
(I+II+III+...+XVI+XVII+XVIII)		3,350,000	-	714	-	504,698	-	6,368,779	(65,980)	1,603,441	-	159,169	-	2,689	231,892	-	12,155,402

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

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

**VI. STATEMENT OF CASH FLOWS**

	<b>Section 5 Part VI</b>	<b>Audited 01.01 – 31.12.2017</b>	<b>Audited 01.01 – 31.12.2016</b>
<b>A. CASH FLOWS FROM / (TO) BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities (+)</b>		<b>3.426.451</b>	<b>3.442.329</b>
1.1.1 Interest received (+)		10.061.230	8.541.236
1.1.2 Interest paid (-)		(5.004.761)	(4.174.654)
1.1.3 Dividend received (+)		14.499	57
1.1.4 Fees and commissions received (+)		2.026.657	1.671.883
1.1.5 Other income (+)		117.927	376.262
1.1.6 Collections from previously written off loans (+)		982.492	907.440
1.1.7 Payments to personnel and service suppliers (-)		(2.252.910)	(2.029.276)
1.1.8 Taxes paid (-)		(470.625)	(164.836)
1.1.9 Others (+/-)	(1)	(2.048.058)	(1.685.783)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(4.806.198)</b>	<b>2.862.111</b>
1.2.1 Net (increase) decrease in financial assets held for trading (+/-)		(6.281)	10.074
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss (+/-)		(3.218)	91.140
1.2.3 Net (increase) decrease in due from banks (+/-)		(2.184.514)	(2.511.491)
1.2.4 Net (increase) decrease in loans (+/-)		(17.878.605)	(3.041.790)
1.2.5 Net (increase) decrease in other assets (+/-)	(1)	(446.374)	(569.698)
1.2.6 Net increase (decrease) in bank deposits (+/-)		443.066	465.417
1.2.7 Net increase (decrease) in other deposits (+/-)		11.285.428	1.573.461
1.2.8 Net increase (decrease) in funds borrowed (+/-)		4.634.756	3.818.466
1.2.9 Net increase (decrease) in matured payables (+/-)		-	-
1.2.10 Net increase (decrease) in other liabilities (+/-)	(1)	(650.456)	3.026.532
<b>I. Net cash provided from / (used in) banking operations (+/-)</b>		<b>(1.379.747)</b>	<b>6.304.440</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from / (used in) investing activities (+/-)</b>		<b>(1.805.317)</b>	<b>(3.230.123)</b>
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries (-)		(30.000)	(248.078)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries (+)		-	-
2.3 Fixed assets purchases (-)		(134.565)	(157.336)
2.4 Fixed assets sales (+)		433	1.084
2.5 Cash paid for purchase of financial assets available for sale (-)		(2.498.677)	(2.337.470)
2.6 Cash obtained from sale of financial assets available for sale (+)		1.708.781	1.113.305
2.7 Cash paid for purchase of investment securities (-)		(829.915)	(1.478.607)
2.8 Cash obtained from sale of investment securities (+)		140.075	-
2.9 Others (+/-)	(1)	(161.449)	(123.021)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from / (used in) financing activities (+/-)</b>		<b>3.385.578</b>	<b>(1.057.597)</b>
3.1 Cash obtained from funds borrowed and securities issued (+)		4.536.797	1.976.423
3.2 Cash used for repayment of funds borrowed and securities issued (-)		(1.149.648)	(3.032.992)
3.3 Capital increase (+)		-	-
3.4 Dividends paid (-)		-	-
3.5 Payments for finance leases (-)		(1.571)	(1.028)
3.6 Other (+/-)		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents (+/-)</b>		<b>1.900</b>	<b>92.080</b>
<b>V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)</b>	(2)	<b>202.414</b>	<b>2.108.800</b>
<b>VI. Cash and cash equivalents at beginning of the period (+)</b>	(3)	<b>5.750.384</b>	<b>3.641.584</b>
<b>VII. Cash and cash equivalents at end of the period (V+VI)</b>		<b>5.952.798</b>	<b>5.750.384</b>

The accompanying notes are an integral part of these financial statements

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**STATEMENT UNCONSOLIDATED DISTRIBUTION OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

**VII. STATEMENT OF UNCONSOLIDATED PROFIT APPROPRIATION (\*)**

	Audited 31.12.2017 <sup>(*)</sup>	Audited 31.12.2016
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 Current Year Income	2.048.965	1.483.821
1.2 Taxes And Duties Payable (-)	445.524	280.411
1.2.1 Corporate Tax (Income Tax)	446.266	182.485
1.2.2 Income Withholding Tax	-	-
1.2.3 Other Taxes And Duties(**)	(742)	97.926
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>1.603.441</b>	<b>1.203.410</b>
1.3 Prior Year Losses(-)	-	-
1.4 First Legal Reserves(-)	-	60.171
1.5 Other Statutory Reserves (-)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>1.603.441</b>	<b>1.143.239</b>
1.6 First Dividend To Shareholders(-)	-	157.500
1.6.1 To Owners Of Ordinary Shares	-	157.500(***)
1.6.2 To Owners Of Privileged Shares	-	-
1.6.3 To Owners Of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders Of Profit And (Loss) Sharing Certificates	-	-
1.7 Dividends To Personnel (-)	-	-
1.8 Dividends To Board Of Directors (-)	-	-
1.9 Second Dividend To Shareholders(-)	-	-
1.9.1 To Owners Of Ordinary Shares	-	-
1.9.2 To Owners Of Privileged Shares	-	-
1.9.3 To Owners Of Preferred Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders Of Profit And (Loss) Sharing Certificates	-	-
1.10 Second Legal Reserves (-)	-	-
1.11 Statutory Reserves(-)	-	-
1.12 Extraordinary Reserves	-	985.739
1.13 Other Reserves	-	-
1.14 Special Funds	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1 Appropriated Reserves	-	-
2.2 Second Legal Reserves (-)	-	-
2.3 Dividends To Shareholders(-)	-	-
2.3.1 To Owners Of Ordinary Shares	-	-
2.3.2 To Owners Of Privileged Shares	-	-
2.3.3 To Owners Of Preferred Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders Of Profit And (Loss) Sharing Certificates	-	-
2.4 Dividends To Personnel(-)	-	-
2.5 Dividends To Board Of Directors(-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1 To Owners Of Ordinary Shares	0,04786	0,03820
3.2 To Owners Of Ordinary Shares( % )	4,79%	3,82%
3.3 To Owners Of Privileged Shares	-	-
3.4 To Owners Of Privileged Shares ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>	-	-
4.1 To Owners Of Ordinary Shares	-	-
4.2 To Owners Of Ordinary Shares( % )	-	-
4.3 To Owners Of Privileged Shares	-	-
4.4 To Owners Of Privileged Shares ( % )	-	-

(\*) Decision regarding the profit distribution for the 2017 will be taken at the General Meeting.

(\*\*) Since it is considered that the income amounts related to deferred tax assets will not be considered as cash or internal resources and therefore the portion of the profit attributable to the subject matter of the period should not be subject to profit distribution and capital increase, deferred tax assets amounting to TL 742 as of December 31, 2017 will not be subject to profit distribution.

(\*\*\*) Distributed to the shareholders as bonus shares.

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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**SECTION THREE**

**ACCOUNTING POLICIES**

**I. Basis of Presentation**

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

The Bank maintains its books of account in accordance with the Banking Law No. 5411, which was published in the Official Gazette No. 25983 dated 1 November 2005. The Bank prepared the accompanying unconsolidated financial statements regarding to the Banking Law No.5411 "Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents", dated November 1, 2006 which is published in the Official Gazette No: 26333, which refers to "Turkish Accounting Standards" ("TAS"), put into effect by Public Oversight Accounting and Auditing Standards Authority ("KGK"), and "Turkish Financial Reporting Standards" ("TFRS") issued by the "Turkish Accounting Standards Board" ("TASB") and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the Banking Regulation and Supervision Agency ("BRSA"). 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.

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

**Explanation for Convenience Translation to English**

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

**2. Classifications**

None.

**3. 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 in case where a specific regulation is not made by BRSA, the requirements of TAS and are consistent with the accounting policies applied in the annual financial statements of the year ended December 31, 2016. The amendments of TAS and TFRS, effective as of January 1, 2017, have no material impact on the Bank's counting policies, financial position and performance. The aforementioned accounting policies and valuation principles are explained in Notes II to XXV below.

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The financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value, which are financial assets designated at fair value through profit or loss, available for sale financial assets, subsidiaries, joint ventures, trading derivative financial assets, and hedging 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 TAS 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. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

The amendments of TAS and TFRS, except TFRS 9 Financial Instruments (2017 version), which have been published as of reporting date but have not been effective yet, have no material impact on the accounting policies, financial condition and performance of the Bank.

TFRS 9 'Financial Instruments' (2017 version) has been published in the Official Gazette no. 29953 dated 19 January 2017 which will be effective from periods beginning on after 1 January 2018. The general purpose of the Standard is to specify the financial reporting principles for financial assets and financial liabilities to the users of the financial statements to present appropriate and useful information to evaluate amount, timing and uncertainty of the Bank's future cash flows.

**Classification of Financial Assets**

TFRS 9 classifies financial assets over amortized cost with considering business model and future cash flows features or by reflecting the other comprehensive income or by reflecting the fair value change in profit or loss.

**Impairment**

Provision for losses are provided regarding expected loan losses for financial assets which recognized at amortized cost and fair value under equity, loan commitments and financial guarantee agreements within the scope of TFRS 9. The Bank evaluates whether there has been a significant increase in the credit risk of the financial instrument since its first acquisition in the financial statements at each reporting date. If there is a significant increase in the credit risk of a financial instrument since its first acquisition in the financial statements, the Bank measures the provision at an amount of the expected lifetime loan losses at each reporting date. The Bank will classify the financial asset as the first stage if the credit risk of financial instrument has not increased significantly since its first acquisition in the financial statements and the Bank measures the provision at an amount of 12 months expected loan losses at each reporting date. The purpose of impairment, taking into lifetime loan losses to the financial statements as individual or group for all financial instruments that have significant increases in the credit risk of the financial instrument since its first acquisition in the financial statements with considering all supportable information including prudential.

**Hedge Accounting**

The purpose of hedge accounting; presentation of effects of risk management activities to manage specific risks which could affect income or loss (or other comprehensive income, which fair value changes presented in other comprehensive income subject to equity instruments investments). This approach aims to transfer the content of the hedge accounting to ensure that the purpose and effect of the hedging instruments is understood. The Bank will continue to apply the hedge accounting rules in TAS 39 as an accounting policy. Hedge accounting rules will be applied prospectively.

The effects of TFRS 9 on prior period financial statements are being evaluated and the limited effect on the Bank's equity is expected to be between 1% and 2% as of December 31, 2017.

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**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 the international markets and customer deposits 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 for interest and exchange risks 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 available-for-sale debt securities are 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.

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**2. Foreign currency transactions**

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

The Bank accounts for the transactions denominated in foreign currencies in accordance with TAS 21 “The Effects of Changes in Foreign Exchange Rates”. Foreign exchange gains and losses arising from transactions that are completed as of December 31, 2017 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 year 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 year ends are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
US Dollar	TL 3,8104	TL 3,5318
Euro	TL 4,5478	TL 3,6939

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

As of December 31, 2017, the net gain on exchange included in net profit is TL 19.341 (December 31, 2016 – TL 22.452 net profit on exchange).

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

Associates and Entities Under Common Control are recognized in the framework of TAS 39 “Financial Instruments: Turkish Accounting Standards related to Recognition and Measurement” in accordance with TAS 27 “Individual Financial Statements” and TAS 28 “Investments in Subsidiaries and Associates” standards while subsidiaries are recognized based on cost principle.

**IV. Explanations on forwards, option contracts and derivative instruments**

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 the international markets and customer deposits to TL liquidity with long term swap transactions (fixed TL interest rate and floating FC interest rate). Therefore, the Bank not only funds its long term fixed interest rate loans with TL but also hedges itself against interest rate risk.

In accordance with TAS 39 “Financial Instruments: Recognition and Measurement”, derivative instruments are categorized as “hedging purpose” or “trading purpose” transactions. Derivatives 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 “Assets on Trading Derivatives”, “Liabilities on Trading Derivatives” or “Assets on Hedging Purpose Derivatives” and “Liabilities on Hedging Purpose Derivatives” 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. Unrealized gains and losses are reflected in the income statement in the current period.

Fair values of option contracts are calculated with option pricing models and the resulting unrealized gains and losses are reflected in the current period income statement.



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Futures transactions are accounted for at settlement as of the balance sheet date and related unrealized gains and losses are presented in the current period income statement.

Fair value of credit default swaps is calculated using internal pricing models based on market data and related unrealized gains and losses are reflected in the current period income statement.

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 "Hedging Funds", 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 FX swap transactions to hedge long term, fixed rate, foreign currency Eurobonds in available for sale financial assets portfolio against interest rate fluctuations.

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the long term government bonds with fixed coupon in available for sale financial assets portfolio using swap transactions as hedging instruments. The Bank performs hedge effectiveness tests at each balance sheet date.

Information on Eurobond, TL government bonds and loan portfolio, recognized as fair value hedged items, is presented in Section 3, Footnote VII. 2 and 4.

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 performs hedge effectiveness tests at each balance sheet date.

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

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

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest rate method. In accordance with the related regulation, the interest receivables of non-performing loans are cancelled and not recorded as interest income until collected.

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

Fee and commission income and expenses are accounted for on an accrual basis or on effective interest rate method, except for the certain banking transactions that income is recognized immediately. Income generated through agreements or through the sale and purchases of assets on behalf of third parties, is recorded as income when collected.

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

Financial assets comprise cash and cash equivalents and the contractual right to obtain cash or another financial asset from counterparty or to exchange financial assets with counterparty or the equity instrument transactions of the counterparty. Financial assets are classified in four categories; as “Financial Assets at Fair Value through Profit or Loss”, “Investment Securities Available-For-Sale”, “Investment Securities Held-To-Maturity”, and “Loans And Other Receivables”. The classification of the financial assets is determined at the initial inception of the related financial assets.

**1. Financial assets at fair value through profit or loss**

**1.1. Trading securities**

The Bank accounts for its trading securities at fair value. The interest income that is from trading securities is presented as interest income in the income statement, while the difference between the cost and the fair value of trading securities and the gain or loss resulting from the sale of these financial assets before their maturity are realized under securities trading gains / losses.

**1.2. Financial assets at fair value through profit or loss**

The Bank has classified its mortgage loans that were initiated between January 1, 2006 – December 31, 2007, as financial assets at fair value through profit or loss in compliance with TAS 39. These loans are presented under “Financial Assets at Fair Value through Profit or Loss” as loan and fair value differences are presented as “Securities Trading Gains (Losses)” in order to be in compliance with the balance sheet presentation.

Financial assets at fair value through profit or loss are initially recorded at cost and are measured at fair value in the following periods.

The fair value of loans presented under “Financial Assets at Fair Value through Profit or Loss” are determined under current market conditions, taking into consideration the estimated price of a transaction at the measurement date depending on sale of an asset or transfer of a liability between market participants (in other words, exit price at measurement date from the perspective of an owner of an asset or from a debtor’s).

**2. Investment securities available for sale**

Available for sale assets represent financial assets other than financial assets at fair value through profit or loss, loans and other receivables and investment securities held to maturity.

Premiums and discounts on investment securities available-for-sale are considered during the computation of the internal rate of return and are included in interest income in the income statement. Accrued interest income on investment securities available for sale is recognized in the income statement whereas gains and losses arising from the change in the fair values of such securities are reflected in equity under “Securities value increase fund” (Unrealized Gains/Losses on Securities). When investment securities available for sale are sold, collected or otherwise disposed of, the cumulative fair value adjustments under equity are transferred to the income statement. The Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity 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 available for sale securities are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April 2009, and some portion of the TL government bonds are designated as fair value hedged items, hedged against interest rate fluctuations, starting from July 2011. Those securities are disclosed under Investment Securities

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Available for Sale 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 “Securities Trading Gains/ Losses” in the income statement.

In cases where fair value hedge operations cannot be effectively performed as described in TAS 39, fair value hedge accounting is ceased. The fair 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.

**3. Investment securities held to maturity**

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to held-to-maturity other than those that the entity upon initial recognition designates as at fair value through profit or loss, those that the entity designates as available-for-sale; and those that meet the definition of loans and receivables. Held-to-maturity financial assets 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 held-to-maturity financial assets is accounted in income statement.

There are no financial assets previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the contradiction of classification principles.

**4. Specific Provisions for Loans and Receivables**

Loans and receivables are carried initially by adding transaction cost to its purchase cost reflecting the fair value; except for the loans that are recorded with fair value through profit or loss and loans subject to fair value hedge. In the following periods, these loans are carried at amortized cost by using the effective interest rate method.

The Bank as explained in part IV, “Explanations on Forwards, Option Contracts and Derivative Instruments”, 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.

Provision is set for the loans that maybe doubtful and amount is charged in the current period income statement.

In the case where there is an evidence for the possibility of uncollectibility of loans, the Bank classifies related loans and receivables in non-performing loans and provides specific provision in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No: 26333 “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables”. The Bank provides specific provision for the loans under follow-up regarding credit risk and other factors, in accordance with the aforementioned regulation. Additionally, the Bank provides general provisions in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No: 28789 “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” and accounts such provision at the liability side of the balance sheet under general loan loss provision.

The Bank also provides provision for the closely monitored loans as a result of risk assessment. These provisions are accounted for at the liability side of the balance sheet under general provisions.

The general, specific and other provisions reserved for closely monitored loans are accounted for under “Provision for Loan Losses and Other Receivables” in the income statement.

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The collections made in relation to amounts that provision provided in the current period and the principle collections from the loans previously provisioned in the prior periods are offset against the “Provision for Loan and Other Receivables” in the income statement. The principal collections made related to the loans that were written-off are recorded under “Other Operating Income” and interest collections are recorded under the “Interest on Loans” account.

**VIII. Explanations on Impairment of Financial Assets**

It is assessed whether there is objective evidence for a financial asset or group of financial assets is impaired at each balance sheet date. Provision for impairment is provided when there is an objective evidence of impairment.

A financial asset or a group of financial assets can be impaired and impairment loss will occur only if there is objective evidence that one or more events (“loss/profit events”) have occurred after the initial recording of subject asset and that subject loss event/s have an impairment effect on future, approximate cash flows which can accurately be guessed. Future events that are expected to occur are not accounted, no matter how probable.

Impairment for held-to-maturity financial assets carried at amortized cost is calculated as the difference between the present value of the expected future cash flows discounted based on the “Effective interest rate method” and its carrying value. Regarding available-for-sale financial assets, impairment loss is reclassified from equity to profit or loss and is the difference between acquisition cost (less all principal repayments and amortization) and fair value, after impairment losses previously accounted for under profit or loss have been deducted. An explanation about the impairment of loans and receivables is given in Note VII-4 of Section Three.

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

Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 7.616.909 (December 31, 2016– TL 5.830.871).

As of December 31, 2017 the Bank has no securities that are subject to lending transactions (December 31, 2016 – None).

Securities purchased with a commitment to resell (reverse repurchase agreements) are recorded in a separate account under “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.

**XI. 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

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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 entity's control and there is enough evidence that plans to sell subject asset (or a disposal group) continue subject assets continue to be classified as assets held for sale

A discontinued operation is a part of the 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 that were acquired due to non-performing receivables as other assets.

**XII. 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.

**XIII. 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.

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**XIV. Explanations on Leasing Transactions**

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

Total payments made under operating leases are charged to income statement on a straight-line basis over the period of the lease.

The Bank has no leasing transactions as lessor.

**XV. 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”. If the possibility of an outflow of resources embodying economic benefits becomes probable and the amount of the obligation can reliably be measured, a provision is provided.

**XVI. Explanations on Obligations of the Bank Concerning Employee Benefits**

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

In accordance with the existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. The retirement pay is calculated for every working year within the Bank over salary for 30 days or the official ceiling amount per year of employment and the notice pay is calculated for the relevant notice period time as determined based on the number of years worked for the Bank.

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

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

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

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

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**XVII. 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 20% (22% for taxation periods of 2018, 2019 and 2020) on their quarterly financial profits, declare until the 14th day of the second month following that period and pay until the evening of the seventeenth day. The advance tax paid belongs that year and is offset from the corporation tax that will be calculated on the tax declaration of the companies to be given in the following year. If the advance tax paid amount remains after offsetting, this amount could be either returned as cash or offset.

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

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

Undistributed profit for the period is not subject to withholding tax if it is added to capital or it is distributed to full-fledged taxpayer corporations. However, with the Council of Ministers’ decisions numbered 2009/14593 and 2009/14594; published in the Official Gazette No: 27130 dated February 3, 2009 and based on Corporate Tax Law No: 5520, 15<sup>th</sup> and 30<sup>th</sup> 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**

In accordance with Turkish Accounting Standard on Income Taxes (TAS 12), the Bank accounts for deferred taxes based on the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In calculating deferred tax, legalized tax rates effective as of balance sheet date are used as per tax legislations.

Deferred tax liabilities are recognized for all temporary differences whereas deferred tax assets calculated from deductible temporary differences are only recognized if it’s highly probable that these will in the future create taxable profit. Deferred tax asset is not provided over general reserve for possible risk and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated 8 December 2004.

Deferred tax effect in regards to transactions directly accounted for in equity, is also reflected to equity.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2017 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

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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.

**XVIII. 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.

**XIX. Explanations on Share Issues**

During current period, the paid-up capital of the Bank was increased from TL 200.000 as bonus without any contribution from first profit share I (1 January -31 December 2016 the Bank’s paid in capital has been increased by TL 150.000, TL 150.000 paid from first dividend with bonus shares).

**XX. 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.

**XXI. Explanations on Government Incentives**

As of December 31, 2017, the Bank does not have any government incentives or grants (As of December 31, 2016 – None).

**XXII. 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.



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The Corporate Marketing Unit provides services to firms that are institutional, big size, that have annual revenues of TL 300.000 and higher and multi-national firms operating in Turkey. The firms that have annual revenues between TL 40.000 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.

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

<b>Current Period (January 1 – December 31, 2017)</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	1.834.670	1.794.691	2.022.240	5.651.601
Net Fees and Commissions Income	1.137.582	599.152	(50.841)	1.685.893
Other Operating Income and Net Trading Income	88.035	31.163	(1.221.575)	(1.102.377)
Dividend Income	-	-	14.499	14.499
<b>Operating Income</b>	<b>3.060.287</b>	<b>2.425.006</b>	<b>764.323</b>	<b>6.249.616</b>
Other Operating Expenses	1.625.224	1.106.568	235.419	2.967.211
Provision for Loan Losses and Other Receivables	550.232	645.226	37.982	1.233.440
<b>Profit Before Taxes</b>	<b>884.831</b>	<b>673.212</b>	<b>490.922</b>	<b>2.048.965</b>
<b>Provision for Tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(445.524)</b>
<b>Net Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.603.441</b>
<b>Total Assets</b>	<b>26.494.193</b>	<b>56.188.865</b>	<b>37.247.490</b>	<b>125.857.170</b>
Segment Assets	26.494.193	56.188.865	37.247.490	119.930.548
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	901.502
Undistributed Assets	-	-	-	5.025.120
<b>Total Liabilities</b>	<b>40.773.968</b>	<b>24.521.788</b>	<b>39.133.827</b>	<b>125.857.170</b>
Segment Liabilities	40.773.968	24.521.788	39.133.827	104.429.583
Undistributed Liabilities	-	-	-	9.272.185
Equity	-	-	-	12.155.402
<b>Other Segment Accounts</b>	<b>259.139</b>	<b>176.440</b>	<b>43.795</b>	<b>482.455</b>
Capital Expenditures	121.139	82.480	23.766	227.385
Depreciation and Amortization	138.000	93.960	20.029	251.989
Value Decrease/ (Increase)	-	-	-	3.081

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<b>Prior Period (January 1 – December 31, 2016)</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	1.636.457	1.527.977	1.339.669	4.504.103
Net Fees and Commissions Income	950.210	434.204	(21.811)	1.362.603
Other Operating Income and Net Trading Income	177.031	43.606	(487.149)	(266.512)
Dividend Income	-	-	57	57
<b>Operating Income</b>	<b>2.763.698</b>	<b>2.005.787</b>	<b>830.766</b>	<b>5.600.251</b>
Other Operating Expenses	1.585.963	964.903	249.618	2.800.484
Provision for Loan Losses and Other Receivables(-)	656.317	818.832	(159.203)	1.315.946
<b>Profit Before Taxes</b>	<b>521.418</b>	<b>222.052</b>	<b>740.351</b>	<b>1.483.821</b>
<b>Provision for Tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(280.411)</b>
<b>Net Profit/Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.203.410</b>
<b>Total Assets</b>	<b>23.733.749</b>	<b>39.189.482</b>	<b>33.029.665</b>	<b>101.503.054</b>
Segment Assets	23.733.749	39.189.482	33.029.665	95.952.896
Associates and Subsidiaries and Entities	-	-	-	798.827
Undistributed Assets	-	-	-	4.751.331
<b>Total Liabilities</b>	<b>35.177.287</b>	<b>16.787.719</b>	<b>29.823.092</b>	<b>101.503.054</b>
Segment Liabilities	35.177.287	16.787.719	29.823.092	81.788.098
Undistributed Liabilities	-	-	-	9.588.628
Equity	-	-	-	10.126.328
<b>Other Segment Accounts</b>	<b>344.010</b>	<b>209.296</b>	<b>60.542</b>	<b>613.848</b>
Capital Expenditures	201.012	122.296	37.955	361.263
Depreciation and Amortization	142.998	87.000	22.587	252.585
Value Decrease/ (Increase)	-	-	-	-

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

The Ordinary General Assembly Meeting of the Bank was held on 30 March 2017. In the Ordinary General Assembly, it was decided to net income from 2016 operations to the Bank's shareholders.

**Statement of Profit Distribution, 2016**

<b>Profit for the Period</b>	<b>1.203.410</b>
A – First Legal Reserves (Turkish Commercial Code 519/A) 5%	(60.171)
B – First Profit share to be distributed <sup>(*)</sup>	(157.500)
C – Real Estate sale income fund (KVK 5-1/e)	(79.366)
D – Extraordinary Reserves	(906.373)

<sup>(\*)</sup> It has been decided for TL 157.500 reserved as the First Profit shares to be distributed to be added to Shareholder's Equity.

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**XXIV. 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	1.603.441	1.203.410
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
<b>Earnings Per Share</b>	<b>0,04786</b>	<b>0,03592</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 2017 is 2.000.000.000 (Amount of issued bonus shared in 2016 is 1.500.000.000).

**XXV. 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 December 31, 2017 Bank’s total capital has been calculated as TL 14.142.352 (31 December 2016 – 11.241.168 TL), capital adequacy ratio is 14,99% (31 December 2016 – 14,53%). This ratio is well above the minimum ratio required by the legislation.

	Current Period December 31, 2017	1/1/2014 Amounts related to previous application(*)
<b>Information on Equity Accounts</b>		
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.350.000	
Share issue premiums	714	
Reserves	6.873.477	
Gains recognized in equity as per TAS	410.295	
Profit	1.603.441	
Current Period Profit	1.603.441	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	2.689	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>12.240.616</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	317.106	
Improvement costs for operating leasing	69.808	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	236.740	295.925
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>623.654</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>11.616.962</b>	

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	Current Period December 31, 2017	1/1/2014 Amounts related to previous application(*)
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	59.185	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>11.557.777</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)	1.568.424	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.047.498	
<b>Tier II Capital Before Deductions</b>	<b>2.615.922</b>	
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>2.615.922</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>14.173.699</b>	
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12.355	
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 (-)	18.992	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	

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	<b>Current Period December 31, 2017</b>	<b>1/1/2014 Amounts related to previous application (*)</b>
<b>TOTAL CAPITAL</b>		
Total Capital	14.142.352	
Total risk weighted amounts	94.325.508	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio	12,32%	
Tier 1 Capital Adequacy Ratio	12,25%	
Capital Adequacy Ratio	14,99%	
<b>BUFFERS</b>		
Bank specific total common equity tier 1 capital ratio	1,76%	
a) Capital conservation buffer requirement	1,25%	
b) Bank specific counter-cyclical buffer requirement	0,01%	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	6,32%	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	151.969	
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)	1.396.268	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.047.498	
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	-	
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	1.568.424	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1.899.040	

(\*) Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of “Regulations regarding to changes on Regulation on Equity of Banks” and taken into consideration at the end of transition process.

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	Prior Period December 31, 2016	1/1/2014 Amounts related to previous application(*)
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.150.000	
Share issue premiums	714	
Reserves	5.870.067	
Gains recognized in equity as per TAS	316.441	
Profit	1.203.410	
Current Period Profit	1.203.410	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	2.689	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>10.543.321</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	462.544	
Improvement costs for operating leasing	77.242	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	150.233	250.388
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>690.019</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>9.853.302</b>	

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	Prior Period December 31, 2016	1/1/2014 Amounts related to previous application(*)
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for	100.155	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>9.753.147</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)	693.264	
Provisions (Article 8 of the Regulation on the Equity of Banks)	858.439	
<b>Tier II Capital Before Deductions</b>	<b>1.551.703</b>	
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>1.551.703</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>11.304.850</b>	
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12.669	
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	19.013	
Other items to be defined by the BRSA (-)	32.000	
<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, 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 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 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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	<b>Prior Period</b>	<b>1/1/2014</b>
	<b>December 31, 2016</b>	<b>Amounts related to previous application (*)</b>
<b>TOTAL CAPITAL</b>		
Total Capital	11.241.168	
Total risk weighted amounts	77.381.442	
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio	12,73%	
Tier 1 Capital Adequacy Ratio	12,60%	
Capital Adequacy Ratio	14,53%	
<b>BUFFERS</b>		
Bank specific total common equity tier 1 capital ratio	5,38%	
Capital conservation buffer requirement	0,63%	
Bank specific counter-cyclical buffer requirement	-	
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	6,73%	
<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	126.643	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	33.517	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1.288.394	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	858.439	
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	-	
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	693.264	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	2.520.674	

(\*) Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Banks" and taken into consideration at the end of transition process.

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

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Issuer	QATAR NATIONAL BANK S.A.Q.	QATAR NATIONAL BANK S.A.Q.	QATAR NATIONAL BANK S.A.Q.	QATAR NATIONAL BANK S.A.Q.
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	-	-	-	-
Governing law(s) of the instrument	BRSA	BRSA	BRSA	BRSA
Regulatory treatment	Supplementary Capital	Supplementary Capital	Supplementary Capital	Supplementary Capital
Transitional Basel III rules	Yes	Yes	Yes	No
Eligible at stand-alone / consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	289	178	111	990
Par value of instrument (Currency in million)	1.238	762	476	990
Accounting classification	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost
Original date of issuance	April 24, 2008	October 6, 2009	December 28, 2009	May 22, 2017
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	12 years	12 years	12 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends	6 months	6 months	6 months	6 months
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating
Coupon rate and any related index	LIBOR + 4,50%	LIBOR + 4,34%	LIBOR + 4,34%	LIBOR + 3,88%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-

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	1	2	3	4
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None	None	Yes
If convertible, conversion trigger (s)	-	-	-	Article number 7-2-i of "Own fund regulation"
If convertible, fully or partially	-	-	-	All the remaining capital
If convertible, conversion rate	-	-	-	(*)
If convertible, mandatory or optional conversion	-	-	-	Optional
If convertible, specify instrument type convertible into	-	-	-	Equities
If convertible, specify issuer of instrument it converts into	-	-	-	QNB Finansbank A.Ş.
Write-down feature	None	None	None	None
If write-down, write-down trigger(s)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2	After the senior creditors, before the TIER 1 sub debt, same with TIER 2
Incompliance with article number 7 and 8 of "Own fund regulation"	Yes	Yes	Yes	Article number 7 and 8 of "Own fund regulation"
Details of incompliances with article number 7 and 8 of "Own fund regulation"	8-2-ğ	8-2-ğ	8-2-ğ	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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**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, part of the general loan loss provision up to 1,25% of amount subject to credit risk have been taken into consideration as contribution capital, losses from cash flow hedges have not been taken into consideration in the information on the equity items and valuation adjustments calculated according to item (i) of the first paragraph of the ninth article of the "Regulation on Equity of Banks" have been taken into consideration in the explanations on equity items.

**II. Explanations on Risk Management**

**1. Explanations on Credit Risk**

Credit risk represents the risk arising due to the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally.

Loan strategies and policies are determined by the Policy Committees. These policies and strategies are constituted in line with the applications of the Parent, and credit risk is managed according to these policies and strategies. The quality of loan portfolio is monitored regularly with the help of metrics which are in line with the Bank's risk appetite, as specified in Risk Management Strategies.

Credit Risk Management takes place in every step of the Bank's credit process from the beginning. Loan applications are evaluated by non-profit oriented independent loan granting departments. Loan limits are determined on a product basis and in the aggregate for every individual, corporate customer and risk group. Furthermore, concentration on product, industry, region, are monitored within the frame of loan limits in line with the regulation.

The credibility of the debtors is monitored periodically in accordance with the related regulation. The statements presenting the financial position of the borrowers are obtained in accordance with the related regulation.

Loan limits of the loan customers are revised periodically in line with the Bank's loan limit revision procedures. The Bank analyses the credibility of the loans within the framework of its loan policies and obtains collaterals for loans.

The Bank has control limits over the positions of forward transactions, options and other similar agreements. The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations.

The Bank monitors risks of forward transactions, options and other similar agreements and reduces the risk if necessary.

Indemnified non-cash loans are weighted in the same risk group with the past due but not impaired loans.

The restructured and rescheduled loans are monitored by the Bank in line with Bank's credit risk management procedures. The debtor's financial position and commercial activities are continuously analyzed and the principal and interest payments of rescheduled loans are monitored by the related departments.

The restructured and rescheduled loans are evaluated in the Bank's current internal rating system besides the follow up method determined in the related regulation.

The risk of banking operations abroad and credit transactions is acceptable and there is no significant credit risk density in the international banking market.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
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*(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)*

Based on “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside”, the Bank considers second group loans whose principal or interest payments are not collected at the determined dates as overdue loans. Loans whose principal or interest payments are delayed for more than 90 days and loans of borrowers which the Bank believes that the borrower lost their creditworthiness are considered as impaired loans.

The Bank calculates general loan provision for overdue loans and specific loan provision for impaired loans based on “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside”.

The receivables of the Bank from its top 100 cash loan customers are 21% in the total cash loans (December 31, 2016 – 18%).

The receivables of the Bank from its top 200 cash loan customers are 24% in the total cash loans (December 31, 2016 - 21%).

The receivables of the Bank from its top 100 non-cash loan customers are 47% in the total non-cash loans (December 31, 2016 – 42%).

The receivables of the Bank from its top 200 non-cash loan customers are 56% in the total non-cash loans (December 31, 2016 – 51%).

The share of cash and non-cash receivables of the Bank from its top 100 loan customers in total cash and non - cash loans is 26% (December 31, 2016 – 19%).

The share of cash and non-cash receivables of the Bank from its top 200 loan customers in total cash and non - cash loans is 30% (December 31, 2016 – 23%).

The general loan loss provision related with the credit risk taken by the Bank is TL 1.396.268 (December 31, 2016 – TL 1.288.394).

As of December 31, 2017, provision for probable risks in the Bank’s loan portfolio amounted to TL 108.450 (December 31, 2016 – TL 39.901).

	<b>Current Period Risk Amount(*)</b>	<b>Average Risk Amount(**)</b>	<b>Prior Period Risk Amount(*)</b>	<b>Average Risk Amount(**)</b>
Conditional and unconditional receivables from central governments and Central Banks	31.074.212	27.533.656	25.551.209	23.615.856
Conditional and unconditional receivables from regional or local governments	5.346	8.990	12.947	8.169
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	73.515	56.916	50.525	37.187
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	14.837.238	13.893.963	13.532.236	9.858.000
Conditional and unconditional receivables from corporates	39.539.612	33.448.593	25.046.012	25.981.857
Conditional and unconditional receivables from retail portfolios	45.761.846	42.068.202	35.544.220	30.109.629
Conditional and unconditional receivables secured by mortgages	8.951.095	9.009.808	9.208.978	10.487.581
Past due receivables	800.278	616.268	613.071	764.037
Receivables defined under high risk category by BRSA	1.872	28.529	26.627	1.184.667
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	1
Investment in equities	977.304	140.372	47.388	51.151
Other receivables	4.269.888	5.100.825	4.790.180	4.264.993

(\*)The risk amounts are given after the loan conversion rate, and before Loan Risk Reduction.

(\*\*)The average risk amount was calculated by taking the arithmetic average of the values in the monthly reports prepared in balance sheet period in regards to “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the “Regulation”).

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

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

**Profile of significant exposures in major regions:**

Exposure Categories(*)																		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
Domestic	31.074.212	5.346	73.515	-	-	3.173.783	39.079.371	45.753.500	8.950.083	800.274	4	-	-	-	-	75.802	4.269.888	133.255.778
EU countries	-	-	-	-	-	11.060.518	280.881	907	749	-	1.868	-	-	-	-	-	-	11.344.923
OECD countries (**)	-	-	-	-	-	68.205	12.624	6	-	-	-	-	-	-	-	-	-	80.835
Off-shore banking regions	-	-	-	-	-	24.388	73.355	23	82	-	-	-	-	-	-	-	-	97.848
USA, Canada	-	-	-	-	-	474.340	9.517	215	105	-	-	-	-	-	-	-	-	484.177
Other countries	-	-	-	-	-	36.004	83.864	7.195	76	4	-	-	-	-	-	-	-	127.143
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	901.502	-	901.502
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	31.074.212	5.346	73.515	-	-	14.837.238	39.539.612	45.761.846	8.951.095	800.278	1.872	-	-	-	-	977.304	4.269.888	146.292.206
Exposure Categories(*)																		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior Period																		
Domestic	25.551.209	12.947	50.525	-	-	3.650.268	24.728.413	35.533.994	9.207.929	613.060	57	-	-	-	-	-	3.991.353	103.339.755
EU countries	-	-	-	-	-	9.450.475	158.916	165	878	11	26.570	-	-	-	-	-	-	9.637.015
OECD countries (**)	-	-	-	-	-	72.751	6.339	5	-	-	-	-	-	-	-	-	-	79.095
Off-shore banking regions	-	-	-	-	-	20.235	52.982	29	171	-	-	-	-	-	-	-	-	73.417
USA, Canada	-	-	-	-	-	302.534	23.095	1.649	-	-	-	-	-	-	-	47.388	-	374.666
Other countries	-	-	-	-	-	35.973	76.267	8.378	-	-	-	-	-	-	-	-	-	120.618
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	798.827	798.827
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	25.551.209	12.947	50.525	-	-	13.532.236	25.046.012	35.544.220	9.208.978	613.071	26.627	-	-	-	-	47.388	4.790.180	114.423.393

(\*) Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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

(\*\*\*) Includes assets and liability items that can not be allocated on a consistent basis.

1-Conditional and unconditional receivables from central governments or central banks

2-Conditional and unconditional receivables from regional or local governments

3-Conditional and unconditional receivables from administrative units and non-commercial enterprises

4-Conditional and unconditional receivables from multilateral development banks

5-Conditional and unconditional receivables from international organizations

6-Conditional and unconditional receivables from banks and brokerage houses

7-Conditional and unconditional receivables from corporates

8-Conditional and unconditional retail receivables

9-Conditional and unconditional receivables secured by mortgages

10-Past due receivables

11-Receivables defined as high risk category by the Regulator

12-Mortgage-backed Securities

13-Securitization Positions

14-Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses

15-Investments in the Nature of Collective Investment

16-Investment in equities

17-Other receivables

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

**Risk profile by sectors or counterparties:**

Current Period	Exposure Categories(*)																	TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
<b>Agriculture</b>	-	<b>1</b>	<b>677</b>	-	-	-	<b>442.178</b>	<b>2.327.266</b>	<b>43.632</b>	<b>41.793</b>	-	-	-	-	-	-	-	<b>2.665.985</b>	<b>189.562</b>	<b>2.855.547</b>
Farming and Livestock	-	1	677	-	-	-	307.675	2.297.077	40.140	41.398	-	-	-	-	-	-	-	2.631.213	55.755	2.686.968
Forestation	-	-	-	-	-	-	-	7.347	-	146	-	-	-	-	-	-	-	7.493	-	7.493
Fishing Industry	-	-	-	-	-	-	134.503	22.842	3.492	249	-	-	-	-	-	-	-	27.279	133.807	161.086
<b>Industrial</b>	-	<b>5.283</b>	<b>7.503</b>	-	-	-	<b>13.945.282</b>	<b>4.342.032</b>	<b>730.205</b>	<b>105.457</b>	-	-	-	-	-	-	-	<b>8.037.662</b>	<b>11.098.100</b>	<b>19.135.762</b>
Mining and Quarrying	-	-	-	-	-	-	224.103	94.533	3.234	818	-	-	-	-	-	-	-	258.079	64.609	322.688
Manufacturing Industry	-	-	7.503	-	-	-	10.491.196	4.217.308	724.292	104.638	-	-	-	-	-	-	-	7.276.934	8.268.003	15.544.937
Electricity, Gas, Water	-	5.283	-	-	-	-	3.229.983	30.191	2.679	1	-	-	-	-	-	-	-	502.649	2.765.488	3.268.137
<b>Construction</b>	-	-	<b>1</b>	-	-	-	<b>5.630.597</b>	<b>2.905.110</b>	<b>893.414</b>	<b>56.002</b>	-	-	-	-	-	-	-	<b>6.001.044</b>	<b>3.484.080</b>	<b>9.485.124</b>
<b>Services</b>	<b>16.626.612</b>	<b>37</b>	<b>17.986</b>	-	-	<b>14.423.341</b>	<b>17.998.469</b>	<b>11.706.345</b>	<b>1.956.000</b>	<b>310.764</b>	<b>40</b>	-	-	-	-	-	-	<b>26.340.219</b>	<b>36.699.375</b>	<b>63.039.594</b>
Wholesale and Retail Trade	-	-	1.119	-	-	-	6.081.348	9.273.884	688.472	248.689	1	-	-	-	-	-	-	13.462.702	2.830.811	16.293.513
Hotels and Restaurants	-	-	-	-	-	-	1.260.434	230.191	158.129	19.904	-	-	-	-	-	-	-	482.772	1.185.886	1.668.658
Transportation and Communications	-	-	1	-	-	-	5.152.117	822.525	47.045	17.296	-	-	-	-	-	-	-	1.170.159	4.868.825	6.038.984
Financial Institutions	16.626.612	33	-	-	-	14.423.341	441.172	72.672	3.620	764	39	-	-	-	-	-	-	8.992.391	22.575.862	31.568.253
Real Estate and Rent Services	-	-	-	-	-	-	2.463.774	248.496	811.105	10.389	-	-	-	-	-	-	-	398.880	3.134.884	3.533.764
Independent Business Services	-	-	16.579	-	-	-	762.232	571.227	113.890	8.711	-	-	-	-	-	-	-	781.874	690.765	1.472.639
Education Services	-	-	200	-	-	-	167.358	161.650	26.798	1.855	-	-	-	-	-	-	-	321.639	36.222	357.861
Health and Social Services	-	4	87	-	-	-	1.670.034	325.700	106.941	3.156	-	-	-	-	-	-	-	729.802	1.376.120	2.105.922
<b>Other</b>	<b>14.447.600</b>	<b>25</b>	<b>47.348</b>	-	-	<b>413.897</b>	<b>1.523.086</b>	<b>24.481.093</b>	<b>5.327.844</b>	<b>286.262</b>	<b>1.832</b>	-	-	-	-	<b>977.304</b>	<b>4.269.888</b>	<b>44.811.601</b>	<b>6.964.578</b>	<b>51.776.179</b>
<b>Total</b>	<b>31.074.212</b>	<b>5.346</b>	<b>73.515</b>	-	-	<b>14.837.238</b>	<b>39.539.612</b>	<b>45.761.846</b>	<b>8.951.095</b>	<b>800.278</b>	<b>1.872</b>	-	-	-	-	<b>977.304</b>	<b>4.269.888</b>	<b>87.856.511</b>	<b>58.435.695</b>	<b>146.292.206</b>

(\*)Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5-Conditional and unconditional receivables from international organizations
- 6-Conditional and unconditional receivables from banks and brokerage houses
- 7-Conditional and unconditional receivables from corporates
- 8-Conditional and unconditional retail receivables
- 9-Conditional and unconditional receivables secured by mortgages
- 10-Past due receivables
- 11-Receivables defined as high risk category by the Regulator
- 12-Mortgage-backed Securities
- 13-Securitization Positions
- 14-Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
- 15-Investments in the Nature of Collective Investment
- 16-Investment in equities
- 17-Other receivable

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

Prior Period	Exposure Categories(*)																	TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
<b>Agriculture</b>	-	-	<b>739</b>	-	-	-	<b>301.391</b>	<b>1.684.909</b>	<b>36.979</b>	<b>11.111</b>	-	-	-	-	-	-	-	<b>1.929.562</b>	<b>105.567</b>	<b>2.035.129</b>
Farming and Livestock	-	-	739	-	-	-	216.581	1.663.264	34.848	11.040	-	-	-	-	-	-	-	1.901.571	24.901	1.926.472
Forestation	-	-	-	-	-	-	-	2.422	-	4	-	-	-	-	-	-	-	2.426	-	2.426
Fishing Industry	-	-	-	-	-	-	84.810	19.223	2.131	67	-	-	-	-	-	-	-	25.565	80.666	106.231
<b>Industrial</b>	-	<b>12.849</b>	<b>5.694</b>	-	-	-	<b>8.725.171</b>	<b>3.357.382</b>	<b>702.931</b>	<b>53.835</b>	-	-	-	-	-	-	-	<b>5.324.180</b>	<b>7.533.682</b>	<b>12.857.862</b>
Mining and Quarrying	-	-	-	-	-	-	163.952	66.758	23.109	168	-	-	-	-	-	-	-	145.821	108.166	253.987
Manufacturing Industry	-	-	5.694	-	-	-	6.092.384	3.275.388	675.507	53.521	-	-	-	-	-	-	-	5.028.143	5.074.351	10.102.494
Electricity, Gas, Water	-	12.849	-	-	-	-	2.468.835	15.236	4.315	146	-	-	-	-	-	-	-	150.216	2.351.165	2.501.381
<b>Construction</b>	-	-	<b>1.227</b>	-	-	-	<b>2.741.558</b>	<b>2.204.515</b>	<b>779.333</b>	<b>13.202</b>	-	-	-	-	-	-	-	<b>4.419.767</b>	<b>1.320.068</b>	<b>5.739.835</b>
<b>Services</b>	<b>13.502.751</b>	<b>36</b>	<b>10.970</b>	-	-	<b>13.023.269</b>	<b>12.454.535</b>	<b>8.703.097</b>	<b>2.650.645</b>	<b>142.055</b>	<b>1</b>	-	-	-	-	-	-	<b>22.807.847</b>	<b>27.679.512</b>	<b>50.487.359</b>
Wholesale and Retail Trade	-	-	1.021	-	-	-	4.840.134	6.879.165	849.005	119.467	1	-	-	-	-	-	-	10.000.283	2.688.510	12.688.793
Hotels and Restaurants	-	-	-	-	-	-	892.220	181.259	288.631	6.036	-	-	-	-	-	-	-	318.561	1.049.585	1.368.146
Transportation and Communications	-	-	1	-	-	-	3.220.780	637.763	55.728	6.608	-	-	-	-	-	-	-	927.699	2.993.181	3.920.880
Financial Institutions	13.502.751	33	-	-	-	13.023.269	394.741	65.389	2.970	291	-	-	-	-	-	-	-	9.741.866	17.247.578	26.989.444
Real Estate and Rent Services	-	-	-	-	-	-	1.452.962	184.936	1.141.097	1.523	-	-	-	-	-	-	-	301.863	2.478.655	2.780.518
Independent Business Services	-	-	9.573	-	-	-	425.980	399.778	131.650	4.774	-	-	-	-	-	-	-	583.984	387.771	971.755
Education Services	-	-	314	-	-	-	164.008	114.578	60.130	1.035	-	-	-	-	-	-	-	303.681	36.384	340.065
Health and Social Services	-	3	61	-	-	-	1.063.710	240.229	121.434	2.321	-	-	-	-	-	-	-	629.910	797.848	1.427.758
<b>Other</b>	<b>12.048.458</b>	<b>62</b>	<b>31.895</b>	-	-	<b>508.967</b>	<b>823.357</b>	<b>19.594.317</b>	<b>5.039.090</b>	<b>392.868</b>	<b>26.626</b>	-	-	-	-	<b>47.388</b>	<b>4.790.180</b>	<b>37.472.992</b>	<b>5.830.216</b>	<b>43.303.208</b>
<b>Total</b>	<b>25.551.209</b>	<b>12.947</b>	<b>50.525</b>	-	-	<b>13.532.236</b>	<b>25.046.012</b>	<b>35.544.220</b>	<b>9.208.978</b>	<b>613.071</b>	<b>26.627</b>	-	-	-	-	<b>47.388</b>	<b>4.790.180</b>	<b>71.954.348</b>	<b>42.469.045</b>	<b>114.423.393</b>

(\*)Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

- 1-Conditional and unconditional receivables from central governments or central banks
- 2-Conditional and unconditional receivables from regional or local governments
- 3-Conditional and unconditional receivables from administrative units and non-commercial enterprises
- 4-Conditional and unconditional receivables from multilateral development banks
- 5-Conditional and unconditional receivables from international organizations
- 6-Conditional and unconditional receivables from banks and brokerage houses
- 7-Conditional and unconditional receivables from corporates
- 8-Conditional and unconditional retail receivables
- 9-Conditional and unconditional receivables secured by mortgages
- 10-Past due receivables
- 11-Receivables defined as high risk category by the Regulator
- 12-Mortgage-backed Securities
- 13-Securitization Positions
- 14-Short-Term Receivables and Short-Term Corporate Receivables from banks and brokerage houses
- 15-Investments in the Nature of Collective Investment
- 16-Investment in equities
- 17-Other receivable



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

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

Current Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	2.355.527	224.773	62.526	136.923	13.423.209
Conditional and unconditional receivables from regional or local governments	13	-	-	5.272	-
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	3.615	41.268	1.751	6.953	8.707
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	4.253.581	1.722.966	505.926	1.077.741	2.075.488
Conditional and unconditional receivables from corporates	3.946.610	2.394.276	3.955.100	5.492.354	20.810.461
Conditional and unconditional receivables from retail portfolios	1.805.990	3.023.666	3.401.066	5.250.290	22.504.718
Conditional and unconditional receivables secured by mortgages	69.690	146.659	353.155	693.599	7.591.428
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	39	-	191	-	457
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock Investments	75.802	-	-	-	-
Other receivables	-	-	-	-	-
<b>Total</b>	<b>12.510.868</b>	<b>7.553.609</b>	<b>8.279.715</b>	<b>12.663.132</b>	<b>66.414.468</b>

(\*)Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	1.754.475	51.417	71.066	362.871	11.271.551
Conditional and unconditional receivables from regional or local governments	159	-	40	417	12.273
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	3.362	16.480	4.272	11.439	4.383
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	4.234.484	1.308.095	430.713	772.995	1.819.820
Conditional and unconditional receivables from corporates	2.448.751	1.824.424	2.869.971	3.142.415	12.828.649
Conditional and unconditional receivables from retail portfolios	1.777.873	2.905.311	3.676.631	4.714.165	13.676.127
Conditional and unconditional receivables secured by mortgages	59.864	147.566	347.712	575.985	7.989.823
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	790	-	177	-	12.046
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Other receivables	-	-	-	-	-
<b>Total</b>	<b>10.279.758</b>	<b>6.253.293</b>	<b>7.400.582</b>	<b>9.580.287</b>	<b>47.614.672</b>

(\*)Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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**Exposures by risk weights:**

Current Period												Deductions
Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%		from Equity
1. Exposures Before Credit Risk Mitigation	26.494.050	-	5.089.909	-	7.953.663	52.117.860	54.634.853	1.872	-	-		430.252
2. Exposures After Credit Risk Mitigation	33.607.133	-	2.174.703	5.902.853	6.570.883	38.366.948	48.915.257	1.872	-	-		430.252

  

Prior Period												Deductions
Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%		from Equity
1. Exposures Before Credit Risk Mitigation	11.287.302	-	4.747.345	-	24.443.554	41.747.230	32.171.335	26.627	-	-		391.312
2. Exposures After Credit Risk Mitigation	9.848.524	-	1.761.031	5.663.072	23.134.366	35.014.879	28.206.273	26.627	-	-		391.312

**Information by major sectors and type of counterparties:**

Information about impaired credits and past due credits and value adjustments and provisioning methods are described in Part IV Footnote 2.

Current Period	Loans <sup>(*)</sup>			
Major Sectors / Counterparties	Impaired Loans	Past Due Loans	Value Adjustments	Provisions
<b>1. Agriculture</b>	<b>113.483</b>	<b>155.252</b>	<b>3.505</b>	<b>71.727</b>
1.1. Farming and Livestock	111.805	151.236	3.352	70.444
1.2. Forestation	249	124	3	103
1.3. Fishing	1.429	3.892	150	1.180
<b>2. Industrial</b>	<b>585.236</b>	<b>411.586</b>	<b>30.670</b>	<b>479.638</b>
2.1. Mining and Quarrying	6.482	21.006	490	5.664
2.2. Manufacturing Industry	578.452	388.240	30.130	473.673
2.3. Electricity, Gas, Water	302	2.340	50	301
<b>3. Construction</b>	<b>274.562</b>	<b>264.867</b>	<b>13.975</b>	<b>218.450</b>
<b>4. Services</b>	<b>1.338.988</b>	<b>991.423</b>	<b>39.718</b>	<b>1.010.306</b>
4.1. Wholesale and Retail Commerce	1.024.853	557.942	27.219	775.398
4.2. Hotel and Restaurant Services	131.158	176.972	4.919	94.201
4.3. Transportation and Communication	65.326	74.245	1.732	47.973
4.4. Financial Corporations	18.750	10.253	246	14.939
4.5. Real Estate and Loan Services	14.732	3.587	88	7.348
4.6. Independent Business Services	40.161	61.570	1.494	31.450
4.7. Education Services	20.643	55.157	2.059	18.788
4.8. Health and Social Services	23.365	51.697	1.961	20.209
<b>5. Other</b>	<b>2.017.835</b>	<b>589.221</b>	<b>31.834</b>	<b>1.749.700</b>
<b>6. Total</b>	<b>4.330.104</b>	<b>2.412.349</b>	<b>119.702</b>	<b>3.529.821</b>

(\*) Represents the distribution of cash loans.

Prior Period	Loans <sup>(*)</sup>			
Major Sectors / Counterparties	Impaired Loans	Past Due Loans	Value Adjustments	Provisions
<b>1. Agriculture</b>	<b>61.495</b>	<b>72.212</b>	<b>2.413</b>	<b>50.200</b>
1.1. Farming and Livestock	59.828	71.631	2.379	48.625
1.2. Forestation	133	172	14	120
1.3. Fishing	1.534	409	20	1.455
<b>2. Industrial</b>	<b>468.553</b>	<b>234.216</b>	<b>12.098</b>	<b>407.957</b>
2.1. Mining and Quarrying	8.907	2.615	124	8.677
2.2. Manufacturing Industry	456.946	231.228	11.966	396.761
2.3. Electricity, Gas, Water	2.700	373	8	2.519
<b>3. Construction</b>	<b>255.695</b>	<b>117.269</b>	<b>5.487</b>	<b>241.000</b>
<b>4. Services</b>	<b>1.110.766</b>	<b>669.018</b>	<b>30.651</b>	<b>931.419</b>
4.1. Wholesale and Retail Commerce	866.208	440.016	21.580	727.188
4.2. Hotel and Restaurant Services	92.204	86.209	3.557	71.827
4.3. Transportation and Communication	59.764	70.973	2.578	51.519
4.4. Financial Corporations	14.758	10.986	439	13.271
4.5. Real Estate and Loan Services	5.656	5.420	190	4.786
4.6. Independent Business Services	30.351	18.971	753	24.835
4.7. Education Services	15.664	10.846	425	14.519
4.8. Health and Social Services	26.161	25.597	1.129	23.474
<b>5. Other</b>	<b>1.944.418</b>	<b>896.888</b>	<b>81.241</b>	<b>1.597.281</b>
<b>6. Total</b>	<b>3.840.927</b>	<b>1.989.603</b>	<b>131.890</b>	<b>3.227.857</b>

(\*) Represents the distribution of cash loans.

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**Movements in value adjustments and provisions**

<b>Current Period</b>	<b>Opening Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments<sup>(*)</sup></b>	<b>Closing Balance</b>
1. Special Provision	3.227.857	1.487.756	(431.207)	(754.585)	3.529.821
2. General Provisions	1.288.394	107.874	-	-	1.396.268

<sup>(\*)</sup> Represents the provision of loans written-off.

<b>Prior Period</b>	<b>Opening Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments<sup>(*)</sup></b>	<b>Closing Balance</b>
1. Special Provision	3.054.297	1.774.385	(397.227)	(1.203.598)	3.227.857
2. General Provisions	1.190.403	97.991	-	-	1.288.394

<sup>(\*)</sup> Represents the provision of loans written-off.

**Exposures subject to countercyclical capital buffer:**

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué “Regulation on Capital Conservation and Countercyclical Capital buffers of Banks” published in the Official Gazette numbered 28812 dated 5 November 2013 is presented below:

**Information on private sector receivables:**

<b>Current Period</b>	<b>RWAs of Banking Book for Private Sector Lending</b>	<b>RWAs of Trading Book</b>	<b>Total</b>
<b>Country</b>			
Turkey	73.872.823	-	73.872.823
Malta	273.819	-	273.819
Other	101.438	-	101.438
<b>Total</b>	<b>74.248.080</b>	<b>-</b>	<b>74.248.080</b>

<b>Prior Period</b>	<b>RWAs of Banking Book for Private Sector Lending</b>	<b>RWAs of Trading Book</b>	<b>Total</b>
<b>Country</b>			
Turkey	58.400.068	135.399	58.535.467
Malta	149.739	-	149.739
Other	91.980	-	91.980
<b>Total</b>	<b>58.641.787</b>	<b>135.399</b>	<b>58.777.186</b>

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**Risk Management and General Disclosures regarding Risk Weighted Amounts**

**1) GBA – Risk Management Approach of the Group**

**a) The way risk profile of the Group is determined by business model and the interaction between (e.g. key risks related to business model and in which way those risks are reflected to disclosures) and in which way the risk profile of the Group is related to risk appetite approved by board of directors**

Bank acknowledges that business and strategy risks are material since the Bank's growth oriented business plan is sensitive to changes in market conditions. From this point of view, Bank classifies business and strategy risk as an important risk. Group reviews its 5 year long term business plans once a year periodically. If the economic developments and market conditions require, then business plans are reviewed and revised more often.

**b) Risk management structure: Allocation of responsibilities in the Group (e.g. supervision and delegation of authorization; separation of responsibilities with respect to their risk type, business unit etc.; relations between structures included in risk management processes (e.g. board of directors, senior management, separate risk committee, risk management unit, legal compliance, internal audit function))**

Bank's risk measurement, monitoring, and control functions have clearly defined responsibilities that are sufficiently independent from position/risk taking functions. Risk exposures are directly reported to Senior Management and the Board of Directors/Board Risk Committee. Bank's internal control systems are designed to provide adequate segregation of duties, in order to prevent conflicts of interest with respect to the distinct functions of undertaking, approving, monitoring and controlling risks. In particular the functions that undertake transactions (front line) are administratively and operationally separate from the functions of, confirmation, accounting and settlement of transactions, as well as the safekeeping of the assets of the Bank or its customers.

Risk management governance at the Bank starts with the Board of Directors. The Board Risk Committee ("BRC"), Audit Committee (the "AC"), Assets and Liabilities Committee (the "ALCO"), Corporate and Retail Credit Policy Committee ("CPC"), Operational Risk Management Committee ("ORMC"), Reputation Risk Management and Risk Management Department are the important bodies of the risk management structure. The Board of Directors determines the general risk policy and the risk appetite of the Bank.

The Audit Committee is responsible for supervising whether the Bank complies with the provisions of applicable risk management legislation, and the internal risk management policies and procedures approved by the BoD. The AC reviewing whether the Bank has the methods, instruments and procedures required for identifying, measuring, monitoring and controlling the risk exposures of the Bank.

The ALCO, meeting monthly, is responsible for monitoring and managing the structural asset-liability mismatches of the Group, as well as monitoring and controlling liquidity risk and foreign currency exchange risk.

The CPC meets monthly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies regarding the credit risk management processes such as loan approval, limit setting, rating, monitoring and problem management. The ORMC meets every three months and is responsible for reviewing operational risk issues of the Bank and defining the necessary actions to be taken to minimize these risks. The Reputation Risk Management Committee is established to identify, evaluate and monitor the reputational risks that the Group is exposed to and to take necessary actions to prevent risks and meets quarterly.

The Risk Management Department, working independently from the executive functions and reporting to the Board of Directors, is organized under three main section as market risk, credit risk, operational risk and model validation, each having responsibility for identifying, measuring, monitoring, controlling and managing the relevant risks as well as for model validation, assessing the predictive ability of risk estimates and the use of ratings in credit processes.

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The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. This includes in particular anti-money laundering and terrorist financing regulation. In doing so, the compliance function informs all Bank employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Bank risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Bank has and controls relevant to them during audit works.

**c) Channels which are used to extend and apply risk culture in the Group (e.g. behavior rules, manuals including operation limits or procedures which shall be applied when the risk limits are exceeded, procedures regarding sharing of risk matters between business units and risk units)**

Risk Management Strategy comes out as the main risk management policy document in which the Bank defines its risks, determines the risk appetite and the risk management principles. In the Policy regarding the Strategic Risk Management, the Bank's strategic risk management framework and its role and responsibilities in this context are organized. ICAAP also takes place in the center of the Bank's strategic risk management framework.

Corporate and Retail Loan Policies and application directions also determines the Bank's credit risk management workflow and procedures.

Corporate Rating Governance Policy regulates the internal governance framework for corporate and commercial segment risk rating system operations.

The Market Risk Management Policy determines the key principles underlying the operations of the Bank in money and capital markets including limit structure.

The IRRBB Management Policy defines the key principles of the management of interest rate risk arising from non-trading activities.

The liquidity policy outlines the Bank's view and identifies the guidelines for incurring, retaining and managing liquidity risk.

The Operational Risk Management Policy ensures that all the Bank's stakeholders manage operational risk within a formalised framework aligned to business objectives.

Reputation Risk Policy, identifies the rules and frame of managing the reputation risk.

**d) Key elements and scope of Risk Measurement Systems**

Consistent across the Group internal risk rating systems appropriate to the nature, size and complexity of each activity and fully integrated in credit processes. The internal risk rating system employs appropriate credit risk rating models the scope and coverage of which are adequate to accommodate the Group's strategic aspirations and regulatory requirements. In particular, the Group's internal rating systems form the basis of capital assessment and allocation and constitute a key element of risk adjusted performance measurement, pricing and profitability measurement.

Information systems and analytical techniques that enable measurement of credit risk inherent in all relevant activities, providing adequate information on the composition of the credit portfolio, including identification of any concentrations of risk.

The Market Risk Management Policy determines the key principles underlying the operations of the Bank in money and capital markets. Key principles of Market Risk Management Framework are:

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The Board Risk Committee is responsible for ensuring that market risk strategy and policy are consistently implemented. This includes:

- Implementation of the market risk management policy.
- Designation of risk limits
- Definition of responsibilities for every unit involved in market risk management.
- Ongoing market risk monitoring and control, ensuring that risk appetite remains within the approved limits.
- Setting up appropriate IT systems for evaluating and monitoring the risks taken.
- Setting up standard models for market risk positions valuation and performance evaluation.
- Setting up comprehensive reporting and internal control systems.
- Providing for the maintenance of an adequate level of regulatory capital against the market risk undertaken.
- Providing for the disclosure of information regarding the type and level of the market risk assumed and for the implementation of policies for the management thereof.

**e) Disclosures regarding risk reporting processes provided to Board of Directors and senior management (especially on the scope and main content of reporting)**

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk.

Credit Risk section of the report consists of three main sub sections such as General Outlook to the Total Portfolio, Business Loans and Retail Loans, and include;

- Basic risk appetite parameters in the Group Risk Management Strategy
- Exposures by segments, monthly and annual changes, portfolio growth
- Sector concentration and risk metrics
- Delinquency amounts, product types and delinquencies by segments, new NPLs and recoveries from NPLS
- Detailed watchlist analyses for business segments
- Rating distributions, PD distributions, expected loss trend, collateral structure
- New NPLs, vintage analyses, recoveries by segments and products
- Restructured credits by segments
- Derivative products exposures by segments, stress testing
- Credit risk information regarding subsidiaries

The Risk Management Division is required to inform Senior Management and Board Member who is responsible from Internal Systems on Market Risk of Trading Book and AFS portfolio.

Reports are prepared daily and indicatively include the following:

- Estimation of the VaR on aggregate basis and by type of risk (interest rate, FX, equity)
- Estimation of stress VaR on aggregate basis and by type of risk (interest rate, FX, equity)
- Sensitivity of the trading and AFS portfolio
- Nominal values of bond portfolios
- Breakdowns of the portfolio and utilization of the relevant limits
- Utilization of limits on option Greeks
- Subsidiary VaR calculation

In addition, Board of Directors Risk Committee Report is prepared monthly in a way covering abovementioned market risk metrics and stress tests in order to be presented to Board of Directors and Risk Committee.

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**f) Disclosures regarding stress test (e.g. assets included in stress test, adapted scenarios and used methodologies and use of stress test in risk management)**

The Group puts stress testing at the center of its capital planning. The Bank's general principles on the stress testing framework can be summarized as follows:

- Comprehensive stress testing, aggregated per risk category, is conducted at least annually on year end data and business plan
- Stress testing is integrated to the ICAAP document which is subject to Board of Directors approval
- A historical scenario is selected as an anchor scenario to be used on the construct of base adverse scenario for the stress test use. However, final scenario is applied by enriching with hypothetical components as independent from anchor scenario
- Bank's stress testing framework encompasses sensitivity tests.
- The impact of the stress testing on the Bank's financial strength and capital position are analyzed through some key ratios and key items including but not limited to the following: Non-performing Loan Ratio, Return of Equity, Return on Asset, Leverage Ratio, Core Tier I Ratio, Capital Adequacy Ratio, Loan Balances, Balance Sheet Items, Income Statement Items
- Stress testing framework encompasses reverse stress testing

Market Risk Management defines the stress test approaches as below;

- To move the risk factors parallel in one direction.
- To move the risk factors non parallel.
- To perform tests to the existing portfolio based on past extreme situations.

Trading book consists of trading securities, trading purposes derivatives and open currency positions which are clearly defined in Market Risk Management Policy.

**g) Risk management, protection and mitigation strategies and process of the group sourcing from its business model and Monitoring processes of continuing effects of protection and mitigation**

First, it is generally the case that internal expectations about the effectiveness of CRM are based on the internal experience of the Bank, incorporated in the respective credit risk control framework, including its lending processes, and are typically conservatively adjusted, using for example recognition rates per collateral type.

Likewise, conservatism is also embedded in regulatory rules through respective haircuts, collateral eligibility requirements and so forth. Furthermore, the collaterals used as a risk mitigant in the Bank's capital adequacy calculations are predominantly cash or equivalent collaterals. The treatment of cash collaterals is straight forward, issues about recovery, and valuation are not relevant.

Regarding the exposure secured with mortgages, the new capital adequacy regime with Basel II increased the operational requirements for the recognition.

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**2) GB1 - Overview of Risk Weighted Assets**

		<b>Risk Weighted Amount</b>		<b>Minimum Capital Requirement</b>	
		<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
1	Credit Risk (excluding counterparty Credit Risk)	81.920.527	67.160.705	6.553.642	5.372.856
2	Standardized approach	81.920.527	67.160.705	6.553.642	5.372.856
3	Internal rating-based approach	-	-	-	-
4	Counterparty credit risk	1.879.275	1.514.420	150.342	121.154
5	Standardized approach for counterparty credit Risk	1.879.275	1.514.420	150.342	121.154
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	1.715.437	1.053.700	137.235	84.296
17	Standardized approach	1.715.437	1.053.700	137.235	84.296
18	Internal model approaches	-	-	-	-
19	Operational Risk	8.810.269	7.652.617	704.822	612.209
20	Basic Indicator Approach	8.810.269	7.652.617	704.822	612.209
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</b>	<b>TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>94.325.508</b>	<b>77.381.442</b>	<b>7.546.041</b>	<b>6.190.515</b>



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**Linkages between financial statements and risk amount**

**1) B1 - Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation**

Current Period	Carrying values of items in accordance with TAS					
	Financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the securitization framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>						
Cash and balances with the Central Bank	15.882.272	15.882.272	-	-	-	-
Trading Financial Assets	2.526.747	-	2.496.481	-	1.939.492	-
Financial Assets at Fair Value Through Profit or Loss	10.579	10.579	-	-	-	-
Banks	1.292.765	1.292.765	-	-	-	-
Money Market Placements	115.504	115.504	-	-	-	-
Financial Assets Available-for-Sale (net)	8.349.710	8.349.710	4.368.350	-	-	-
Loans and Receivables	82.672.480	82.641.133	-	-	-	31.347
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (net)	7.168.664	7.168.664	3.248.559	-	-	-
Investment in Associates (net)	3.766	3.766	-	-	-	-
Investment in Subsidiaries (net)	742.967	742.967	-	-	-	-
Investment in Joint ventures (net)	154.769	154.769	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	2.923.877	-	2.923.877	-	-	-
Property And Equipment (Net)	1.937.734	1.867.926	-	-	-	69.808
Intangible Assets (Net)	329.097	-	-	-	-	329.097
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	-	-	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	1.746.239	1.746.239	-	-	-	-
<b>TOTAL ASSETS</b>	<b>125.857.170</b>	<b>119.976.294</b>	<b>13.037.267</b>	<b>-</b>	<b>1.939.492</b>	<b>430.252</b>
<b>Liabilities</b>						
Deposits	67.641.495	-	-	-	-	67.641.495
Derivative Financial Liabilities Held for Trading	2.070.770	-	-	-	1.795.246	275.524
Funds Borrowed	16.273.767	-	-	-	-	16.273.767
Money Markets	6.489.821	-	6.489.821	-	-	-
Marketable Securities Issued	7.913.570	-	-	-	-	7.913.570
Funds	-	-	-	-	-	-
Miscellaneous Payables	5.895.120	-	-	-	-	5.895.120
Other Liabilities	851.674	-	-	-	-	851.674
Factoring Payables	-	-	-	-	-	-
Lease Payables	6.699	-	-	-	-	6.699
Derivative Financial Liabilities Held For Hedging	529.323	-	-	-	-	529.323
Provisions	2.060.459	-	-	-	-	2.060.459
Tax Liability	458.233	-	-	-	-	458.233
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	3.510.837	-	-	-	-	3.510.837
Shareholder's Equity	12.155.402	-	-	-	-	12.155.402
<b>TOTAL LIABILITIES</b>	<b>125.857.170</b>	<b>-</b>	<b>6.489.821</b>	<b>-</b>	<b>1.795.246</b>	<b>117.572.103</b>

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Prior Period	Carrying values of items in accordance with TAS					
	Financial statements prepared as per TAS	Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>						
Cash and balances with the Central Bank	13.103.883	13.103.883	-	-	-	-
Trading Financial Assets	2.792.704	-	2.769.351	-	2.099.588	-
Financial Assets at Fair Value Through Profit or Loss	22.971	22.971	-	-	-	-
Banks	273.786	273.786	-	-	-	-
Money Market Placements	1.547.549	246.944	1.300.605	-	-	-
Financial Assets Available-for-Sale (net)	7.031.948	7.031.948	2.810.237	-	-	-
Loans and Receivables	62.900.260	62.855.591	-	-	-	44.669
Factoring Receivables	-	-	-	-	-	-
Held-to-maturity investments (net)	5.900.507	5.900.507	3.020.634	-	-	-
Investment in Associates (net)	3.766	3.766	-	-	-	-
Investment in Subsidiaries (net)	665.618	665.618	-	-	-	-
Investment in Joint ventures (net)	129.443	129.443	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Derivative Financial Assets Held For Hedging	3.443.338	-	3.443.338	-	-	-
Property And Equipment (Net)	1.833.319	1.756.077	-	-	-	77.242
Intangible Assets (Net)	280.166	-	-	-	-	250.388
Investment Property (Net)	-	-	-	-	-	-
Tax Asset	33.517	-	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Other Assets	1.540.279	1.532.816	-	-	-	19.013
<b>TOTAL ASSETS</b>	<b>101.503.054</b>	<b>93.523.350</b>	<b>13.344.165</b>	<b>-</b>	<b>2.099.588</b>	<b>391.312</b>
<b>Liabilities</b>						
Deposits	53.938.700	-	-	-	-	53.938.700
Derivative Financial Liabilities Held for Trading	2.601.938	-	-	-	2.042.474	559.464
Funds Borrowed	10.757.907	-	-	-	-	10.757.907
Money Markets	6.515.461	-	-	-	-	6.515.461
Marketable Securities Issued	4.311.571	-	-	-	-	4.311.571
Funds	-	-	-	-	-	-
Miscellaneous Payables	6.602.677	-	-	-	-	6.602.677
Other Liabilities	1.028.337	-	-	-	-	1.028.337
Factoring Payables	-	-	-	-	-	-
Lease Payables	940	-	-	-	-	940
Derivative Financial Liabilities Held For Hedging	426.728	-	-	-	-	426.728
Provisions	1.768.642	-	-	-	-	1.768.642
Tax Liability	188.032	-	-	-	-	188.032
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-
Subordinated Loans	3.235.793	-	-	-	-	3.235.793
Shareholder's Equity	10.126.328	-	-	-	-	10.126.328
<b>TOTAL LIABILITIES</b>	<b>101.503.054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.042.474</b>	<b>99.460.580</b>

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**2) B2-The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements**

	<b>Current period</b>	<b>Total</b>	<b>Subject To Credit Risk</b>	<b>Subject to the Securitization</b>	<b>Subject To Counterparty Credit Risk</b>	<b>Subject To Market Risk</b>
1	Asset carrying value amount under scope of regulatory consolidation	134.953.053	119.976.294	-	13.037.267	1.939.492
2	Liabilities carrying value amount under regulatory scope of consolidation	8.285.067	-	-	6.489.821	1.795.246
3	Total net amount under regulatory scope of consolidation	126.667.986	119.976.294	-	6.547.446	144.246
4	Off-Balance Sheet Amounts	72.922.668	13.670.452	-	-	-
5	Differences due to different netting rules	1.571.192	-	-	-	1.571.192
6	Repo transactions	259.481	-	-	259.481	-
7	Decrease in counterparty credit risk as a result of netting	-	-	-	-	-
8	Potential credit risk amount calculated for the counterparty	-	-	-	1.273.502	-
9	Differences due to credit risk reduction	(6.187.527)	(1.628.550)	-	(4.558.977)	-
	<b>Risk Amounts</b>	<b>-</b>	<b>132.018.196</b>	<b>-</b>	<b>3.521.452</b>	<b>1.715.438</b>

	<b>Prior period</b>	<b>Total</b>	<b>Subject To Credit Risk</b>	<b>Subject to the Securitization</b>	<b>Subject To Counterparty Credit Risk</b>	<b>Subject To Market Risk</b>
1	Asset carrying value amount under scope of regulatory consolidation	108.967.103	93.523.350	-	13.344.165	2.099.588
2	Liabilities carrying value amount under regulatory scope of consolidation	2.042.474	-	-	-	2.042.474
3	Total net amount under regulatory scope of consolidation	106.924.629	93.523.350	-	13.344.165	57.114
4	Off-Balance Sheet Amounts	54.750.427	8.855.756	-	-	-
5	Differences due to different netting rules	996.586	-	-	-	996.586
6	Repo transactions	164.892	-	-	164.892	-
7	Decrease in counterparty credit risk as a result of netting	(2.332.790)	-	-	(2.332.790)	-
8	Potential credit risk amount calculated for the counterparty	823.351	-	-	823.351	-
9	Differences due to credit risk reduction	(10.768.622)	(1.324.614)	-	(9.399.339)	-
	<b>Risk Amounts</b>	<b>-</b>	<b>101.054.492</b>	<b>-</b>	<b>2.600.279</b>	<b>1.053.700</b>

**3) BA- Disclosures regarding differences between amounts valued according to TAS and risk exposures**

- a) None.
- b) There is no significant difference between amounts valued in accordance with TAS included in B2 and risk exposures except for “Available for Sale”. There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.
- c) **Valuation methodologies regarding the disclosure related to use of Market Value and Model Value:**

In general terms, market risk is the possibility of making loss as a result of changes occurring in the current market values of financial assets and positions in the bank's trading accounts. In this framework, the following elements of the Bank, which must be reflected on balance sheet over their current market values (market to market), are included in market risk.

Market risk is the likelihood of loss of financial assets and positions in the bank's trading accounts in general terms as a result of changing the current market values.

- Equity shares included in trading, investment fund participation documents, securities such as bonds and bills,
- Open foreign exchange position with respect to each foreign currency

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- Derivative contracts (forwards) sensitive to interest changes and concluded for trading, future transactions, simple or complex options, swaps, credit derivatives
- Reverse repo transactions

Classification of Trading Accounts are made in accordance with Appedix-3 of Regulation on Measurement and Evaluation of Bank's Capital Adequacy.

QNB Finansbank calculates its value at market risk with standard method in the framework of "Regulation on Measurement and Evaluation of Bank's Capital Adequacy". Accordingly, capital requirement is reached through multiplying of total of general market risk, commodity risk, settlement risk, exchange risk option risk to 12,5.

Value at market risk of the Bank is reached through the determination of amounts related to market risk in scope of Basel 2 reporting set. Details of analysis are as follows:

- Commodity risk analysis: Simplified approach (Standard method)
- Interest rate risk analysis: General Market Risk Calculation (Standard method – maturity approach) – Specific risk calculation (standard method)
- Equity share risk analysis: Position risk in equity share investments (Standard method)
- Exchange rate exposure analysis (standard method)
- Option risk analysis: Weighting method with delta factor (standard method)

Securities such as equity share, bond and bills, whose market prices are monitored directly, and derivative products such as futures, which are traded in stock exchange, are reviewed over their transaction prices as of reporting date. If a security included in trade portfolio cannot be treated as of reporting date, it is evaluated over the price determined in scope of precautionary principles.

Market value of products, which are traded at over the counter markets such as forward foreign exchange, foreign exchange swaps and interest swaps, are calculated in line with discounting of cash flows over market interest rates. Market value of option transactions is performed based on softwares which are internationally accepted valuation methodologies.

**Definition of independent price approval processes:**

There are four main price parameters which shall have an impact on current market value of financial assets and positions held by the Banks:

- Market interest rates (bond, bill and derivative prices)
- Share prices
- Exchange rates
- Gold, other precious metals and commodity prices

Total risk of loss sourcing from price movements (interest, equity share, exchange and commodity risk) related to financial assets and positions are called as "general market risk".

Independency of price process in ensured through the recording and management of prices to Bank systems by back office. In addition, the pricing and valuation systems in question are also reviewed and validated by Validation Unit. Details belonging to aforementioned valuation and accounting are strictly documented and monitored by Treasury Control Unit.

**Processes for valuation adjustments or differences (It includes definition of process and methodology definition for the valuation of trading positions according to type of financial instrument)**

TL borrowing instruments included in securities portfolio of trading account consist of government securities. The aforementioned securities are evaluated based on weighted average price traded in BIST. Market price is calculated based on CBT prices for TL securities not traded in BIST. Average of quotation of purchase and sell in the market are accepted as market price for Foreign Currency securities included in the same portfolio.

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**Credit Risk Disclosures**

**A) General Information on Credit Risk**

**1) CRA – General Qualitative Information on Credit Risk**

**a) Conversion of Group's business model to components of credit risk profile**

The Bank deploys forward looking, risk sensitive measurement systems and tools, including appropriate information technology (IT) applications and management information systems (MIS), to account for expected and unexpected losses in both normal and stress market conditions, for all types of risks as appropriate.

**b) Criteria and approach used during the determination of credit risk policy and credit risk limits**

Bank credit policies have been established to form effective and satisfactory loan allocation processes based on prudence and applicability principles in a way that it is in line with the risk boundaries set by the Bank, Bank Credit Policies and legal authorities. Pillars of credit risk management policy in Bank are;

- Rules and Regulations of BRSA (Banking Regulation and Supervision Agency)
- Decisions of institutions auditing QNB Group
- Credit policies and procedures at group level
- Risk Management Strategy
- Corporate, commercial and SME banking credit policies and corporate grading management documents
- Individual credit and credit cards policies

Risk Management Strategy comes out as the main risk management policy document in which the Bank defines its risks, determines the risk appetite and the risk management principles. Credit risk limits are reviewed annually, consistent to risk strategy.

**c) Structure and organization of credit risk management and control function**

All of the process related to direct or indirect credit allocation, extension, monitoring and operation of the Bank in favour of individuals or legal entities are reviewed in scope of credit risk management. Activities related to capital management includes calculation of legal and economic capital requirement of annual and long term business plans of the Bank.

Activities related to Credit Risk and Capital Management are carried out by Credit Risk Analytic, Strategy and Capital Management unit. Bank's Credit Risk organization, duties and responsibilities, related units and responsibilities of those units are identified in detail in the own Credit Policy documents of the Bank, Risk Management Strategy Document and Risk Management Department operation instruction and also main principles, applications, limits and reporting processes, which are going to be adopted in Credit Risk Management, are included.

Main responsibilities of Credit Risk Management Department are as follows:

- To establish risk management policies and strategies related to risks exposed by the Group and to submit those policies and strategies for the approval of Board of Directors Risk Committee,
- To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at group level to senior management,
- To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Bank,
- To make periodic stress tests and scenario analysis and establish early warning systems,
- To support decision-making processes of the Bank through providing reviews and risk point of view with respect to risk management,

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- To develop application and behavior score cards which are used in order to manage credit portfolio and processes in a correct and effective manner and forming main source for DR models,
- To promote risk awareness and management culture at group level.

**d) Relationship between credit risk management, risk control, legal compliance and internal audit functions**

Risk governance model includes three lines of defense consisting of:

- The risk taking units (lines of business) at the first level, responsible for assessing and minimizing risks for a given level of return.
- Risk Management Unit, at the second level, identifies, monitors, controls, quantifies risk, provides appropriate tools and methodologies, provides coordination and assistance; measures risk adjusted performance across the business lines; reports to appropriate levels and proposes mitigation measures, being supported by business lines, where the risk is actually created, and specialized units.
- Internal Audit – provides the independent review function.

The Compliance function is ensuring, through proper procedures, that the requirements and deadlines provided for by the regulatory framework in force are observed. This includes in particular anti-money laundering and terrorist financing regulation. In doing so, the compliance function informs all Bank employees on the relevant changes to the regulatory framework and provides guidance on the required changes to internal rules and processes. Moreover, the Compliance function cooperates as appropriate with the Risk Management unit, as compliance risk is considered a subcategory of operational risk.

Internal audit function acts as one of the three lines of defense of Group risk Management model and provides the independent review function. Risk assessments at internal audit are carried out by internal audit department by paying attention to exposures that Group has and controls relevant to them during audit works.

**e) Disclosures regarding risk reporting processes provided to Board of Directors and senior management (especially on the scope and main content of reporting)**

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk. Report mainly consists of the following; changes in risk parameters, changes in exposures of segments, concentration and risk metrics, stress testing and results, delinquency amounts and ratios by segments, non-performing loans, watch list loans, rating and PD distributions, vintage analyses, collaterals, recoveries, restructurings.

In addition to these monthly reports, a comparative analysis with peer groups, which is based on quarterly capital adequacy and credit risk metrics, is also reported to senior management and the board of directors.

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**2) 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	4.330.104	81.882.776	3.529.821	82.683.059
2 Debt Securities	-	15.442.571	-	15.442.571
3 Off-balance sheet Exposures	-	50.077.135	45.014	50.032.121
<b>4 Total</b>	<b>4.330.104</b>	<b>147.402.482</b>	<b>3.574.835</b>	<b>148.157.751</b>

In accordance with “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” (“Provisioning Regulation”) published at official gazette dated 1/11/2006 and numbered 26333, credit receivables identified as illiquid claims are mentioned under 1-a section as receivables at default. Off-balance sheet receivables of customers having credit at default are mentioned under 3-a section as off-balance sheet receivables at default.

Prior Period	Gross carrying values of as per TAS		Allowances/ impairments	Net values (a+b-c)
	Defaulted exposures	Non-defaulted exposures		
1 Loans	3.840.927	62.310.161	3.227.857	62.923.231
2 Debt Securities	-	12.883.269	-	12.883.269
3 Off-balance sheet exposures	-	53.293.087	41.241	53.251.846
<b>4 Total</b>	<b>3.840.927</b>	<b>128.486.517</b>	<b>3.269.098</b>	<b>129.058.346</b>

**3) CR2 – Changes in stock of defaulted loans and debt securities:**

	Current Period	Prior Period
1 Defaulted loans and debt securities at end of the previous reporting period	3.840.927	3.797.990
2 Loans and debt securities that have defaulted since the last reporting period	2.151.271	1.980.618
3 Returned to non-defaulted status	-	-
4 Amounts written off(*)	752.070(*)	1.198.493
5 Other changes(**)	910.024	739.188
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>4.330.104</b>	<b>3.840.927</b>

(\*) Includes the sale of legal follow-up loans receivable amounting to TL 745.739 in the current period.

(\*\*) Includes collections from credits in default.

**4) CRB – Additional disclosures related to credit quality of assets:**

(a) Receivables having more than 90 days overdue are defined as “Past due receivables”. There is no difference between “past due receivables” and “loans subject to provisioning” since all loans with 90 days overdue are subject to specific provisioning.

(b) There is no part of past due receivables which is not reviewed as “loans subject to provisioning”.

(c) Specific provision amounts are determined in accordance with “Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside” and collaterals are not deducted from the risk amounts.

(d) In receivables of the customers having difficulties in payment of receivables to the Bank or expected to have possible difficulties in payments by the Bank it is aimed to overcome payment difficulty of the customer through making changes such as extension of term, payment free period or interest discount. Receivables in aforementioned scope are identified as “restructured receivables”.

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**e) Exposures provisioned according to major regions, major sectors and remaining maturity**

*Exposures provisioned against by major regions:*

Country	December 31, 2017	December 31, 2016
Turkey	81.441.381	62.034.153
European Union (EU) Countries	288.469	162.720
USA, Canada	9.352	20.304
OECD Countries	42	59
Off-Shore Banking Regions	30.608	32.872
Other Countries	112.924	60.053
<b>Total</b>	<b>81.882.776</b>	<b>62.310.161</b>

*Exposures provisioned against by major sectors:*

	December 31, 2017	December 31, 2016
<b>1. Agricultural</b>	<b>2.559.872</b>	<b>1.881.155</b>
1.1. Farming and raising livestock	2.416.952	1.778.485
1.2. Forestry	6.145	2.742
1.3. Fishing	136.775	99.928
<b>2. Manufacturing</b>	<b>13.660.869</b>	<b>9.929.107</b>
2.1. Mining and Quarrying	274.415	210.495
2.2. Production	10.589.748	7.640.152
2.3. Electricity, Gas, Water	2.796.706	2.078.460
<b>3. Construction</b>	<b>7.486.808</b>	<b>4.184.485</b>
<b>4. Services</b>	<b>30.175.468</b>	<b>23.306.525</b>
4.1 Wholesale and retail trade	14.308.792	11.160.946
4.2 Hotel, food and beverage services	2.634.086	2.135.018
4.3 Transportation and telecommunication	5.162.942	3.605.143
4.4 Financial institutions	4.295.605	3.346.487
4.5 Real estate and leasing services	350.288	381.882
4.6 Self-employment services	1.285.693	819.582
4.7 Education services	358.867	339.226
4.8 Health and social services	1.779.195	1.518.241
<b>5. Other</b>	<b>27.999.759</b>	<b>23.008.889</b>
<b>6. Total</b>	<b>81.882.776</b>	<b>62.310.161</b>

*Breakdown of Exposures according to remaining maturity:*

Current period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables	-	15.569.639	5.942.700	23.253.334	28.518.244	8.598.858	81.882.776

  

Prior period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables	-	12.428.249	6.158.762	18.952.384	18.344.587	6.426.179	62.310.161



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**f) Exposures provisioned against by major regions and Loans written off during the period an uncollectible**

<b>Current Period</b>	<b>Loans Subject to</b>		
	<b>Provision</b>	<b>Provision</b>	<b>Written-off from Assets</b>
Turkey	4.309.523	3.509.245	752.070
European Union (EU) Countries	19.887	19.882	-
USA,Canada	-	-	-
OECD Countries(*)	-	-	-
Off-Shore Banking Regions	692	692	-
Other Countries	2	2	-
<b>Total</b>	<b>4.330.104</b>	<b>3.529.821</b>	<b>752.070</b>

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

<b>Prior Period</b>	<b>Loans Subject to</b>		
	<b>Provision</b>	<b>Provision</b>	<b>Written-off from Assets</b>
Turkey	3.817.446	3.204.399	1.198.493
European Union (EU) Countries	22.692	22.674	-
USA,Canada	1	1	-
OECD Countries(*)	-	-	-
Off-Shore Banking Regions	776	776	-
Other Countries	12	7	-
<b>Total</b>	<b>3.840.927</b>	<b>3.227.857</b>	<b>1.198.493</b>

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

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**Exposures provisioned against by major sectors and Loans written off during the period as uncollectible**

	December 31, 2017			December 31, 2016		
	Loans subject to provision	Provision	Written-off from Assets	Loans subject to provision	Provision	Written-off from Assets
<b>1. Agriculture</b>	<b>113.483</b>	<b>71.727</b>	<b>13.427</b>	<b>61.495</b>	<b>50.200</b>	<b>4.733</b>
1.1. Farming and Raising Livestock	111.805	70.444	12.924	59.828	48.625	4.370
1.2. Forestry	249	103	41	133	120	139
1.3. Fishing	1.429	1.180	462	1.534	1.455	224
<b>2. Industrial</b>	<b>585.236</b>	<b>479.638</b>	<b>114.994</b>	<b>468.553</b>	<b>407.957</b>	<b>41.700</b>
2.1. Mining and Quarrying	6.482	5.664	1.852	8.907	8.677	141
2.2. Production	578.452	473.673	111.937	456.946	396.761	41.494
2.3. Electricity, Gas, Water	302	301	1.205	2.700	2.519	65
<b>3. Construction</b>	<b>274.562</b>	<b>218.450</b>	<b>66.954</b>	<b>255.695</b>	<b>241.000</b>	<b>7.974</b>
<b>4. Services</b>	<b>1.338.988</b>	<b>1.010.306</b>	<b>198.291</b>	<b>1.110.766</b>	<b>931.419</b>	<b>155.822</b>
4.1. Wholesale and Retail Trade	1.024.853	775.398	183.318	866.208	727.188	117.815
4.2. Hotel, Food and Beverage Services	131.158	94.201	4.075	92.204	71.827	18.670
4.3. Transportation and Communication	65.326	47.973	6.106	59.764	51.519	9.181
4.4. Financial Institutions	18.750	14.939	503	14.758	13.271	2.242
4.5. Real Estate and Renting Services	14.732	7.348	100	5.656	4.786	1.208
4.6. Self-Employment Services	40.161	31.450	3.284	30.351	24.835	3.616
4.7. Educational Services	20.643	18.788	53	15.664	14.519	1.053
4.8. Health and Social Services	23.365	20.209	852	26.161	23.474	2.037
<b>5. Other</b>	<b>2.017.835</b>	<b>1.749.700</b>	<b>358.404</b>	<b>1.944.418</b>	<b>1.597.281</b>	<b>988.264</b>
<b>6. Total</b>	<b>4.330.104</b>	<b>3.529.821</b>	<b>752.070</b>	<b>3.840.927</b>	<b>3.227.857</b>	<b>1.198.493</b>

**g) Aging Analysis**

Overdue Days	31.12.2017	31.12.2016
0-30	80.103.182	60.419.727
31-60	1.015.201	960.369
61-90	764.393	930.065
90+	4.330.104	3.840.927
<b>Total</b>	<b>86.212.880</b>	<b>66.151.088</b>

**h) Breakdown of restructured receivables based on whether or not provisions are allocated:**

Current Period	Standard Loans	Loans under close monitoring	Non- performing loan
Loans subject to provision	-	-	60.081
Non- reserved Loans (*)	1.919.035	1.727.638	-
<b>Total</b>	<b>1.919.035</b>	<b>1.727.638</b>	<b>60.081</b>

(\*) General provision is made for the related Loans.

Prior Period	Standard Loans	Loans under close monitoring	Non- performing loan
Loans subject to provision	-	-	73.703
Non- reserved Loans (*)	1.302.740	1.703.818	-
<b>Total</b>	<b>1.302.740</b>	<b>1.703.818</b>	<b>73.703</b>

(\*) General provision is made for the related Loans.

**B) Credit Risk Mitigation**

**1) CRC - Qualitative disclosure on credit risk mitigation techniques**

Collateralization is used as main risk mitigation method. Tangible and intangible assets which can be accepted as collateral and their consideration rates are defined in detail in instructions. The Bank follows a conservative approach in collateral valuation. The value of the collateral is determined both with independent valuation and also internal valuation.

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Legality and operational applicability is the precondition for the validity of collaterals. Legal teams should have performed sufficient legal examinations and confirmed all legal regulations related to collateral and validity of collateral before the receipt of the collateral. In addition, all contracts and other related documents should be obtained.

Collateral value should not have a positive correlation with the credit worthiness of the debtor.

Monitoring of collateral values is important to maintain credit quality. Market value of the collateral is periodically reviewed in line with determined frequency in directives and necessary precautions are taken when there is a significant deterioration indication in market value of the collateral.

Insurance policies of the collaterals should be obtained.

Collateral value meets Debt-Collateral ratio determined for credit type or specific sectors legally or in internal application of the Bank.

The Bank takes netting agreements concluded with counterparties into account in the framework of rules mentioned in scope of Appendix-2 of Regulation on Measurement and Evaluation of Bank's Capital Adequacy during the counterparty risk measurement.

**2) CR3 Credit risk mitigation techniques – overview:**

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
<b>Current Period</b>							
1 Loans	80.044.102	2.638.957	1.377.231	-	-	-	-
2 Debt securities	15.442.571	-	-	-	-	-	-
3 <b>TOTAL</b>	<b>95.486.673</b>	<b>2.638.957</b>	<b>1.377.231</b>	-	-	-	-
4 Of which defaulted	790.927	9.356	245	-	-	-	-

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
<b>Prior Period</b>							
1 Loans	60.885.709	2.037.522	1.202.928	-	-	-	-
2 Debt securities	12.883.269	-	-	-	-	-	-
3 <b>TOTAL</b>	<b>73.768.978</b>	<b>2.037.522</b>	<b>1.202.928</b>	-	-	-	-
4 Of which defaulted	610.893	2.177	211	-	-	-	-

**C) Credit risk when standard approach is used**

**1) CRD – Qualitative disclosures which shall be made related to grading marks used by the Banks while calculating credit risk with standard approach:**

- Marks of Fitch credit rating institution are used in credit risk standard approach calculations.
- Centralized administrations and Banks take CRA marks into account for risk classes.
- Mark assigned to a debtor is taken into account for all assets of the debtor.
- CRA, which is not included in twinning table of the institution, is not used.

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**2) CR4 – Standard Approach– Credit risk exposure and credit risk mitigation (CRM) effects**

Current Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Exposure Categories							
1	Exposures to central governments or central banks	29.318.853	-	38.133.718	-	5.592.205	15%
2	Exposures to regional governments or local authorities	5.284	211	5.284	29	2.657	50%
3	Exposures to public sector entities	17.953	134.296	17.504	55.345	72.849	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	3.692.421	1.009.129	3.774.877	510.418	2.867.710	67%
7	Exposures to corporates	29.130.897	21.262.475	26.225.556	9.933.996	36.159.551	100%
8	Retail exposures	42.834.542	49.750.216	35.594.103	2.767.632	28.771.302	75%
9	Exposures secured by residential property	5.867.529	533.143	5.867.529	35.324	2.065.998	35%
10	Exposures secured by commercial real estate	2.932.083	229.006	2.932.082	116.160	1.524.122	50%
11	Past-due loans	800.278	-	800.033	-	626.867	78%
12	Higher-risk categories by the Agency Board	1.185	4.192	1.184	230	2.122	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	4.397.965	-	4.269.888	-	4.157.607	97%
17	Investments in equities	977.304	-	977.304	-	77.537	8%
18	<b>Total</b>	<b>119.976.294</b>	<b>72.922.668</b>	<b>118.599.062</b>	<b>13.419.134</b>	<b>81.920.527</b>	<b>62%</b>

Prior Period		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
Exposure Categories							
1	Exposures to central governments or central banks	24.088.287	-	24.088.287	-	7.663.203	32%
2	Exposures to regional governments or local authorities	12.888	198	12.888	27	6.457	50%
3	Exposures to public sector entities	14.622	94.286	14.622	34.546	49.167	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	2.869.148	727.088	2.861.740	465.770	1.283.076	39%
7	Exposures to corporates	19.035.311	13.448.596	18.226.914	5.659.820	23.886.735	100%
8	Retail exposures	32.947.800	39.914.526	32.605.557	2.398.712	26.253.202	75%
9	Exposures secured by residential property	5.636.166	333.580	5.636.166	26.906	1.982.075	35%
10	Exposures secured by commercial real estate	3.454.876	183.132	3.454.876	91.030	1.772.953	50%
11	Past-due loans	613.070	-	612.861	-	449.465	73%
12	Higher-risk categories by the Agency Board	13.614	49.021	13.614	12.588	39.304	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	4.790.180	-	4.790.180	-	3.727.680	78%
17	Investments in equities	47.388	-	47.388	-	47.388	100%
18	<b>Total</b>	<b>93.523.350</b>	<b>54.750.427</b>	<b>92.365.093</b>	<b>8.689.399</b>	<b>67.160.705</b>	<b>66%</b>

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

<b>Current Period</b>										
<b>Exposure Categories/ Risk Weight</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Others</b>	<b>Total Credit Risk Exposure Amount <sup>(*)</sup></b>
1 Exposures to central governments or central banks	32.541.513	-	-	-	-	-	5.592.205	-	-	38.133.718
2 Exposures to regional governments or local authorities	-	-	-	-	5.313	-	-	-	-	5.313
3 Exposures to public sector entities	-	-	-	-	-	-	72.849	-	-	72.849
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	-	-	1.140.245	-	1.010.780	-	2.134.270	-	-	4.285.295
7 Exposures to corporates	-	-	-	-	-	-	36.159.552	-	-	36.159.552
8 Retail exposures	-	-	-	-	-	38.361.735	-	-	-	38.361.735
9 Exposures secured by residential property	-	-	-	5.902.853	-	-	-	-	-	5.902.853
10 Exposures secured by commercial real estate	-	-	-	-	3.048.242	-	-	-	-	3.048.242
11 Past-due loans	-	-	-	-	346.330	-	453.703	-	-	800.033
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	1.414	-	1.414
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16 Investments in equities	-	-	-	-	-	-	977.304	-	-	977.304
17 Other Assetd	1.012.043	-	5	-	-	-	3.257.840	-	-	4.269.888
<b>18 Total</b>	<b>33.553.556</b>	<b>-</b>	<b>1.140.250</b>	<b>5.902.853</b>	<b>4.410.665</b>	<b>38.361.735</b>	<b>48.647.723</b>	<b>1.414</b>	<b>-</b>	<b>132.018.196</b>

<b>Prior Period</b>										
<b>Exposure Categories/ Risk Weight</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Others</b>	<b>Total Credit Risk Exposure Amount <sup>(*)</sup></b>
1 Exposures to central governments or central banks	8.761.880	-	-	-	15.326.407	-	-	-	-	24.088.287
2 Exposures to regional governments or local authorities	-	-	-	-	12.915	-	-	-	-	12.915
3 Exposures to public sector entities	-	-	-	-	-	-	49.168	-	-	49.168
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	-	-	1.281.620	-	2.038.276	-	7.614	-	-	3.327.510
7 Exposures to corporates	-	-	-	-	-	-	23.886.734	-	-	23.886.734
8 Retail exposures	-	-	-	-	-	35.004.269	-	-	-	35.004.269
9 Exposures secured by residential property	-	-	-	5.663.072	-	-	-	-	-	5.663.072
10 Exposures secured by commercial real estate	-	-	-	-	3.545.906	-	-	-	-	3.545.906
11 Past-due loans	-	-	-	-	326.791	-	286.070	-	-	612.861
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	26.202	-	26.202
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16 Investments in equities	-	-	-	-	-	-	47.388	-	-	47.388
17 Other Assetd	1.062.500	-	-	-	-	-	3.727.680	-	-	4.790.180
<b>18 Total</b>	<b>9.824.380</b>	<b>-</b>	<b>1.281.620</b>	<b>5.663.072</b>	<b>21.250.295</b>	<b>35.004.269</b>	<b>28.004.654</b>	<b>26.202</b>	<b>-</b>	<b>101.054.492</b>

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**1. Disclosures regarding counterparty credit risk**

**A) Qualitative disclosures regarding DCCR – CCR table:**

- a) Counterparty credit risk (CCR) states default risk of counterparty, which is a party to a transaction imposing an obligation to both parties, going into default before the final payment included in cash flow of the transaction in question. CCR causes credit risk for banks carrying out money and capital market transactions. Derivative financial instruments, repo and reverse repo transactions, securities and commodities lending transactions, transactions having long clearing process and margin trading transactions are considered in the aforementioned scope.

The most significant part of CCR in the Bank is sourced from derivative financial instruments. Derivative transactions are made with financial institutions, individual and commercial customers for the purposes of trading, management of interest risk of banking accounts and meeting customer demands.

CCR is managed in the framework of Derivative Products Application Instruction in line with credit risk policies since it is a type of risk reviewed in scope of credit risk although there are several differences.

Main Partner Bank does not make a distinction between banks, non-bank financial institutions and individual customers with respect to counterparty credit risk. Transactions made with non-bank financial institutions are reviewed in the framework of corporate-commercial credit risk while banks are considered in the framework of financial institutions.

Derivative risk amount which can be carried by the customer is limited within the credit policies framework. Related risk and limit amounts are monitored on a daily basis and when a collateral shortfall exists, shortfall collateral amount is completed in line with given standards in Derivative Products Application Instruction.

- b) A clear definition of risk appetite and its approval by Board of Directors is the precondition to establish a consistent risk limit system. The Bank has determined the following limit structure in order to limit the risk carried over derivative transactions. Those limits are determined in Market Risk Policy and approved by Board of Directors.
- Limits on option sensitivity indexes basis: Maximum risk which can be taken in delta, gama and vega positions is limited.
  - Option nominal position limit: Maximum nominal position which can be taken on option type basis is limited.
  - Interest sensitivity limit of forward exchanges included in trading accounts: Interest risk which can be carried by swap and forward exchanges made for the purposes of trading.

Derivative limit on the basis of customer has been prepared in addition to abovementioned limit structure. The Bank has established required control mechanism in order to stay in the framework of determined limits.

- c) CCR is tried to be reduced with various techniques. The Bank uses daily exchange limits in addition to credit support and global repo agreements in order to reduce exchange risk. Limits, defined for financial institutions, are allocated according to creditability of counterparty and monitored as real time and online. Parties, having over the counter transactions with the Bank, are financial institutions which are well known and having a long term of business relationship.
- d) Countertrend risk states that probability of default of counterparty has a positive correlation with general market risk factors. Main Partner Bank monitors impacts of market risk factors such as interest and exchange on customer credit risk. Especially, in periods having sharp financial movements, required actions are taken in line with analysis performed.
- e) If there is a decline in credit rating grade, there is no additional collateral amount which must be provided by the Bank.

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**B) 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)	3.519.845	1.273.502	-	1,4	2.134.883	1.137.301
2 Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3 The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4 Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	1.386.569	421.868
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>1.559.129</b>

Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standard approach - CCR (for derivatives)	3.879.899	823.351	-	1,4	1.604.412	898.540
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)	-	-	-	-	995.867	349.591
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>1.248.131</b>

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

	Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
	Cari Dönem	Önceki Dönem	Cari Dönem	Önceki Dönem
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	2.134.883	1.604.412	320.146	266.289
<b>4 Total amount of CVA capital adequacy</b>	<b>2.134.883</b>	<b>1.604.412</b>	<b>320.146</b>	<b>266.289</b>

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**D) CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights**

<b>Current Period</b>										<b>Total Credit Risk</b>
<b>Exposure Categories/ Risk Weight</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Others</b>		
1 Exposures from central governments or central banks	53.577	-	-	-	-	-	-	-	-	53.577
2 Exposures from regional or local governments	-	-	-	-	-	-	-	-	-	-
3 Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	1	-	-	-	1
4 Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Exposures from international organizations	-	-	-	-	-	-	-	-	-	-
6 Exposures from banks and brokerage houses	-	-	1.034.453	2.160.217	-	127	-	-	-	3.194.797
7 Exposures from corporates	-	-	-	-	-	267.407	-	-	-	267.407
8 Retail receivables	-	-	-	-	5.213	-	-	-	-	5.213
9 Mortgage receivables	-	-	-	-	-	-	-	-	-	-
10 Non performing receivables	-	-	-	-	-	-	-	-	-	-
11 High risk defined receivables	-	-	-	-	-	-	457	-	-	457
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>53.577</b>	<b>-</b>	<b>1.034.453</b>	<b>2.160.217</b>	<b>5.213</b>	<b>267.535</b>	<b>457</b>	<b>-</b>	<b>-</b>	<b>3.521.452</b>

<b>Prior Period</b>										<b>Total Credit Risk</b>
<b>Exposure Categories/ Risk Weight</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Others</b>		
1 Exposures from central governments or central banks	24.144	-	-	-	-	-	-	-	-	24.144
2 Exposures from regional or local governments	-	-	-	-	-	-	-	-	-	-
3 Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-	-
4 Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Exposures from international organizations	-	-	-	-	-	-	-	-	-	-
6 Exposures from banks and brokerage houses	-	-	479.411	1.884.071	-	-	-	-	-	2.363.482
7 Exposures from corporates	-	-	-	-	-	201.619	-	-	-	201.619
8 Retail receivables	-	-	-	-	10.610	-	-	-	-	10.610
9 Mortgage receivables	-	-	-	-	-	-	-	-	-	-
10 Non performing receivables	-	-	-	-	-	-	-	-	-	-
11 High risk defined receivables	-	-	-	-	-	-	424	-	-	424
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>24.144</b>	<b>-</b>	<b>479.411</b>	<b>1.884.071</b>	<b>10.610</b>	<b>201.619</b>	<b>424</b>	<b>-</b>	<b>-</b>	<b>2.600.279</b>

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

Related table is not presented due to standard method is used for calculation of capital adequacy ( December 31, 2016 – None).



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**F) 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	-	-	-	-	1.808.565	-
Cash - Foreign Currency	-	2.917.839	-	378.497	4.656.982	-
Government bond-domestic	-	-	-	-	-	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
<b>Total</b>	-	<b>2.917.839</b>	-	<b>378.497</b>	<b>6.465.547</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	-	-	-	-	1.495.044	-
Cash - Foreign Currency	-	3.272.578	-	377.338	3.525.142	-
Government bond-domestic	-	-	-	-	-	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
<b>Total</b>	-	<b>3.272.578</b>	-	<b>377.338</b>	<b>5.020.186</b>	-

**G) CCR6 – Credit derivatives exposures**

Related table is not presented due to the Bank has no risk arrived from derivative credit received or sold.

**H) CCR7 – RWA changes on CCR within the internal model method**

Related table is not presented due to usage of standard approach for the calculation of capital adequacy by the Bank

**I) CCR8 – Exposures to central counterparties**

Related table is not presented due to the Bank has no risk against to counterparty

**5. Securitization exposures:**

The Parent Bank has no securitization transactions.

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**6. Disclosures regarding Consolidated Market Risk**

**A) MRD – Qualitative information which shall be disclosed to public related to market risk**

- a) Market risk states the risk sourcing from change in market prices on positions held in order to make profit in trading accounts in line with short term expectations in market prices or interest rates. Trading accounts covers all derivative products except for financial assets held for trading, open exchange position and having hedging purposes.

The Bank has established a structure to effectively define, monitor and manage the risk sourcing from changes in market prices including interest rates, stocks, bond prices, exchange rates and uncertainty of aforementioned prices in their volatility levels. The aforementioned structure is determined in Market Risk Policy of the Bank which is approved by the Board of Directors. This policy determines principles, measurement methods, processes and limits covering all transactions of the Bank sourcing from market risk.

Market risk is calculated and reported on a monthly basis with standard method for capital adequacy calculation in line with regulation on Measurement and Evaluation of Bank's Capital Adequacy published by BRSA.

Market risk also includes value at risk limits in line with internal policies based on internal model. Limits include value at risk limits, positions, limits on options sensitivity and loss cessation limits for each of the market risk types.

- b) Risk Committee of the Bank is responsible to ensure implementation of market risk strategy and policies in a consistent manner. Market risk unit operates totally independent from risk carrying units and directly subject to Risk Committee of the Bank in given authorization and responsibilities framework.

Internal Control Department is responsible for the evaluation of internal control system related to market risk through periodical independent audits. Required system evaluation reports are shared with Board of Directors and other related authorities. Risk Committee of Board of Directors provides holding of sufficient capital against market risk carried by QNB Finansbank.

- c) QNB Finansbank makes its capital calculation for market risk in accordance with standard method approach defined in Basel II first pillar. Capital calculation method for each risk category is made by BRSA in line with Basel standards as of month-ends as solo or consolidated.

The Group calculates market risk with value at risk approach for the purpose of monitoring and management of risk at the Bank except for standard method. The aforementioned calculation is made both for the risk of trade portfolio and also total risk of trade portfolio and Securities Available for Sale portfolio. Value at risk calculation is made daily with historical simulation at 99% confidence interval through 252 working days observation period and exponential weighted moving average volatility assumption. Dynamic structure of the volatility is reached through giving weight to recent observations in exponential weighted moving average.

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**B) PR1 –Market risk under standardized approach:**

		RWA <sup>(**)</sup>	
		Current Period (Thousand TL)	Current Period (Thousand TL)
	Outright products <sup>(*)</sup>	1.692.538	1.042.863
1	Interest rate risk (general and specific)	1.421.063	644.125
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	270.438	398.400
4	Commodity risk	1.037	338
	Options	22.900	10.837
5	Simplified approach	-	-
6	Delta-plus method	22.900	10.837
7	Scenario approach	-	-
8	Securitization	-	-
<b>9</b>	<b>Total</b>	<b>1.715.438</b>	<b>1.053.700</b>

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

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

**7. Explanations Related to the Operational Risk**

Value at operational risk is calculated with basic indicator method by using the gross profits for the last three years' (2015, 2014 and 2013) as per the "Calculation of Value at Operational Risk" of the article (3) of "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" which was published in the Official Gazette No: 28337 dated June 28, 2012. As of December 31, 2016, the value at operational risk is amounting to TL 8.810.269 (December 31, 2015 - TL 7.652.617).

Current Period Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total / No. of Years of Positive Gross	Rate (%)	Total
Gross Income	4.315.893	4.547.487	5.233.050	4.698.810	15	704.822
<b>Value at operational risk (Total*12,5)</b>						<b>8.810.269</b>
Prior Year Basic Indicator Method	2 PP Amount	1 PP Amount	CP Amount	Total / No. of Years of Positive Gross	Rate (%)	Total
Gross Income	3.826.094	4.130.877	4.287.216	4.081.396	15	612.209
<b>Value at operational risk (Total*12,5)</b>						<b>7.652.617</b>

<sup>(\*)</sup>In accordance with the amendments made in the Communiqué on the Amendment to the Communiqué on the Uniform Chart of Accounts and Prospectus published in the Official Gazette dated 22 December 2016 and numbered 29926, "Support Service Corresponding Activity Expenses" has been removed from gross income calculation.

The annual gross income is composed of net interest income and net non-interest income after deducting realized gains/losses from the disposal of securities available-for-sale and held-to-maturity, extraordinary income and income derived from insurance claims at year-end.

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**III. Explanations on Foreign Currency Exchange Rate Risk**

**1. Whether the Bank is exposed to foreign exchange risk, whether the effects of this situation are estimated, and whether the Board of Directors of the Bank sets limits for positions that are monitored daily**

The difference between the Bank's foreign currency denominated and foreign currency indexed assets and liabilities is defined as the "Net Foreign Currency Position" and is the basis of currency risk. Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure.

The Risk Management Department, which maintains its activities independently from the executive functions and reports to the Board of Directors; as of Credit Risk, Market Risk and Operational Risk each consists of three sub-divisions with responsibility for defining, measuring, controlling, managing and monitoring related risk types and Model Verification team responsible for monitoring the performance of models used in risk estimates.

In measuring the exchange rate exposure of the bank, the "standard method" used in the legal reports and the internal method. The measurements made within the scope of the standard method are carried out monthly and the measurements made within the scope of VaR calculations are carried out on a daily basis.

**2. The magnitude of hedging foreign currency debt instruments and net foreign currency investments by using derivatives**

The Bank hedges foreign currency borrowings with derivative instruments. The Bank does not hedge net foreign currency investments with derivative instruments. (Details explaining Section Five Part three)

**3. Bank's spot foreign exchange bid rates of the Bank as of the balance sheet date and for each of the five days prior to that date**

US Dollar purchase rate at the date of the balance sheet	3,8104 TL
Euro purchase rate at the date of the balance sheet	4,5478 TL

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
December 29, 2017	3,8104	4,5478
December 28, 2017	3,8197	4,5385
December 27, 2017	3,8029	4,5116
December 26, 2017	3,8087	4,5205
December 25, 2017	3,8113	4,5171

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

The arithmetical average of the Bank's US Dollar and Euro purchase rates for December 2017 are TL 3,8477 and TL 4,5525 respectively.

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**5. Information on the foreign currency exchange rate risk of the bank**

<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>	3.509.095	8.430.826	1.811.411	13.751.332
Due From Banks	105.068	1.161.921	12.056	1.279.045
Financial Assets at Fair Value through Profit/Loss <sup>(2)</sup>	82.506	115.894	416	198.816
Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	406.228	2.823.374	-	3.229.602
Loans and Receivables <sup>(3)</sup>	13.209.083	9.258.352	145.930	22.613.365
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Investment Securities Held-to-Maturity	19.755	3.408.710	-	3.428.465
Derivative Financial Assets Hedging Purposes	2.455	45.703	-	48.158
Tangible Assets	-	-	43	43
Intangible Assets	-	-	-	-
Other Assets <sup>(4)</sup>	116.798	287.904	361	405.063
<b>Total Assets</b>	<b>17.450.988</b>	<b>25.532.684</b>	<b>1.970.217</b>	<b>44.953.889</b>
<b>Liabilities</b>				
Bank Deposits	306.935	1.810.122	102.836	2.219.893
Foreign Currency Deposits <sup>(5)</sup>	7.718.535	21.350.905	1.729.796	30.799.236
Money Market Borrowings	220.431	4.410.825	-	4.631.256
Funds Provided from Other Financial Institutions	5.191.667	12.237.496	2.240.494	19.669.657
Securities Issues <sup>(6)</sup>	-	4.833.817	-	4.833.817
Sundry Creditors	2.501.565	751.710	4.455	3.257.730
Derivative Fin. Liabilities for Hedging Purposes	53.780	178.724	-	232.504
Other Liabilities <sup>(7)</sup>	137.932	320.330	1.907	460.169
<b>Total Liabilities</b>	<b>16.130.845</b>	<b>45.893.929</b>	<b>4.079.488</b>	<b>66.104.262</b>
<b>Net Balance Sheet Position</b>	<b>1.320.143</b>	<b>(20.361.245)</b>	<b>(2.109.271)</b>	<b>(21.150.373)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(1.357.497)</b>	<b>18.626.089</b>	<b>2.111.085</b>	<b>19.379.677</b>
Financial Derivative Assets	9.121.509	57.707.230	2.286.793	69.115.532
Financial Derivative Liabilities	10.479.006	39.081.141	175.708	49.735.855
Non-Cash Loans <sup>(8)</sup>	<b>4.724.545</b>	<b>5.457.980</b>	<b>293.108</b>	<b>10.475.633</b>
<b>Prior Period</b>				
Total Assets	11.250.646	21.301.785	1.601.613	34.154.044
Total Liabilities	11.818.182	33.412.034	2.724.689	47.954.905
<b>Net Balance Sheet Position</b>	<b>(567.536)</b>	<b>(12.110.249)</b>	<b>(1.123.076)</b>	<b>(13.800.861)</b>
<b>Net Off-Balance Sheet Position</b>	<b>517.755</b>	<b>10.393.147</b>	<b>1.120.232</b>	<b>12.031.134</b>
Financial Derivative Assets	5.949.677	43.105.601	1.221.052	50.276.330
Financial Derivative Liabilities	5.431.922	32.712.454	100.820	38.245.196
Non-Cash Loans <sup>(7)</sup>	2.203.845	3.737.029	72.130	6.013.004

(1) Cash and Balances with TR Central Bank; Other FC include TL 1.799.886 (December 31, 2016 – TL 1.554.973) precious metal deposit account.

(2) Does not include TL 53.594 (December 31, 2016 – TL 38.111) of currency income accruals arising from derivative transactions.

(3) Includes 3.382.889 TL (December 31, 2016 – TL 3.859.134) FC indexed loans.

(4) Does not include FC prepaid expenses amounting to TL 9.192 (December 31, 2016 – TL 3.375) as per BRSA's Communique published in Official Gazette no 26085 on 19 February 2006.

(5) Other foreign currency includes TL 1.198.394 (December 31, 2016 – TL 778.428) of precious metal deposit account.

(6) Debt instrument at an amount of USD 380 million included in securities issued has been mentioned in fair value hedge accounting.

(7) Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 22.830 (December 31, 2016 – TL 41.958)

(8) Does not have an effect on Net Off-Balance Sheet Position.

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As of December 31, 2017, the net foreign currency exposure of the Bank is TL 1.770.696 short position (December 31, 2016–TL 1.769.727 short) resulting from on balance sheet short position amounting to TL 21.150.373 (December 31, 2016 –TL 13.800.861 short) and off balance sheet long position amounting to TL 19.379.677 (December 31, 2016 – TL 12.031.134 long). As it is stated in note numbered III.5.1.d in Section Five, net foreign currency open position of the Bank is TL 322.744 following the fair value hedge accounting since the debt instrument at amount of USD 380 million (TL 1.447.952) included in issued securities recorded as foreign currency in balance sheet in order to ensure currency hedging of immovable which has recorded in TL in accordance with TAS but whose fair value forms in foreign currency in market.

**6. Sensitivity to Foreign Exchange Risk**

The Bank is mainly exposed to EUR and USD currencies.

The following table details the Bank’s sensitivity to a 10% increase and decrease in USD and EUR. Other variables are assumed to be unchanged.

	Change in Currency rate in %	Net Effect on Profit or Loss (After Tax)	Net Effect on Equity (*)	Net Effect on Profit or Loss (After Tax)	Net Effect on Equity (*)
		Current Period	Current Period	Prior Period	Prior Period
US Dollar	10% increase	(8.628)	(22.976)	(944)	(30.001)
	10% decrease	8.628	22.976	944	30.001
EURO	10% increase	(3.224)	(2.988)	(2.681)	(3.982)
	10% decrease	3.224	2.988	2.681	3.982

<sup>(\*)</sup> Effect on Shareholders Equity include the effect of the change of exchange rates on the income statement.

**IV. Explanations on Interest Rate Risk**

Interest rate risk that would arise from the changes in interest rates depending on the Bank’s position is managed by the Asset/Liability Committee of the Bank.

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/Liability Committee meetings held every month by taking the market developments into consideration. The management of the Bank follows the interest rates in the market on a daily basis and revises interest rates of the Bank when necessary.

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

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

(Based on repricing dates)

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing <sup>(*)</sup></b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	9.075.895	-	-	-	-	6.806.377	15.882.272
Due from Banks	928.073	4.089	8.189	-	-	352.414	1.292.765
Financial Assets at Fair Value Through Profit/Loss <sup>(**)</sup>	9.992	626	976	8.731	14.339	5.426.539	5.461.203
Money Market Placements	115.504	-	-	-	-	-	115.504
Inv. Securities Available for Sale	1.072.555	966.372	2.722.928	1.032.698	2.418.309	136.848	8.349.710
Loans and Receivables	17.466.348	8.698.036	26.678.383	24.286.895	3.415.427	2.127.391	82.672.480
Inv. Securities Held to Maturity	191.969	1.387.592	2.088.237	999.729	2.286.334	214.803	7.168.664
Other Assets	-	-	-	-	-	4.914.572	4.914.572
<b>Total Assets</b>	<b>28.860.336</b>	<b>11.056.715</b>	<b>31.498.713</b>	<b>26.328.053</b>	<b>8.134.409</b>	<b>19.978.944</b>	<b>125.857.170</b>
<b>Liabilities</b>							
Bank Deposits	1.855.973	205.422	149.449	-	-	134.035	2.344.879
Other Deposits	40.686.752	8.610.210	2.957.289	24.121	-	13.018.244	65.296.616
Money Market Borrowings	3.682.542	1.699.207	1.059.717	-	30.148	18.207	6.489.821
Sundry Creditors	3.257.730	-	-	-	-	2.637.390	5.895.120
Securities Issued	1.841.696	1.178.147	114.544	4.741.620	-	37.563	7.913.570
Funds Borrowed	2.975.493	3.935.505	11.072.122	81.298	1.591.730	128.456	19.784.604
Other Liabilities <sup>(***)</sup>	261	535	2.345	4.239	-	18.125.180	18.132.560
<b>Total Liabilities</b>	<b>54.300.447</b>	<b>15.629.026</b>	<b>15.355.466</b>	<b>4.851.278</b>	<b>1.621.878</b>	<b>34.099.075</b>	<b>125.857.170</b>
On Balance Sheet Long Position	-	-	16.143.247	21.476.775	6.512.531	-	44.132.553
On Balance Sheet Short Position	(25.440.111)	(4.572.311)	-	-	-	(14.120.131)	(44.132.553)
Off-Balance Sheet Long Position	6.266.978	15.722.425	554.484	-	-	-	22.543.887
Off-Balance Sheet Short Position	-	-	-	(16.166.423)	(3.063.760)	-	(19.230.183)
<b>Total Position</b>	<b>(19.173.133)</b>	<b>11.150.114</b>	<b>16.697.731</b>	<b>5.310.352</b>	<b>3.448.771</b>	<b>(14.120.131)</b>	<b>3.313.704</b>

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

<sup>(\*\*)</sup> Financial Assets at Fair Value through Profit/Loss include TL 2.923.877 derivative financial assets used for hedging purposes.

<sup>(\*\*\*)</sup> Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 529.323

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing <sup>(*)</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	7.541.319	-	-	-	-	5.562.564	13.103.883
Due from Banks	52.975	-	12.182	-	-	208.629	273.786
Financial Assets at Fair Value Through Profit/Loss <sup>(**)</sup>	738	771	2.492	5.692	31.081	6.218.239	6.259.013
Money Market Placements	1.547.549	-	-	-	-	-	1.547.549
Inv. Securities Available for Sale	1.540.318	403.471	1.609.451	847.566	2.787.198	(156.056)	7.031.948
Loans and Receivables	13.603.309	7.649.617	21.808.103	15.627.319	2.672.607	1.539.305	62.900.260
Inv. Securities Held to Maturity	178.373	1.181.254	1.626.021	1.301.498	1.516.723	96.638	5.900.507
Other Assets	-	-	-	-	-	4.486.108	4.486.108
<b>Total Assets</b>	<b>24.464.581</b>	<b>9.235.113</b>	<b>25.058.249</b>	<b>17.782.075</b>	<b>7.007.609</b>	<b>17.955.427</b>	<b>101.503.054</b>
<b>Liabilities</b>							
Bank Deposits	1.193.196	572.973	67.578	-	-	139.238	1.972.985
Other Deposits	30.671.017	9.903.374	1.874.874	47.913	-	9.468.537	51.965.715
Money Market Borrowings	4.738.154	914.488	824.886	-	27.944	9.989	6.515.461
Sundry Creditors	4.389.726	-	-	-	-	2.212.951	6.602.677
Securities Issued	600.656	628.659	1.297.009	1.750.319	-	34.928	4.311.571
Funds Borrowed	1.988.174	3.580.705	8.335.115	16.645	351	72.710	13.993.700
Other Liabilities <sup>(***)</sup>	-	-	-	-	-	16.140.945	16.140.945
<b>Total Liabilities</b>	<b>43.580.923</b>	<b>15.600.199</b>	<b>12.399.462</b>	<b>1.814.877</b>	<b>28.295</b>	<b>28.079.298</b>	<b>101.503.054</b>
On Balance Sheet Long Position	-	-	12.658.787	15.967.198	6.979.314	-	35.605.299
On Balance Sheet Short Position	(19.116.342)	(6.365.086)	-	-	-	(10.123.871)	(35.605.299)
Off-Balance Sheet Long Position	5.138.216	11.756.849	-	-	-	-	16.895.065
Off-Balance Sheet Short Position	-	-	(1.342.029)	(9.351.397)	(2.379.841)	-	(13.073.267)
<b>Total Position</b>	<b>(13.978.126)</b>	<b>5.391.763</b>	<b>11.316.758</b>	<b>6.615.801</b>	<b>4.599.473</b>	<b>(10.123.871)</b>	<b>3.821.798</b>

(\*) Non Interest Bearing column includes accruals, provision for losses and derivative financial instruments' fair value valuation difference.

(\*\*) Financial Assets at Fair Value through Profit/Loss include TL 3.443.338 derivative financial assets used for hedging purposes.

(\*\*\*) Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 426.728.

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

Current Period	EURO %	USD %	JPY %	TL %
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	1,25	-	4,00
Due from Banks	-	1,68	-	12,76
Financial Assets at Fair Value Through Profit/Loss	2,11	5,04	-	11,90
Money Market Placements	-	-	-	14,29
Investment Securities Available for Sale	3,47	4,83	-	12,46
Loans and Receivables	4,35	5,89	2,67	15,70
Investment Securities Held to Maturity	2,96	5,22	-	13,93
<b>Liabilities</b>				
Bank Deposits	1,06	1,89	-	12,42
Other Deposits	1,60	3,49	0,37	13,06
Money Market Borrowings	0,21	1,86	-	12,56
Sundry Creditors	0,34	1,27	-	-
Securities Issued	-	5,57	-	14,66
Funds Borrowed	1,75	3,87	-	7,67



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Prior Period	EURO %	USD %	JPY %	TL %
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	0,75	-	3,31
Due from Banks	0,03	0,74	-	8,52
Financial Assets at Fair Value Through Profit/Loss	2,41	5,17	-	10,42
Money Market Placements	-	-	-	8,49
Investment Securities Available for Sale	3,51	4,83	-	9,45
Loans and Receivables	4,16	5,22	2,88	14,18
Investment Securities Held to Maturity	2,96	5,06	-	9,70
<b>Liabilities</b>				
Bank Deposits	0,29	0,94	-	9,17
Other Deposits	1,41	2,91	0,94	10,39
Money Market Borrowings	0,24	1,51	-	7,96
Sundry Creditors	0,35	0,45	-	-
Securities Issued	-	5,84	-	10,57
Funds Borrowed	1,29	3,48	-	7,65

**Interest rate risk on banking book**

The interest rate risk resulting from banking book comprises of maturity mismatch risk, yield-curve risk, base risk and option risk. Within the scope of the interest rate risk, the Bank analyzes all these risks periodically, and considering market conditions, manages all aspects of interest rate risk on banking book effectively in accordance with the bank strategy. In order to this, within the scope of “Banking Books Interest Rate Risk Management” risks are measured, monitored and limited on a regular basis.

In the calculation of the interest rate risk on banking book, income approach and the economic value approach are applied. The analysis of economic value, duration and gap analysis are calculated twice in a month, analysis of the standard economic value approach is supported by different scenarios. In addition, the sensitivity of the net interest income is monitored, the prepayment rates of loans are considered managing the interest rate risk.

In customer deposits, core deposits analyses are performed regularly on profit center base and the rate of core deposits in demand deposits are considered in economic value, gap and duration analyses. The interest rate risk of uncertain due credits is determined considering the nature of the credit and added to calculations.

All these analyses are reported to Asset and Liability Committee and Risk Committee and by considering market conditions and the bank strategy, the interest rate risk on banking book is managed within specified limits parallel to the Bank’s appetite of risk.

Available for sale securities included in banking book are daily monitored by being added to the scope of market risk. In this context, the risk level of this portfolio is managed considering the sensitivity of nominal, interest rate and VAR limits.

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The interest rate risk on banking book is measured legally as per the “Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method” published in the Official Gazette No: 28034 dated August 23, 2011, and the legal limit as per this measurement is monitored and reported monthly to the Assets and Liability Committee, the Risk Committee and the Board of Directors.

Type of Currency	Shocks Applied (+/- x basis points)	Gains/Losses	Gains/Equity- Losses/Equity
1. TL	(+) 500	(1.248.899)	(8,83)%
	(-) 400	1.189.846	8,42%
2. EUR	(+) 200	27.327	0,19%
	(-) 200	2.203	0,02%
3. USD	(+) 200	(59.494)	(0,42)%
	(-) 200	60.209	0,43%
<b>Total (of negative shocks)</b>		<b>1.252.258</b>	<b>8,86%</b>
<b>Total (of positive shocks)</b>		<b>(1.281.066)</b>	<b>(9,06)%</b>

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

Equity Securities (shares)	Carrying Value	Comparison	
		Fair Value	Market Value
<b>1. Investment in Shares- grade A</b>	-	-	-
Quoted Securities	-	-	-
<b>2. Investment in Shares- grade B</b>	<b>445.809</b>	-	<b>445.809</b>
Quoted Securities	445.809	-	445.809
<b>3. Investment in Shares- grade C</b>	-	-	-
Quoted Securities	-	-	-
<b>4. Investment in Shares- grade Other (*)</b>	<b>455.693(*)</b>	<b>431.080</b>	-

(\*)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	Revaluation Surpluses			Unrealized Gains and Losses		
	Gains/Losses in Current Period	Total	Amount under Supplementary Capital	Total	Amount under Core Capital	Amount under Supplementary Capital
1. Private Equity Investments	-	388.774	388.774	-	-	-
2. Quoted Shares	-	-	-	-	-	-
3. Other Shares	-	-	-	-	-	-
<b>4. Total</b>	-	<b>388.774</b>	<b>388.774</b>	-	-	-

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

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

Treasury Department is responsible to carry out liquidity strategy determined and approved by Board of Directors. Risk Management Department is responsible to define, measure, monitor and control liquidity risk besides developing internal and external methods and procedures which are in line with context and structure of applicable activities in the Bank in order to monitor related limits. Senior management of the Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of Bank's liquidity risk profile. Assets and Liabilities Committee (ALC) meetings, which ensure the necessary monitoring for liquidity risk, are held monthly. Risk Committee reviews the liquidity risk of the Bank monthly in addition to aforementioned meetings and informs Board of Directors.

The Bank reviews its liquidity position daily. Internal and legal reports related to liquidity positions are examined in ALC meetings monthly with the participation of senior management. Several decisions are taken related to management of short and long term liquidity in this scope. Internal metrics such as reserve liquidity and deposit concentration are monitored daily besides liquidity coverage rate related to measurement of liquidity coverage. Internal limit and warning level are periodically monitored and reported to related parties by the Board of Directors.

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

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

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

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

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

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

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**Liquidity Coverage Ratio**

	Unweighted Amounts <sup>(*)</sup>		Weighted Amounts <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>CURRENT PERIOD - December 31, 2017</b>				
<b>HIGH QUALITY LIQUID ASSETS</b>			<b>21.822.818</b>	<b>12.880.447</b>
1. High Quality Liquid Assets	26.707.639	17.765.267	21.822.818	12.880.447
<b>CASH OUTFLOWS</b>				
2. Retail and Small Business Customers Deposits	46.441.180	18.328.818	4.090.994	1.832.882
3. Stable deposits	11.062.492	-	553.125	-
4. Less stable deposits	35.378.688	18.328.818	3.537.869	1.832.882
5. Unsecured Funding other than Retail and Small Business Customers Deposits	22.016.583	12.728.405	14.228.256	8.666.168
6. Operational deposits	498.012	22.166	124.503	5.542
7. Non-Operational Deposits	15.991.530	9.426.328	9.192.173	5.380.715
8. Other Unsecured Funding	5.527.041	3.279.911	4.911.580	3.279.911
9. Secured funding	-	-	678.271	678.271
10. Other Cash Outflows	20.239.510	13.414.099	20.239.510	13.414.099
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	20.239.510	13.414.099	20.239.510	13.414.099
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	17.337.048	-	866.852	-
15. Other irrevocable or conditionally revocable commitments	50.202.304	10.558.137	3.614.450	856.939
<b>16. TOTAL CASH OUTFLOWS</b>			<b>43.718.333</b>	<b>25.448.359</b>
<b>CASH INFLOWS</b>				
17. Secured Lending Transactions	-	-	-	-
18. Unsecured Lending Transactions	6.248.786	1.131.328	3.606.657	867.148
19. Other contractual cash inflows	18.866.042	13.774.999	18.866.042	13.774.999
<b>20. TOTAL CASH INFLOWS</b>	<b>25.114.828</b>	<b>14.906.327</b>	<b>22.472.699</b>	<b>14.642.147</b>
<b>21. TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>21.822.818</b>	<b>12.880.447</b>
<b>22. TOTAL NET CASH OUTFLOWS</b>			<b>21.245.634</b>	<b>10.806.212</b>
<b>23. Liquidity Coverage Ratio (%)</b>			<b>102,72%</b>	<b>119,19%</b>

(\*) 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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PREVIOUS PERIOD - December 31, 2016	Unweighted Amounts <sup>(*)</sup>		Weighted Amounts <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>			<b>14.656.598</b>	<b>7.922.199</b>
1. High Quality Liquid Assets	16.737.357	5.972.334	14.656.598	7.922.199
<b>CASH OUTFLOWS</b>				
2. Retail and Small Business Customers Deposits	36.995.672	13.570.866	3.309.804	1.357.087
3. Stable deposits	7.795.265	-	389.763	-
4. Less stable deposits	29.200.407	13.570.866	2.920.041	1.357.087
5. Unsecured Funding other than Retail and Small Business Customers Deposits	19.088.522	9.616.887	12.923.535	6.738.909
6. Operational deposits	527.508	19.515	131.877	4.879
7. Non-Operational Deposits	13.430.282	6.509.745	8.198.167	3.646.403
8. Other Unsecured Funding	5.130.732	3.087.627	4.593.491	3.087.627
9. Secured funding	-	-	714.170	714.170
10. Other Cash Outflows	16.257.020	10.812.724	16.257.020	10.812.724
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	16.257.020	10.812.724	16.257.020	10.812.724
12. Debts related to the structured financial products	-	-	-	-
13. Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14. Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	291.702	-	14.585	-
15. Other irrevocable or conditionally revocable commitments	52.155.766	6.929.494	3.535.477	598.412
<b>16. TOTAL CASH OUTFLOWS</b>			<b>36.754.591</b>	<b>20.221.302</b>
<b>CASH INFLOWS</b>				
17. Secured Lending Transactions	1.360.148	-	-	-
18. Unsecured Lending Transactions	7.449.795	2.382.721	4.949.734	2.181.452
19. Other contractual cash inflows	14.799.706	10.217.550	14.799.706	10.217.550
<b>20. TOTAL CASH INFLOWS</b>	<b>23.609.649</b>	<b>12.600.271</b>	<b>19.749.440</b>	<b>12.399.002</b>
			<b>Capped Amounts</b>	
<b>21. TOTAL HIGH QUALITY LIQUID ASSETS</b>			<b>14.656.598</b>	<b>7.922.199</b>
<b>22. TOTAL NET CASH OUTFLOWS</b>			<b>17.005.151</b>	<b>7.822.300</b>
<b>23. Liquidity Coverage Ratio (%)</b>			<b>86,19%</b>	<b>101,28%</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 2017 are explained in the table below. According to “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette no. 28948, dated March 21, 2014.

	<b>Maximum</b>	<b>Week</b>	<b>Minimum</b>	<b>Week</b>	<b>Average</b>
<b>TL+FC</b>	109,98	20.10.2017	95,42	24.11.2017	102,9
<b>FC</b>	156,38	29.12.2017	107,65	03.11.2017	121,5

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

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

Funding sources of the Bank mainly consist of deposits which constitute 54 % of total liabilities of the bank (December 31, 2016 – 53%) 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	4.712.819	11.169.453	-	-	-	-	-	15.882.272
Due from Banks	352.414	928.073	4.089	8.189	-	-	-	1.292.765
Financial Assets at Fair Value Through Profit/Loss <sup>(2)</sup>	-	424.647	577.620	1.491.205	2.800.274	167.457	-	5.461.203
Money Markets Placements	-	115.504	-	-	-	-	-	115.504
Investment Securities Available for Sale	75.803	556.720	16.783	116.597	3.618.743	3.965.064	-	8.349.710
Loans and Receivables	-	15.569.588	5.942.626	23.252.689	28.510.845	8.596.449	800.283	82.672.480
Investment Securities Held to Maturity	-	-	203.577	373.895	2.597.488	3.993.704	-	7.168.664
Other Assets	-	1.233.264	-	-	512.975	-	3.168.333	4.914.572
<b>Total Assets</b>	<b>5.141.036</b>	<b>29.997.249</b>	<b>6.744.695</b>	<b>25.242.575</b>	<b>38.040.325</b>	<b>16.722.674</b>	<b>3.968.616</b>	<b>125.857.170</b>
<b>Liabilities</b>								
Bank Deposits	129.280	1.859.365	205.790	150.444	-	-	-	2.344.879
Other Deposits	12.606.546	40.938.405	8.679.271	3.047.235	25.159	-	-	65.296.616
Funds Borrowed	-	1.508.240	1.814.614	7.972.881	5.299.911	3.188.958	-	19.784.604
Money Market Borrowings	-	3.692.682	1.196.050	536.159	360.132	704.798	-	6.489.821
Securities Issued	-	1.766.797	1.153.372	218.365	4.775.036	-	-	7.913.570
Sundry Creditors	-	3.762.005	268.111	777.683	1.087.321	-	-	5.895.120
Other Liabilities <sup>(3)</sup>	-	1.010.636	663.754	500.821	1.356.241	332.181	14.268.927	18.132.560
<b>Total Liabilities</b>	<b>12.735.826</b>	<b>54.538.130</b>	<b>13.980.962</b>	<b>13.203.588</b>	<b>12.903.800</b>	<b>4.225.937</b>	<b>14.268.927</b>	<b>125.857.170</b>
<b>Liquidity Excess / Gap</b>	<b>(7.594.790)</b>	<b>(24.540.881)</b>	<b>(7.236.267)</b>	<b>12.038.987</b>	<b>25.136.525</b>	<b>12.496.737</b>	<b>(10.300.311)</b>	<b>-</b>
<b>Net Off Balance Sheet Exposure <sup>(4)</sup></b>								
Receivables from Derivatives	-	15.531.491	15.524.060	23.034.807	35.951.080	7.066.467	-	98.107.905
Liabilities from Derivatives	-	16.374.313	15.138.977	22.339.060	34.499.229	7.044.734	-	95.396.313
<b>Non-cash Loans <sup>(5)</sup></b>	<b>-</b>	<b>1.100.786</b>	<b>2.055.672</b>	<b>7.089.728</b>	<b>2.717.879</b>	<b>404.698</b>	<b>5.946.286</b>	<b>19.315.049</b>
<b>Prior Period</b>								
Total Assets	4.263.719	25.313.960	6.830.422	20.803.723	26.807.070	13.925.260	3.558.900	101.503.054
Total Liabilities	9.370.908	42.986.145	13.206.651	12.084.446	10.572.238	1.387.696	11.894.970	101.503.054
<b>Liquidity Excess / Gap</b>	<b>(5.107.189)</b>	<b>(17.672.185)</b>	<b>(6.376.229)</b>	<b>8.719.277</b>	<b>16.234.832</b>	<b>12.537.564</b>	<b>(8.336.070)</b>	<b>-</b>
<b>Net Off Balance Sheet Exposure <sup>(4)</sup></b>								
Receivables from Derivatives	-	18.107.138	15.611.275	16.160.452	22.547.162	5.609.532	-	78.035.559
Liabilities from Derivatives	-	17.853.257	15.399.793	15.618.384	20.766.741	5.591.864	-	75.230.039
<b>Non-cash Loans <sup>(5)</sup></b>	<b>-</b>	<b>682.951</b>	<b>1.432.264</b>	<b>4.438.990</b>	<b>2.025.020</b>	<b>325.772</b>	<b>4.279.013</b>	<b>13.184.010</b>

(1) The assets which are necessary to provide banking services and could not be liquidated in the short-term, such as fixed assets, investments in subsidiaries and associates, office stationery, and prepaid expenses are classified under this column.

Unallocated other liabilities include shareholders' equity amounting to TL 12.155.402, unallocated provisions amounting to TL 2.060.459.

(2) Financial Assets at Fair Value through Profit/Loss include derivative financial assets held for hedging purposes amounting to TL 2.923.877.

(3) Other Liabilities also include derivative financial liabilities held for hedging purposes amounting to TL 529.323.

(4) 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.

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

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**Analysis of financial liabilities by remaining contractual maturities**

The table below shows the Bank's maturity distribution of certain financial liabilities other than derivatives. The tables below are prepared by considering the future cash flows expected on the earliest cash flow dates. The total interest that will be paid for these liabilities is included in the table below.

<b>Current Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>	<b>Carrying Amount</b>
Bank Deposits	129.280	1.860.557	206.425	152.348	-	-	2.348.610	2.344.879
Other Deposits	12.606.546	41.037.061	8.789.139	3.209.164	27.296	72	65.669.278	65.296.616
Payables to Money Market	-	3.702.812	1.210.377	548.543	405.281	797.801	6.664.814	6.489.821
Funds from other Financial Institutions	-	1.711.357	1.855.451	8.375.571	6.244.919	3.568.431	21.755.729	19.784.604
Securities Issued	-	1.784.762	1.161.598	489.525	5.381.095	-	8.816.980	7.913.570
Noncash Loans <sup>(*)</sup>	5.946.286	1.100.786	2.055.672	7.089.728	2.717.879	404.698	19.315.049	19.315.049

<b>Prior Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>	<b>Carrying Amount</b>
Bank Deposits	136.155	1.196.628	576.800	68.381	-	-	1.977.964	1.972.985
Other Deposits	9.234.753	30.892.430	9.987.534	2.032.934	54.711	-	52.202.362	51.965.715
Payables to Money Market	-	4.746.126	588.722	523.273	164.215	577.095	6.599.431	6.515.461
Funds from other Financial Institutions	-	1.205.926	866.979	7.621.005	5.121.870	566.507	15.382.287	13.993.700
Securities Issued	-	603.658	639.443	1.474.505	1.919.547	-	4.637.153	4.311.571
Noncash Loans <sup>(*)</sup>	4.279.013	682.951	1.432.264	4.438.990	2.025.020	325.772	13.184.010	13.184.010

<sup>(\*)</sup> Amounts related to letters of guarantee represent maturities based on contract and amounts per these maturities and the amounts have the nature to be withdrawn on demand optionally.

The table below shows the remaining maturities of derivative financial assets and liabilities:

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 years and Longer</b>	<b>Total</b>
Forward Contracts Buy <sup>(**)</sup>	3.414.932	1.322.808	1.232.445	750.734	-	6.720.919
Forward Contracts Sell <sup>(**)</sup>	(3.432.274)	(1.347.699)	(1.250.000)	(788.451)	-	(6.818.424)
Swap Contracts Buy <sup>(*)</sup>	12.469.981	13.367.291	20.802.988	35.200.346	7.066.467	88.907.073
Swap Contracts Sell <sup>(*)</sup>	(12.265.894)	(12.958.447)	(19.788.181)	(33.386.894)	(7.044.734)	(85.444.150)
Futures Buy	-	24.500	80.713	-	-	105.213
Futures Sell	-	(24.005)	(80.713)	-	-	(104.718)
Options Buy	2.083.102	809.460	918.661	-	-	3.811.223
Options Sell	(2.116.124)	(808.827)	(915.333)	-	-	(3.840.284)
Other	-	-	304.832	323.884	-	628.716
<b>Total</b>	<b>153.723</b>	<b>385.081</b>	<b>1.305.412</b>	<b>2.099.619</b>	<b>21.733</b>	<b>3.965.568</b>

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

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

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 years and Longer</b>	<b>Total</b>
Forward Contracts Buy <sup>(**)</sup>	2.862.498	1.227.332	1.655.467	13.864	-	5.759.161
Forward Contracts Sell <sup>(**)</sup>	(2.925.301)	(1.224.732)	(1.672.828)	(13.534)	-	(5.836.395)
Swap Contracts Buy <sup>(*)</sup>	18.954.594	7.372.299	13.621.124	22.514.820	5.609.531	68.072.368
Swap Contracts Sell <sup>(*)</sup>	(18.591.925)	(7.132.995)	(12.780.577)	(20.169.643)	(5.591.864)	(64.267.004)
Futures Buy	-	1.685	34.727	818	-	37.230
Futures Sell	-	(1.685)	(34.727)	(818)	-	(37.230)
Options Buy	1.238.728	2.669.901	849.133	-	-	4.757.762
Options Sell	(1.257.010)	(2.727.322)	(847.706)	-	-	(4.832.038)
Other	-	-	282.544	600.406	-	882.950
<b>Total</b>	<b>281.584</b>	<b>184.483</b>	<b>1.107.157</b>	<b>2.945.913</b>	<b>17.667</b>	<b>4.536.804</b>

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

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



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**VII. Information regarding Leverage Ratio**

**Information in regards to the differences between current period and prior period leverage ratio**

The Bank's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 6,22% (December 31, 2016 - 6,24%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

The table related to leverage ratio calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" published in Official Gazette dated November 5, 2013 and numbered 28812 is below:

	Book Value	
	Current Period (*)	Prior Period (*)
<b>Assets on Balance sheet</b>		
Assets on Balance sheet (except for derivative financial instruments and credit derivatives, including guarantees)	119.310.922	93.634.277
(Assets deducted from capital stock)	348.391	328.574
<b>Total risk amount related to Assets on Balance sheet</b>	<b>118.962.531</b>	<b>93.305.703</b>
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	6.085.823	5.373.284
Potential credit risk amount of derivative financial instruments and credit derivatives	1.277.368	771.119
<b>Total risk amount related to derivative financial instruments and credit derivatives</b>	<b>7.363.191</b>	<b>6.144.403</b>
<b>Financial transactions having security or commodity collateral</b>		
Risk amount of financial transactions having security or commodity collateral	-	-
Risk amount sourcing from transactions mediated	-	-
<b>Total risk amount related to financial transactions having security or commodity collateral</b>	<b>-</b>	<b>-</b>
<b>Off-Balance sheet Transaction</b>		
Gross nominal amount of off-balance sheet transactions	73.964.631	55.287.497
(Adjustment amount sourcing from multiplying to credit conversion rates)	16.486.236	211.383
<b>Total risk amount related to off-balance sheet transactions</b>	<b>57.478.395</b>	<b>55.076.114</b>
<b>Capital and Total Risk</b>		
Core Capital	11.429.491	9.646.280
Amount of total risk	183.804.117	154.526.220
<b>Financial leverage ratio</b>		
Financial leverage ratio	6,22%	6,24%

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

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**VIII. Explanations related to presentation of financial assets and liabilities at their fair value**

The fair value of the fixed rate loans is determined based on discounted cash flows using the current market interest rates. Book value of floating rate loans represent their fair value.

Fair value of held to maturity investments are determined through market rates. If market rates cannot be spotted, market rates of securities with similar interest, maturity and other characteristics are used instead.

Projected fair value of demand deposit represent the amount to be paid on demand. Fair value of floating rate placements and overnight deposits represents the book value. The estimated fair value of the deposits with fixed rates is determined by calculating discounted cash flows by using the market interest rates used for other liabilities with similar quality and maturities.

The fair value of funds provided from other financial institutions, is determined based on discounted cash flows using the current market interest rates.

In the table below; the fair values and the carrying values of some of the financial assets and liabilities are presented. Book value represents the total of cost of subject asset and liabilities and accrued interest.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>99.599.123</b>	<b>77.654.050</b>	<b>98.426.744</b>	<b>77.261.504</b>
Money Market Placements	115.504	1.547.549	115.504	1.547.549
Due from Banks	1.292.765	273.786	1.292.765	273.786
Loans and Receivables	82.672.480	62.900.260	81.509.558	62.652.694
Available for Sale Financial Assets	8.349.710	7.031.948	8.349.710	7.031.948
Securities Held to Maturity	7.168.664	5.900.507	7.159.207	5.755.527
<b>Financial Liabilities</b>	<b>107.724.610</b>	<b>85.362.109</b>	<b>107.659.557</b>	<b>85.456.635</b>
Bank Deposits	2.344.879	1.972.985	2.344.927	1.973.153
Other Deposits	65.296.616	51.965.715	65.317.421	51.990.155
Funds from Other Financial Institutions	19.784.604	13.993.700	19.660.627	13.882.454
Payables to Money Market	6.489.821	6.515.461	6.489.821	6.515.461
Securities Issued	7.913.570	4.311.571	7.951.641	4.492.735
Other Debts	5.895.120	6.602.677	5.895.120	6.602.677

In accordance with “TFRS 13, Fair Value Measurement” accounts represented at fair value in the face of financial statements are required to be leveled according to the observability of the data used for the calculation of fair value.

The classification of fair value calculation is as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities (market value);
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- Level 3: Inputs that are not observable for the asset and liability (Fair value calculations which are not observable).

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In the table below, the fair value classification of the financial instruments that are recorded at fair value at the financial statements is presented:

<b>Current Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>	<b>8.755.707</b>	<b>5.496.103</b>	<b>431.081</b>	<b>14.682.891</b>
Financial Assets whose Fair Value is reflected on				
Gain/Loss	24.448	-	-	24.448
Derivative Financial Assets for Purchasing and Selling	989	2.501.310	-	2.502.299
Available for Sale Financial Assets(**)	8.284.461	60.337	-	8.344.798
Loans and Receivables(*)	-	10.579	-	10.579
Subsidiaries, Affiliates and Entities Under Common				
Control	445.809	-	431.081	876.890
Derivative Financial Assets Held for Cash Flow Hedges	-	2.923.877	-	2.923.877
<b>Financial Liabilities</b>	<b>378</b>	<b>2.599.715</b>	<b>-</b>	<b>2.600.093</b>
Derivative Financial Assets for Purchasing and Selling	378	2.070.392	-	2.070.770
Derivative Financial Liabilities Held for Cash Flow				
Hedges	-	529.323	-	529.323

(\*) Does not include equity shares in available for sale amounting to TL 4.912 which are recorded with historical value on financial statements.

(\*\*) Presented in "Financial Assets at Fair Value Through Profit/Loss".

<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>	<b>7.444.886</b>	<b>6.320.809</b>	<b>295.256</b>	<b>14.060.951</b>
Financial Assets whose Fair Value is reflected on				
Gain/Loss	17.436	-	-	17.436
Derivative Financial Assets for Purchasing and Selling	3.781	2.771.487	-	2.775.268
Available for Sale Financial Assets	6.944.710	83.013	-	7.027.723
Loans and Receivables	-	22.971	-	22.971
Subsidiaries, Affiliates and Entities Under Common				
Control	478.959	-	295.256	774.215
Derivative Financial Assets Held for Cash Flow Hedges	-	3.443.338	-	3.443.338
<b>Financial Liabilities</b>	<b>502</b>	<b>3.028.164</b>	<b>-</b>	<b>3.028.666</b>
Derivative Financial Assets for Purchasing and Selling	502	2.601.436	-	2.601.938
Derivative Financial Liabilities Held for Cash Flow				
Hedges	-	426.728	-	426.728

Confirmation for fair value of financial assets under Level 3 is as below:

	<b>Current Period</b>	<b>Prior Period</b>
<b>Opening Balance</b>	<b>295.256</b>	<b>258.050</b>
Change in total gain/loss	105.825	33.394
<i>Accounted in income statement</i>	-	(11.166)
<i>Accounted in other comprehensive income</i>	105.825	44.560
Purchases	30.000	40.000
Disposals	-	-
Matured Loans(*)	-	(13.217)
Sales from Level 3	-	(22.971)
<b>Closing Balance</b>	<b>431.081</b>	<b>295.256</b>

(\*) Includes loans and receivables that are presented in "Financial Assets at Fair Value through Profit/Loss" and are closed before maturity.

**IX. Explanations Related to Transactions Carried on Behalf of Others and Fiduciary Transactions**

The Bank provides buying, selling and custody services and management and financial advisory services in the name of the third parties. The Bank does not involve in fiduciary activities.

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**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS**

**a) Cash and balances with the Central Bank of Turkey**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	644.333	340.629	685.251	376.428
T.R. Central Bank	1.461.242	13.408.983	1.244.513	10.795.316
Other	25.365	1.720	96	2.279
<b>Total</b>	<b>2.130.940</b>	<b>13.751.332</b>	<b>1.929.860</b>	<b>11.174.023</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	849.656	2.239.530	1.244.513	1.697.337
Restricted Time Deposits	611.586	11.169.453	-	9.097.979
<b>Total</b>	<b>1.461.242</b>	<b>13.408.983</b>	<b>1.244.513</b>	<b>10.795.316</b>

As of December 31, 2017, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 4% to 10.5% depending on the maturity of deposits (December 31, 2016 – 4% to 10,5%) and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 24% depending on the maturity of deposits and other liabilities (December 31, 2016 – 4,5% to 24,5%). In accordance with the “Communiqué Regarding the Reserve Requirements”, the reserve requirements can be maintained as TL, USD, EUR and standard gold.

**2. Further information on financial assets at fair value through profit/loss**

**a) Trading securities given as collateral or blocked**

Amount of financial assets at fair value through profit/loss which has given as collateral or blocked is TL 1.113 (December 31, 2016 – TL 2.831).

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

None (December 31, 2016 – None).

**c) Assets on trading derivatives**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	43.711	-	106.629	-
Swap Transactions	2.213.649	182.290	2.464.874	145.519
Futures Transactions	-	105	-	388
Options	884	61.660	3.393	54.465
Other	-	-	-	-
<b>Total</b>	<b>2.258.244</b>	<b>244.055</b>	<b>2.574.896</b>	<b>200.372</b>

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**3. a) Information on banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	12.873	844.509	13.186	47
Foreign	847	434.536	317	260.236
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>13.720</b>	<b>1.279.045</b>	<b>13.503</b>	<b>260.283</b>

**b) Information on foreign bank accounts**

	Unrestricted Amount		Restricted Amount <sup>(**)</sup>	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	68.192	140.196	17.419	11.284
USA and Canada	240.799	69.269	103.924	36.234
OECD Countries <sup>(*)</sup>	2.133	1.586	-	-
Off-shore Banking Regions	-	-	-	-
Other	2.916	1.984	-	-
<b>Total</b>	<b>314.040</b>	<b>213.035</b>	<b>121.343</b>	<b>47.518</b>

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

<sup>(\*\*)</sup> Includes blocked placements amounting to TL 121.343 at foreign banks (December 31, 2016 - TL 47.518) 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>1.300.605</b>	-
T.R Central Bank	-	-	-	-
Banks	-	-	1.300.605	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organization	-	-	-	-
Real Persons	-	-	-	-
<b>Foreign Transactions</b>	-	-	-	-
Central Banks	-	-	-	-
Banks	-	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Real Persons	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1.300.605</b>	<b>-</b>

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**5. Information on Subject to repurchase agreements and given as Collateral /blocked Investment securities available for sale**

**a) Investment securities available-for-sale given as collateral or blocked**

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	543.802	556.466	252.663	807.931
Subject to repurchase agreements	1.824.242	2.544.108	1.017.007	2.003.627
<b>Total</b>	<b>2.368.044</b>	<b>3.100.574</b>	<b>1.269.670</b>	<b>2.811.558</b>

**b) Investment securities available for sale**

	Current Period	Prior Period
<b>Debt securities</b>	<b>8.372.633</b>	<b>7.250.707</b>
Quoted on a stock exchange (*)	8.372.633	7.250.707
Unquoted on a stock exchange	-	-
<b>Share certificates</b>	<b>75.908</b>	<b>49.293</b>
Quoted on a stock exchange	-	-
Unquoted on a stock exchange(**)	75.908	49.293
<b>Impairment provision(-)</b>	<b>(98.831)</b>	<b>(268.052)</b>
<b>Total</b>	<b>8.349.710</b>	<b>7.031.948</b>

(\*) The Eurobond Portfolio amounting to TL 4.072.503 (December 31, 2016 – TL 1.773.444) which is accounted for as investment securities available for sale was hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as Investment Securities Available for Sale in order to be in line with balance sheet presentation.

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

**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>613</b>	<b>-</b>	<b>1.179</b>	<b>-</b>
Corporate Shareholders	613	-	1.179	-
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees(*)	82.484	-	80.379	-
<b>Total</b>	<b>83.097</b>	<b>-</b>	<b>81.558</b>	<b>-</b>

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

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**b) Information on the first and second group loans and other receivables including rescheduled or restructured loans**

Cash Loans <sup>(*)</sup>	Performing Loans and Other Receivables			Loans and Other Receivables		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
<b>Non-specialized Loans</b>	<b>77.597.834</b>	<b>1.919.035</b>	-	<b>4.284.942</b>	<b>1.727.638</b>	-
Discount Notes	811.089	-	-	31.331	-	-
Export Loans	1.699.768	-	-	71.063	-	-
Import Loans	30.845	-	-	-	-	-
Loans Given to Financial Sector	1.144.039	-	-	-	-	-
Retail Loans	16.995.352	504.876	-	795.145	201.047	-
Credit Cards	10.357.782	359.967	-	471.498	186.449	-
Other	46.558.959	1.054.192	-	2.915.905	1.340.142	-
<b>Specialized Loans</b>	-	-	-	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>77.597.834</b>	<b>1.919.035</b>	-	<b>4.284.942</b>	<b>1.727.638</b>	-

<sup>(\*)</sup> The loans amounting to TL 10.579 (December 31, 2016 – TL 22.971) are classified under “Loans at Fair Value through Profit/Loss” in the financial statements.

Times Payment Plan has been restructured	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
1 or 2 times	1.864.202	1.683.898
3, 4 or 5 times	49.948	37.656
Over 5 times	4.885	6.084
<b>Total</b>	<b>1.919.035</b>	<b>1.727.638</b>

Payment Plan Amendment with the Extended Time	Standard Loans and Other Receivables	Loans and Other Receivables Monitoring
0 - 6 months	647.471	417.756
6 -12 months	119.568	78.570
1 - 2 years	212.230	390.084
2 - 5 years	517.341	481.940
5 years and over	422.425	359.288
<b>Total</b>	<b>1.919.035</b>	<b>1.727.638</b>

**c) Loans according to their maturity structure**

Cash Loans (*)	Performing Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
<b>Short-term Loans</b>	<b>27.908.986</b>	<b>359.967</b>	<b>471.498</b>	<b>186.449</b>
Non-specialized Loans	27.908.986	359.967	471.498	186.449
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-term Loans</b>	<b>49.688.848</b>	<b>1.559.068</b>	<b>3.813.444</b>	<b>1.541.189</b>
Non-specialized Loans	49.688.848	1.559.068	3.813.444	1.541.189
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Total</b>	<b>77.597.834</b>	<b>1.919.035</b>	<b>4.284.942</b>	<b>1.727.638</b>

<sup>(\*)</sup> The loans amounting to TL 10.579 (December 31, 2016 – TL 22.971) are classified under “Loans at Fair Value through Profit/Loss” in the financial statements.

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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	Interest and Income Accruals
<b>Consumer Loans-TL</b>	<b>580.416</b>	<b>15.590.477</b>	<b>16.170.893</b>	<b>191.051</b>
Housing Loans	4.029	5.532.339	5.536.368	75.307
Automobile Loans	462	19.568	20.030	182
Personal Need Loans	575.925	10.038.570	10.614.495	115.562
Other	-	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>4.944</b>	<b>4.944</b>	<b>8.791</b>
Housing Loans	-	4.765	4.765	8.420
Automobile Loans	-	-	-	-
Personal Need Loans	-	179	179	371
Other	-	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
<b>Individual Credit Cards-TL</b>	<b>8.186.002</b>	<b>359.721</b>	<b>8.545.723</b>	<b>83.591</b>
Installment	3.087.489	359.721	3.447.210	33.739
Non- Installment	5.098.513	-	5.098.513	49.852
<b>Individual Credit Cards-FC</b>	<b>4.103</b>	<b>-</b>	<b>4.103</b>	<b>23</b>
Installment	-	-	-	-
Non- Installment	4.103	-	4.103	23
<b>Personnel Loans-TL</b>	<b>5.253</b>	<b>43.482</b>	<b>48.735</b>	<b>344</b>
Housing Loans	-	581	581	4
Automobile Loans	-	-	-	-
Personal Need Loans	5.253	42.901	48.154	340
Other	-	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</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>	<b>-</b>
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>30.425</b>	<b>-</b>	<b>30.425</b>	<b>42</b>
Installment	12.550	-	12.550	-
Non-Installment	17.875	-	17.875	42
<b>Personnel Credit Cards-FC</b>	<b>102</b>	<b>-</b>	<b>102</b>	<b>-</b>
Installment	-	-	-	-
Non-Installment	102	-	102	-
<b>Overdraft Accounts-TL (Real Persons)</b>	<b>1.289.283</b>	<b>-</b>	<b>1.289.283</b>	<b>76.456</b>
<b>Overdraft Accounts-FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>10.095.584</b>	<b>15.998.624</b>	<b>26.094.208</b>	<b>360.298</b>



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

	Short Term	Medium and Long Term	Total	Interest and Income Accruals
<b>Commercial Loans with Installment Facility – TL</b>	<b>593.373</b>	<b>16.512.550</b>	<b>17.105.923</b>	<b>446.001</b>
Real Estate Loans	-	426.754	426.754	37.259
Automobile Loans	2.357	134.550	136.907	2.722
Personal Need Loans	591.016	15.951.246	16.542.262	406.020
Other	-	-	-	-
<b>Commercial Loans with Installment Facility - FC Indexed</b>	<b>10.867</b>	<b>1.101.603</b>	<b>1.112.470</b>	<b>385.057</b>
Real Estate Loans	-	20.131	20.131	9.444
Automobile Loans	-	61.100	61.100	19.537
Personal Need Loans	10.867	1.020.372	1.031.239	356.076
Other	-	-	-	-
<b>Commercial Loans with Installment Facility – FC</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Real Estate Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
<b>Corporate Credit Cards –TL</b>	<b>2.131.204</b>	<b>12.659</b>	<b>2.143.863</b>	<b>20.907</b>
Installment	753.834	12.659	766.493	7.475
Non-Installment	1.377.370	-	1.377.370	13.432
<b>Corporate Credit Cards –FC</b>	<b>498</b>	<b>-</b>	<b>498</b>	<b>3</b>
Installment	-	-	-	-
Non-Installment	498	-	498	3
<b>Overdraft Accounts-TL (Legal Entities)</b>	<b>936.786</b>	<b>-</b>	<b>936.786</b>	<b>8.901</b>
<b>Overdraft Accounts-FC (Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3.672.728</b>	<b>17.626.812</b>	<b>21.299.540</b>	<b>860.869</b>

**f) Loans according to borrowers (\*)**

	Current Period	Prior Period
Public	50.160	248.823
Private	81.832.616	62.061.338
<b>Total</b>	<b>81.882.776</b>	<b>62.310.161</b>

(\*) The loans amounting to TL 10.579 (December 31, 2016 – TL 22.971) are classified under “Loans at Fair Value Through Profit/Loss in the financial statements.

**g) Domestic and foreign loans (\*)**

	Current Period	Prior Period
Domestic Loans	81.461.750	62.029.683
Foreign Loans	421.026	280.478
<b>Total</b>	<b>81.882.776</b>	<b>62.310.161</b>

(\*) The loans amounting to TL 10.579 (December 31, 2016 – TL 22.971) are classified under “Loans at Fair Value Through Profit/Loss in the financial statements.

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

	<b>Current Period</b>	<b>Prior Period</b>
Direct Loans Granted to Subsidiaries and Associates	331.694	265.304
Indirect Loans Granted to Subsidiaries and Associates	-	-
<b>Total</b>	<b>331.694</b>	<b>265.304</b>

**i) Specific provisions for loans**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Specific Provisions</b>		
Loans and Receivables with Limited Collectability	113.483	71.532
Doubtful Loans and Other Receivables	346.348	326.935
Uncollectible Loans and Receivables	3.069.990	2.829.390
<b>Total</b>	<b>3.529.821</b>	<b>3.227.857</b>

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period</b>			
(Gross Amounts Before the Specific Provisions)	-	2.481	57.600
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	2.481	57.600
<b>Prior Period</b>			
(Gross Amounts Before the Specific Provisions)	735	2.756	70.212
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	735	2.756	70.212

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Prior Year End Balance</b>	<b>357.669</b>	<b>653.868</b>	<b>2.829.390</b>
Additions (+)	1.997.363	76.920	76.988
Transfers from Other Categories of Non-Performing Loans (+)	-	1.501.354	1.379.531
Transfers to Other Categories of Non-Performing Loans (-)	1.501.354	1.379.531	-
Collections (-)	286.039	158.610	465.375
<b>Write-offs (-)(*)</b>	<b>221</b>	<b>1.305</b>	<b>750.544</b>
Corporate and Commercial Loans	-	27	399.738
Consumer Loans	96	552	153.547
Credit Cards	125	726	197.259
Others	-	-	-
<b>Current Year End Balance</b>	<b>567.418</b>	<b>692.696</b>	<b>3.069.990</b>
Specific Provision (-)	113.483	346.348	3.069.990
<b>Net Balances on Balance Sheet</b>	<b>453.935</b>	<b>346.348</b>	<b>-</b>

(\*)Credit receivables at an amount of TL 745.739, whose legal proceedings have begun, have been sold at a cash value of TL 69.303.

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

None (December 31, 2016 - None).

**j.4) Information regarding gross and net amounts of non-performing loans with respect to user groups**

	<b>III. Group</b>	<b>IV. Group</b>	<b>Group</b>
	<b>Loans and</b>	<b>Loans and</b>	
	<b>receivables with</b>	<b>receivables with</b>	<b>Uncollectible</b>
	<b>limited</b>	<b>doubtful</b>	<b>loans and</b>
	<b>collectability</b>	<b>collectability</b>	<b>receivables</b>
<b>Current Period (Net)</b>	<b>453.935</b>	<b>346.348</b>	<b>-</b>
Loans to Real Persons and Legal Entities (Gross)	567.418	692.696	3.042.786
Specific provision (-)	113.483	346.348	3.042.786
Loans to Real Persons and Legal Entities (Net)	453.935	346.348	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	27.204
Specific provision (-)	-	-	27.204
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>286.137</b>	<b>326.933</b>	<b>-</b>
Loans to Real Persons and Legal Entities (Gross)	357.669	653.868	2.802.573
Specific provision (-)	71.532	326.935	2.802.573
Loans to Real Persons and Legal Entities (Net)	286.137	326.933	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	26.817
Specific provision (-)	-	-	26.817
Other Loans and Receivables (Net)	-	-	-

**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 of such loans and receivables that are proven to be uncollectible in legal follow-up process.

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**7. Information on investment securities held-to-maturity**

**a) Information on financial assets held as collateral/blocked held-to-maturity**

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	268.590	178.708	566.844	125.217
Subject to repurchase agreements	-	3.248.559	490.816	2.319.421
<b>Total</b>	<b>268.590</b>	<b>3.427.267</b>	<b>1.057.660</b>	<b>2.444.638</b>

**b) Information on financial government debt securities held-to-maturity**

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	3.740.199	2.398.866	3.383.952	1.471.352
Treasury Bill	-	-	-	-
Other Debt Securities	-	427.977	-	444.242
<b>Total</b>	<b>3.740.199</b>	<b>2.826.843</b>	<b>3.383.952</b>	<b>1.915.594</b>

**c) Information on investment securities held-to-maturity**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Debt Securities</b>	<b>3.740.199</b>	<b>3.428.465</b>	<b>3.383.952</b>	<b>2.516.555</b>
Publicly-traded	3.740.199	3.428.465	3.383.952	2.516.555
Non-publicly traded	-	-	-	-
<b>Provision for losses (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3.740.199</b>	<b>3.428.465</b>	<b>3.383.952</b>	<b>2.516.555</b>

**d) Movement of held-to-maturity investments**

	Current Period	Prior Period
<b>Value at the beginning of the period</b>	<b>5.900.507</b>	<b>3.873.914</b>
Exchange differences on monetary assets	225.503	369.033
Acquisitions during the year	829.915	1.478.607
Disposals through sales and redemptions	(140.075)	-
Provision for losses (-)	-	-
Valuation effect	352.814	178.953
<b>The sum of end of the period</b>	<b>7.168.664</b>	<b>5.900.507</b>

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

**8.1. Investments in associates:**

**a) Information on the unconsolidated subsidiaries**

Title		Address (City/		Bank’s Share-If		Bank’s Risk	
Bankalararası Kart Merkezi (BKM) (*)		Istanbul/Turkey		9,23%		9,23%	
Total Assets	Shareholder’s Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company’s Fair Value
80.677	46.880	47.651	927	-	6.983	14.517	

<sup>(\*)</sup> Current amounts stated in table are from September 30, 2017 and prior period profit&loss amounts are taken from the financials of September 30, 2016.

**b) Information on the consolidated subsidiaries:**

None (31 December 2016- None).

**8.2. Movements of investments in associates**

	Current Period	Prior Period
Balance at the Beginning of Period	3.766	3.766
Movements During the Period	-	-
Purchases	-	-
Bonus Shares Received	-	-
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	3.766	3.766
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

**8.3. Sectoral distribution of associates**

	Current Period	Prior Period
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	3.766	3.766
Total	3.766	3.766

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**8.4. Quoted Associates**

None (December 31, 2016 - None).

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

	<b>Current Period</b>	<b>Prior Period</b>
Valued at Cost	3.766	3.766
Valued at Fair Value	-	-
Valued at Equity Method	-	-
<b>Total</b>	<b>3.766</b>	<b>3.766</b>

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

**a) Information on the unconsolidated subsidiaries**

<b>Title</b>	<b>Address (City/Country)</b>	<b>Bank's Share-If different, Voting Rights (%)</b>	<b>Bank' Risk Group Share (%)</b>
1. İbtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. ve Tic. A.Ş.	İstanbul/Turkey	99,91	99,99
2. EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	İstanbul/Turkey	51,00	51,00

<b>(*)</b>	<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.	43.156	19.774	17.288	-	-	(2.808)	1.437	-
2.	11.853	2.805	5.795	396	-	(702)	(1.602)	-

(\*) Current period information is obtained from financial statements as of December 31, 2017, prior period profit and loss information is obtained from financial statements as of December 31, 2016.

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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. Finans Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	99,80	100,00
2. Finans Finansal Kiralama A.Ş.	Istanbul/Turkey	99,40	99,40
3. Hemenal Finansman A.Ş.	Istanbul/Turkey	100,00	100,00
4. Finans Portföy Yönetimi A.Ş.	Istanbul/Turkey	0,03	100,00
5. Finans Faktoring Hizmetleri A.Ş.	Istanbul/Turkey	99,99	100,00

Information on subsidiaries in the order presented in the table above

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value <sup>(*)</sup>
1.	382.352	149.861	3.735	22.755	2.698	25.680	36.216	127.321
2.	4.707.681	761.140	5.789	314.305	-	93.966	58.677	445.809
3.	106.792	51.198	3.606	6.656	-	(4.367)	(2.771)	-
4.	13.240	11.928	123	1.578	-	(451)	328	-
5.	1.412.957	81.525	1.470	145.027	-	15.991	7.080	93.350

<sup>(\*)</sup> Fair values of publicly traded subsidiaries reflect their Istanbul Stock Exchange (ISE) values as of balance sheet date.

**b.2) Movement of investments in subsidiaries**

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>647.572</b>	<b>324.954</b>
<b>Movements during the period</b>	<b>77.349</b>	<b>322.618</b>
Purchases <sup>(*)</sup>	30.000	248.078
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Increase	47.349	74.540
Impairment Provision	-	-
<b>Balance at the End of the Period</b>	<b>724.921</b>	<b>647.572</b>
<b>Capital Commitments</b>	<b>-</b>	<b>30.000</b>
<b>Share Percentage at the end of the Period (%)</b>	<b>-</b>	<b>100%</b>

(\*)The Bank has purchased 3.434.632 shares having a total nominal value of TL 34.346 and owned by NBG and equivalent to 29,87% of paid capital of Finans Finansal Kiralama A.Ş. which is one of its subsidiaries with a consideration amounting to TL 128.112 from NBG and 2.068.528 shares having a nominal value of TL 20.685 and owned by Finans Yatırım Menkul Değerler A.Ş. and equivalent to 17,99% of its paid capital with a consideration amounting to TL 77.570 from Finans Yatırım A.Ş. in the current period. Shares, which are equivalent to 0,20% and 0,02% of paid capital of Finans Yatırım Menkul Değerler A.Ş. and Finans Portföy Yönetimi A.Ş. respectively, have been purchased in order of TL 44 and TL 1. Finans Faktoring A.Ş. and Hemenal Finansman A.Ş. has increased its capital at an amount of TL 20.000 through paid capital increase. In the prior period, the Bank has made a capital commitment amounting to TL 30.000 to its subsidiary, Hemenal Finansman A.Ş. and the related capital commitment was paid by the Bank in the current period.

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**b.3) Sectoral distribution of subsidiaries**

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	93.350	64.358
Leasing Companies	445.809	478.959
Finance Companies	58.395	28.395
Other Subsidiaries	127.367	75.860
<b>Total</b>	<b>724.921</b>	<b>647.572</b>

**b.4) Quoted subsidiaries within the context of consolidation**

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	445.809	478.959
Quoted on International Stock Exchanges	-	-
<b>Total</b>	<b>445.809</b>	<b>478.959</b>

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

The Bank does not have any significant subsidiaries.

**10. Investments in entities under common control:**

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

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1. (*)	1.219.521	126.096	15.600	-	-	54.867	31.097	-
2.	62.432	38.987	33.075	-	-	11.866	7.942	-

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



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

None (December 31, 2016 - None).

**12. Information on hedging purpose derivatives**

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (*)	1.964.761	14.483	2.346.595	18.509
Cash Flow Hedge (**)	910.958	33.675	1.063.182	15.052
Foreign Net Investment Hedges	-	-	-	-
<b>Total</b>	<b>2.875.719</b>	<b>48.158</b>	<b>3.409.777</b>	<b>33.561</b>

(\*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2017, TL 13.675 from securities (December 31, 2016 – TL 14.060), TL 808 (December 31, 2016 - TL 1.298) from funds borrowed, and TL 1.964.761 (December 31, 2016 - TL 2.346.595) represents the fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in loans. As of December 31, 2017, there is no fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in securities issued (December 31, 2016 – TL 3.151).

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

**13. Explanations on tangible assets**

	Land and Buildings	Fixed Assets Under Finance Lease	Vehicles	Other Tangible Fixed Assets	Total
<b>Prior Year End</b>					
Cost	1.430.401	260.347	1.954	1.291.730	2.984.432
Accumulated Depreciation(-)	37.922	238.976	1.468	872.747	1.151.113
<b>Net Book Value</b>	<b>1.392.479</b>	<b>21.371</b>	<b>486</b>	<b>418.983</b>	<b>1.833.319</b>
<b>Current Year End</b>					
<b>Cost at the Beginning of the Period</b>	<b>1.430.401</b>	<b>260.347</b>	<b>1.954</b>	<b>1.291.730</b>	<b>2.984.432</b>
Additions	108.348	7.330	-	128.393	244.072
Disposals (-)(*)	-	-	17	18.082	18.099
Impairment (-) / (increase)	288	-	-	-	288
<b>Current Period Cost</b>	<b>1.539.037</b>	<b>267.677</b>	<b>1.937</b>	<b>1.402.041</b>	<b>3.210.693</b>
<b>Accumulated Depreciation at the Beginning of the Period</b>	<b>37.922</b>	<b>238.976</b>	<b>1.468</b>	<b>872.747</b>	<b>1.151.113</b>
Disposals (-)	-	-	18	17.607	17.625
Depreciation Amount	11.608	2.006	310	125.547	139.471
<b>Current Period Accumulated Depreciation (-)</b>	<b>49.530</b>	<b>240.982</b>	<b>1.760</b>	<b>980.687</b>	<b>1.272.959</b>
<b>Net Book Value-end of the Period</b>	<b>1.489.507</b>	<b>26.695</b>	<b>177</b>	<b>421.354</b>	<b>1.937.734</b>

(\*) As stated in footnote in 5th Section III.5.1.d, fair value exchange difference income amortized at an amount of TL 102.128 belonging to immovable property subjected to fair value hedge accounting by the Bank is shown on “Disposals” line in Property, Plant and Equipment movement statement.

**a) If impairment on individual asset recorded or reversed in the current period is material for the overall financial statements:**

**Events and conditions for recording or reversing impairment and amount of recorded or reversed impairment in the financial statements:**

The fair values of the buildings are determined by the licensed expertise companies and as a result of the changes in the fair value of these buildings, the impairment loss reverse of TL 288 has been booked (December 31, 2016 - TL 29 impairment loss).

**b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this:**

None (December 31, 2016- None).

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- c) **Pledges, mortgages and other restrictions (if any) on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets:**

None (December 31, 2016- None).

**14. Explanations on intangible assets**

	<b>Rights</b>	<b>Goodwill</b>	<b>Total</b>
<b>Prior Period End</b>			
Cost	825.033	-	825.033
Accumulated Amortization (-)	544.867	-	544.867
<b>Net Book Value</b>	<b>280.166</b>	<b>-</b>	<b>280.166</b>
<b>Current Period End</b>			
<b>Cost at the Beginning of the Period</b>	<b>825.033</b>	<b>-</b>	<b>825.033</b>
Additions	161.449	-	161.449
Disposals(-)	-	-	-
Impairment (-) / (increase)	-	-	-
<b>Current Period Cost</b>	<b>986.482</b>	<b>-</b>	<b>986.482</b>
<b>Accumulated Amortization at the Beginning of the Period</b>	<b>544.867</b>	<b>-</b>	<b>544.867</b>
Disposals(-)	-	-	-
Amortization Charge (-)	112.518	-	112.518
<b>Current Period Accumulated Amortization (-)</b>	<b>657.385</b>	<b>-</b>	<b>657.385</b>
<b>Net Book Value-End of the Period</b>	<b>329.097</b>	<b>-</b>	<b>329.097</b>

- a) **Disclosures for book value, description and remaining life to be amortized for a specific intangible fixed asset that is material to the financial statements:** None (December 31, 2016 - None).
- b) **Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition:** None (December 31, 2016 –None )
- c) **The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition:** None (December 31, 2016- None).
- d) **The book value of intangible fixed assets that are pledged or restricted for use:** None (December 31, 2016- None).
- e) **Amount of purchase commitments for intangible fixed assets:** None (December 31, 2016 - None).
- f) **Information on revalued intangible assets according to their types:** None (December 31, 2016 – None).
- g) **Amount of total research and development expenses recorded in income statement within the period if any:**  
Amount of total research expenses recorded in income statement within the period is TL 7.559 (December 31, 2016 – TL 2.947).
- h) **Positive or negative consolidation goodwill on entity basis:**  
None (December 31, 2016-None).
- i) **Information on goodwill:**  
None (December 31, 2016-None).
- j) **Movements on goodwill in the current period:**  
None (December 31, 2016- None).

**15. Explanations regarding the investment properties**

None (December 31, 2016- None).

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**16. Information on tax asset**

As of December 31, 2017 the Bank has no deferred tax asset (December 31, 2016 - TL 33.517 deferred tax liability).

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

As of December 31, 2017 there is no tangible asset held for sale (December 31, 2016: None).

**18. Information on other assets**

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

	Current Period	Prior Period
Assets Held for Resale (net)	512.975	367.420
Other Prepaid Expenses	474.821	422.788
Collateral Given for Derivative Transactions	361.684	372.799
Miscellaneous Receivables	262.498	100.777
Cheques Receivables from Other Banks	72.281	212.792
Prepaid rent expenses	34.406	34.132
Prepaid Agency Commissions	12.460	3.083
Advances Given	3.791	2.724
Other	11.323	23.764
<b>Total</b>	<b>1.746.239</b>	<b>1.540.279</b>

**18.2. If other assets exceed 10% of total assets excluding the off-balance sheet items, the name and the amount of the subaccounts which create at least 20% of them are:**

Details of the other assets are described above in the 18.1 section of explanations and disclosures related to assets.

**19. Accrued interest and income**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Instruments Held for Hedging Purposes	2.875.719	48.158	3.409.777	33.561
Assets on Trading Derivatives	2.258.244	244.055	2.574.896	200.372
Loans and Receivables	1.029.257	297.851	708.977	217.258
Investments Securities Available for Sale	54.368	29.369	(23.660)	(181.297)
Investments Held-to-Maturity	167.886	46.918	68.347	28.291
Central Bank of Turkey	36.002	-	14.264	13
Banks	1.451	97	1.664	4
Trading Securities	328	36	20	(387)
Other Accruals	1.125	5.313	13.948	615
<b>Total</b>	<b>6.424.380</b>	<b>671.797</b>	<b>6.768.233</b>	<b>298.430</b>

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**SECTION FIVE**

**II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES**

**1. Information on maturity structure of deposits**

Current Period								Accumulated	
	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Deposit Accounts	Total
<b>Saving Deposits</b>	<b>2.841.194</b>	-	<b>2.664.643</b>	<b>16.185.117</b>	<b>1.001.997</b>	<b>391.611</b>	<b>1.178.780</b>	<b>2.367</b>	<b>24.265.709</b>
<b>Foreign Currency Deposits</b>	<b>5.877.143</b>	-	<b>2.449.203</b>	<b>18.324.339</b>	<b>1.372.059</b>	<b>904.862</b>	<b>673.011</b>	<b>225</b>	<b>29.600.842</b>
Residents in Turkey	5.743.694	-	2.420.753	17.934.971	1.316.263	876.098	502.143	213	28.794.135
Residents Abroad	133.449	-	28.450	389.368	55.796	28.764	170.868	12	806.707
<b>Public Sector Deposits</b>	<b>112.991</b>	-	<b>2.508</b>	<b>13.989</b>	<b>97</b>	<b>8</b>	<b>119</b>	-	<b>129.712</b>
<b>Commercial Deposits</b>	<b>2.606.915</b>	-	<b>2.562.486</b>	<b>2.936.396</b>	<b>379.681</b>	<b>323.156</b>	<b>789.212</b>	-	<b>9.597.846</b>
<b>Other Ins. Deposits</b>	<b>56.387</b>	-	<b>34.530</b>	<b>185.822</b>	<b>159.759</b>	<b>67.049</b>	<b>566</b>	-	<b>504.113</b>
<b>Precious Metal Deposits</b>	<b>1.111.916</b>	-	-	<b>17.196</b>	<b>354</b>	-	<b>68.928</b>	-	<b>1.198.394</b>
<b>Bank Deposits</b>	<b>129.280</b>	-	<b>673.759</b>	<b>1.256.275</b>	<b>136.335</b>	<b>69.007</b>	<b>80.223</b>	-	<b>2.344.879</b>
T.R Central Bank	-	-	609.785	-	-	-	-	-	609.785
Domestic Banks	29.205	-	2.008	15.895	4.089	-	-	-	51.197
Foreign Banks	52.199	-	61.966	1.240.380	132.246	69.007	80.223	-	1.636.021
Participation Banks	47.876	-	-	-	-	-	-	-	47.876
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>12.735.826</b>	-	<b>8.387.129</b>	<b>38.919.134</b>	<b>3.050.282</b>	<b>1.755.693</b>	<b>2.790.839</b>	<b>2.592</b>	<b>67.641.495</b>

Prior Period								Accumulated	
	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Deposit Accounts	Total
<b>Saving Deposits</b>	<b>2.518.720</b>	-	<b>2.909.327</b>	<b>14.654.307</b>	<b>459.007</b>	<b>277.111</b>	<b>783.479</b>	<b>2.809</b>	<b>21.604.760</b>
<b>Foreign Currency Deposits</b>	<b>3.753.110</b>	-	<b>1.656.252</b>	<b>12.809.320</b>	<b>833.244</b>	<b>398.458</b>	<b>493.925</b>	<b>318</b>	<b>19.944.627</b>
Residents in Turkey	3.663.793	-	1.637.375	12.519.859	801.770	377.844	443.721	290	19.444.652
Residents Abroad	89.317	-	18.877	289.461	31.474	20.614	50.204	28	499.975
<b>Public Sector Deposits</b>	<b>76.394</b>	-	<b>6.906</b>	<b>42.448</b>	<b>551</b>	<b>6.229</b>	<b>167</b>	-	<b>132.695</b>
<b>Commercial Deposits</b>	<b>2.134.434</b>	-	<b>1.978.239</b>	<b>3.806.325</b>	<b>67.461</b>	<b>295.276</b>	<b>120.558</b>	-	<b>8.402.293</b>
<b>Other Ins. Deposits</b>	<b>34.809</b>	-	<b>153.418</b>	<b>496.379</b>	<b>15.849</b>	<b>385.758</b>	<b>16.699</b>	-	<b>1.102.912</b>
<b>Precious Metal Deposits</b>	<b>717.286</b>	-	-	<b>1.324</b>	<b>1.669</b>	<b>1.444</b>	<b>56.705</b>	-	<b>778.428</b>
<b>Bank Deposits</b>	<b>136.155</b>	-	<b>200.082</b>	<b>1.517.852</b>	<b>66.711</b>	<b>50.041</b>	<b>2.144</b>	-	<b>1.972.985</b>
T.R Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	9.005	-	15.734	242.252	-	2.146	2.144	-	271.281
Foreign Banks	17.936	-	184.348	1.275.600	66.711	47.895	-	-	1.592.490
Participation Banks	109.214	-	-	-	-	-	-	-	109.214
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>9.370.908</b>	-	<b>6.904.224</b>	<b>33.327.955</b>	<b>1.444.492</b>	<b>1.414.317</b>	<b>1.473.677</b>	<b>3.127</b>	<b>53.938.700</b>

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**1.1. Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit**

	Covered by Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	12.342.514	11.407.962	11.921.850	10.196.172
Foreign Currency Savings Deposits	3.857.126	2.822.431	14.315.461	11.965.439
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
<b>Total</b>	<b>16.199.640</b>	<b>14.230.393</b>	<b>26.237.311</b>	<b>22.161.611</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	7.440	51.038
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close	15.440	41.646
Deposits obtained through illegal acts defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004	-	-
Saving deposits in banks established in Turkey exclusively for off-shore	-	-
<b>Total</b>	<b>22.880</b>	<b>92.684</b>

**2. Information on trading purpose derivatives**

**a) Negative value of trading purpose derivatives**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	83.786	-	199.244	-
Swaps	1.787.817	176.523	2.187.605	164.211
Futures	-	103	-	334
Options	275	22.266	168	50.376
Other	-	-	-	-
<b>Total</b>	<b>1.871.878</b>	<b>198.892</b>	<b>2.387.017</b>	<b>214.921</b>

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**3. Information on funds borrowed**

**a) Information on banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Bank and Institutions	114.947	231.647	101.236	145.034
Foreign Bank, Institutions and Funds	-	15.927.173	-	10.511.637
<b>Total</b>	<b>114.947</b>	<b>16.158.820</b>	<b>101.236</b>	<b>10.656.671</b>

**b) Maturity information on funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	114.947	5.706.737	101.236	3.520.047
Medium and Long-Term	-	10.452.083	-	7.136.624
<b>Total</b>	<b>114.947</b>	<b>16.158.820</b>	<b>101.236</b>	<b>10.656.671</b>

Deposit is the most significant fund source of the Bank and does not present any risk concentration with its consistent structure extended to a wide base. Credits obtained predominantly consist of funds provided by financial institutions abroad having different characteristics and maturity-interest structure such as syndication, securitization, post-financing. There exist no risk concentration on the fund sources of the Bank.

**c) Additional information on concentrations of the Bank's liabilities**

As of December 31, 2017, the Bank's liabilities comprise; 54% deposits (December 31, 2016 – 53%), 13% funds borrowed (December 31, 2016 – 11%), 6% issued bonds (December 31, 2016 – 4%) and 5% Money Market Debts (December 31, 2016 – 6%).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>From domestic transactions</b>	<b>1.801.841</b>	-	<b>1.486.631</b>	-
Financial institutions and organizations	1.771.995	-	1.458.885	-
Other institutions and organizations	15.494	-	10.315	-
Real persons	14.352	-	17.431	-
<b>From foreign transactions</b>	<b>6.724</b>	<b>4.631.256</b>	<b>8.413</b>	<b>3.519.709</b>
Financial institutions and organizations	-	4.631.256	-	3.519.709
Other institutions and organizations	6.724	-	8.413	-
Real persons	-	-	-	-
<b>Total</b>	<b>1.808.565</b>	<b>4.631.256</b>	<b>1.495.044</b>	<b>3.519.709</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.975.932	57.156	1.124.543	53.683
Bills	103.821	4.776.661	-	3.133.345
<b>Total</b>	<b>3.079.753</b>	<b>4.833.817</b>	<b>1.124.543</b>	<b>3.187.028</b>

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

**6. If other liabilities account exceeds 10% of total liabilities excluding the off-balance sheet items, information given about components of other liabilities account that exceeds 20% of the individual liability item in the unconsolidated balance sheet**

Other liabilities do not exceed 10% of total liabilities excluding the off-balance sheet items (December 31, 2016 - 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, 2016- None).

**7.2. Financial Lease Payables**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	3.141	2.851	786	704
Between 1 - 4 years	4.239	3.848	264	236
More than 4 years	-	-	-	-
<b>Total</b>	<b>7.380</b>	<b>6.699</b>	<b>1.050</b>	<b>940</b>

**7.3. Information on operational lease**

Operational lease payments are recognized as an expense in the income statement on a straight-line basis over the lease terms. The Bank arranges operating lease arrangements for some of its ATM and branches. The lease contract is done on a yearly basis and the payment is made upfront each year and realized as an expense under the "Other Assets" account.

**7.4. Information on "Sale -and- lease back" agreements**

The Bank does not have any sale-and-lease back transactions in the current period (December 31, 2016 - None).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge <sup>(*)</sup>	16.615	197.837	-	190.559
Cash Flow Hedge <sup>(**)</sup>	280.204	34.667	196.239	39.930
Net Investment Hedge	-	-	-	-
<b>Total</b>	<b>296.819</b>	<b>232.504</b>	<b>196.239</b>	<b>230.489</b>

<sup>(\*)</sup> Derivative financial instruments for hedging purposes include swaps. As of December 31, 2017, TL 41.598 (December 31, 2016 – TL 27.211) represents the fair value of derivatives which are the hedging instruments of hedged loan portfolio, TL 168.798 (December 31, 2016 – TL 163.348) represents security portfolio and, TL 4.056 (December 31, 2016 – TL 0) represent issued bonds (December 31, 2016 – TL 0).

<sup>(\*\*)</sup> Represents the fair values of derivatives which are the hedging instruments of deposits' cash flow risk.

**9. Information on provisions**

**9.1. Information on general provisions**

	Current Period	Prior Period
Provisions for Loans and Receivables in Group I	1.124.990	967.651
Provisions for Loans and Receivables in Group II	120.163	181.934
Provisions for Non - Cash Loans	91.845	99.685
Other	59.270	39.124
<b>Total</b>	<b>1.396.268</b>	<b>1.288.394</b>

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

	Current Period	Prior Period
Foreign Exchange Provision for Foreign Currency Indexed Loans <sup>(*)</sup>	3.573	438

<sup>(\*)</sup> The foreign exchange provision for foreign currency indexed loans netted against "Loans and Receivables" in asset.

**9.3. Specific provisions for non-cash loans that are not indemnified and converted into cash**

The specific provision for non-cash loans which are related with the non-performing cash loans in arrears or the loans which were written off from balance sheet is TL 45.014 (December 31, 2016 - TL 41.241).

**9.4. Information on employee termination benefits and unused vacation accrual**

The Bank has calculated reserve for employee termination benefits by using actuarial valuations as set out in TAS 19 and reflected these accompanying financial statements.

As of December 31, 2017, TL 175.627 (December 31, 2016 - TL 138.930) reserve for employee termination benefits was provided in the accompanying financial statements.

As of December 31, 2017, the Bank accrued TL 42.089 (December 31, 2016 – TL 38.488) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of December 31, 2017, TL 139.328 (December 31, 2016- TL 99.177) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.



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**9.4.1. Movement of employee termination benefits**

	<b>Current Period</b>	<b>Prior Period</b>
	<b>01.01-31.12.2017</b>	<b>01.01-31.12.2016</b>
As of January 1	138.930	125.433
Service Cost	18.619	18.142
Interest Cost	15.367	13.417
Settlement / curtailment / termination loss	10.003	11.420
Paid during the period	32.067	(2.389)
	(39.359)	(27.093)
<b>Total</b>	<b>175.627</b>	<b>138.930</b>

**9.5. Information on other provisions**

**9.5.1. Information on special provisions for possible risks:**

Apart from the information provided in 9.3, the other provisions are given below as follows:

	<b>Current Period</b>	<b>Prior Period</b>
General reserves for possible risks	-	-
Other provisions made for close monitoring loans portfolio	108.450	39.901
Provision for Promotion Expenses of Credit Cards	9.356	7.707
Other Provisions	144.327	114.804
<b>Total</b>	<b>262.133</b>	<b>162.412</b>

As of December 31, 2017, The Bank has no made a provision for the possible risks (December 31, 2016- None ).

**10. Taxation**

**10.1. Current taxes**

**10.1.1. Current tax liability**

As of December 31, 2017, the Bank has TL 446.266 current tax liability (December 31, 2016 - TL 207.969) and TL 41.097 prepaid tax (December 31, 2016 - TL 19.937).

**10.1.2. Information on taxes payable**

	<b>Current Period</b>	<b>Prior Period</b>
Corporate taxes payable	405.169	188.032
Banking and Insurance Transaction Tax (BITT)	56.775	42.253
Taxation on Securities Income	1.953	2.013
Taxation on Real Estates Income	63.463	51.701
Other	23.139	23.658
<b>Total</b>	<b>550.499</b>	<b>307.657</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.

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**10.1.3. Information on premiums**

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums - Employee Share	20.809	15.895
Social Security Premiums - Employer Share	18.187	16.988
Unemployment Insurance - Employee Share	1.205	1.118
Unemployment Insurance - Employer Share	2.408	2.235
<b>Total</b>	<b>42.609</b>	<b>36.236</b>

**10.1.4. Information on deferred tax liability**

As of December 31, 2017 the Bank has TL 53.064 deferred tax liability (December 31, 2016 - TL 33.517 deferred tax asset).

According to the TAS 12, the deferred tax assets and liabilities are netted off in the accompanying financial statements. As of December 31, 2017 the Bank has presented the net amount of deferred tax asset of TL 337.781 (December 31, 2016 – TL 275.791) and deferred tax liability of TL 390.845 (December 31, 2016 – TL 242.274) in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax asset amounting to TL 16.906 (December 31, 2016 – TL 104.229 deferred tax asset) is netted in the equity.

	<b>Accumulated Temporary Differences</b>		<b>Deferred Tax Assets/(Liabilities)</b>	
	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Provision for Employee Rights	357.044	276.595	79.140	55.319
Difference Between the Book Value of Financial Assets and Tax Base	431.140	449.221	106.505	89.844
Other	694.212	653.138	152.136	130.628
<b>Deferred Tax Assets</b>			<b>337.781</b>	<b>275.791</b>
Difference Between the Book Value Financial Fixed Assets and Tax Base	(232.976)	(204.448)	(47.125)	(40.890)
Difference Between the Book Value of Financial Assets and Tax Base	(965.480)	(795.870)	(222.151)	(159.174)
Other	(572.883)	(211.048)	(121.569)	(42.210)
<b>Deferred Tax Liabilities</b>			<b>(390.845)</b>	<b>(242.274)</b>
<b>Deferred Tax Assets/(Liabilities), Net</b>			<b>(53.064)</b>	<b>33.517</b>

	<b>Current Period</b>	<b>Prior Period</b>
Deferred Tax as of January 1 Active/ (Passive) - Net	33.517	78.968
Deferred Tax (Loss) / Gain	742	(97.926)
Deferred Tax that is Realized Under Shareholder's Equity	(87.323)	52.475
<b>Deferred Tax Active/ (Passive) - Net</b>	<b>(53.064)</b>	<b>33.517</b>

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

None (December 31, 2016 – None).

**12. Information on subordinated loans**

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	3.510.837	-	3.235.793
From Other Foreign Institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>3.510.837</b>	<b>-</b>	<b>3.235.793</b>

The Bank received USD 650 million of subordinated loans during 2008 and USD 325 million of subordinated loans during 2009 from its former main shareholder, National Bank of Greece S.A. The loan amounting to USD 325 million which was received in 2008 is closed in 2010 to be used in capital increase. In addition, the Bank received USD 260 million subordinated loan in 2011 from National Bank of Greece S.A. Aforementioned subordinated loans are subject to interest payment every 6 months and principal payment at maturity. In accordance with the share purchase agreement signed on 21 December 2015, mentioned subordinated loans was transferred to QNB as of June 15, 2016 with remaining unchanged all terms and conditions. USD 325 million of existing subordinated loans will mature in 2021, USD 325 million will mature in 2020. The subordinated loan amounting to USD 260 million was renewed as the current maturity 2027, in line with Basel III on May 22, 2017.

**13. Information on shareholder's equity**

**13.1. Paid-in capital**

	Current Period	Prior Period
Common Stock	3.350.000	3.150.000
Preferred Stock	-	-

**13.2. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital**

Capital System	Paid-in Capital	Ceiling
Registered Capital System	3.350.000	12.000.000

**13.3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period**

Increase Date	Increase Amount	Cash	Profit Reserves held	Capital Reserves Held Subject to the Increase
			subject to the Increase	
August 21, 2017	200.000	-	200.000	-

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

None (December 31, 2016 – None).

**13.5. Capital commitments in the last fiscal year and at the end of the following interim 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, 2016 – None).

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

None (December 31, 2016 – None).

**14. Common stock issue premiums, shares and equity instruments**

	Current Period	Prior Period
Number of Stocks (Thousands)	33.500.000	31.500.000
Preferred Capital Stock	-	-
Common Stock Issue Premiums (*)	714	714
Common Stock Withdrawal Profits	-	-
Other Capital Instruments	-	-

(\*) Due to the Bank's capital increase 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>388.744</b>	-	<b>316.069</b>	-
Valuation Difference	388.744	-	316.069	-
Foreign Exchange Rate Difference	-	-	-	-
<b>Securities Available-for-Sale</b>	<b>(53.163)</b>	<b>(176.412)</b>	<b>(40.675)</b>	<b>(379.478)</b>
Valuation Difference	(53.163)	(176.412)	(40.675)	(379.478)
Foreign Exchange Rate Difference	-	-	-	-
<b>Total</b>	<b>335.581</b>	<b>(176.412)</b>	<b>275.394</b>	<b>(379.478)</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
Deposits	358.992	57.106	207.571	29.299
Derivative Financial Liabilities Held for Trading	1.871.878	198.892	2.387.017	214.921
Funds Borrowed	1.786	126.212	1.385	71.325
Money Market Borrowings	1.900	16.306	1.293	8.699
Derivative Financial Liabilities Held for Hedging Purposes	296.819	232.504	196.239	230.489
Securities Issued	2.921	39.745	-	34.927
Other Accruals	120.130	407	94.880	125
<b>Total</b>	<b>2.654.426</b>	<b>671.172</b>	<b>2.888.385</b>	<b>589.785</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	17.115.833	16.396.189
Commitment For Use Guaranteed Credit Allocation	9.774.575	19.365.124
Forward Asset Purchase Commitments	2.876.502	1.216.540
Payment Commitments for Cheques	2.754.045	2.707.388
Other Irrevocable Commitments	1.056.395	1.580.388
Commitments for promotions related with credit cards and banking activities	45.880	19.721
Tax and Fund Liabilities due to Export Commitments	15.358	10.267
Capital commitments of associates and subsidiaries	-	30.000
<b>Total</b>	<b>33.638.588</b>	<b>41.325.617</b>

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

Specific provision is provided for the non-cash loans amounting to TL 45.014 (December 31, 2016 - TL 41.241) 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	3.012.892	1.255.477
Letters of Credit	1.783.291	1.121.818
Other Guarantees	-	-
<b>Total</b>	<b>4.796.183</b>	<b>2.377.295</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Provisional Letters of Guarantee	920.541	719.081
Final Letters of Guarantee	6.387.607	5.179.891
Advance Letters of Guarantee	822.037	500.730
Letters of Guarantee Given to Customs Offices	457.444	347.024
Other Letters of Guarantee	5.931.237	4.059.989
<b>Total</b>	<b>14.518.866</b>	<b>10.806.715</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>2.315.378</b>	<b>1.116.069</b>
Less Than or Equal to One Year with Original Maturity	681.540	256.881
More Than One Year with Original Maturity	1.633.838	859.188
<b>Other Non-Cash Loans</b>	<b>16.999.671</b>	<b>12.067.941</b>
<b>Total</b>	<b>19.315.049</b>	<b>13.184.010</b>

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

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
<b>Agricultural</b>	<b>44.952</b>	<b>0,51</b>	<b>2.855</b>	<b>0,03</b>	<b>34.061</b>	<b>0,47</b>	<b>6.774</b>	<b>0,11</b>
Farming and Raising Livestock	40.054	0,45	-	-	32.713	0,46	265	-
Forestry	2.375	0,03	-	-	251	-	-	-
Fishing	2.523	0,03	2.855	0,03	1.097	0,01	6.509	0,11
<b>Manufacturing</b>	<b>1.261.085</b>	<b>14,27</b>	<b>4.430.301</b>	<b>42,29</b>	<b>1.047.136</b>	<b>14,60</b>	<b>2.993.067</b>	<b>49,78</b>
Mining and Quarrying	48.598	0,55	36.769	0,35	49.329	0,69	32.428	0,54
Production	990.927	11,21	3.888.686	37,12	836.199	11,66	2.381.804	39,61
Electricity, gas and water	221.560	2,51	504.846	4,82	161.608	2,25	578.835	9,63
<b>Construction</b>	<b>2.769.132</b>	<b>31,33</b>	<b>782.143</b>	<b>7,47</b>	<b>2.243.853</b>	<b>31,29</b>	<b>807.527</b>	<b>13,43</b>
<b>Services</b>	<b>4.095.605</b>	<b>46,33</b>	<b>2.555.222</b>	<b>24,39</b>	<b>3.748.165</b>	<b>52,28</b>	<b>2.155.411</b>	<b>35,85</b>
Wholesale and Retail Trade	2.475.606	28,01	954.016	9,11	2.186.915	30,50	876.553	14,58
Hotel, Food and Beverage	75.523	0,85	85.148	0,81	101.628	1,42	84.316	1,40
Transportation&Communication	193.455	2,19	280.352	2,66	182.535	2,55	212.038	3,53
Financial Institutions	773.612	8,75	838.847	8,01	753.766	10,51	726.130	12,07
Real Estate and Renting Services	8.232	0,09	611	0,01	3.484	0,05	2.114	0,04
Self-Employment Services	274.603	3,11	36.769	0,35	257.428	3,59	46.888	0,78
Educational Services	6.262	0,07	-	-	5.747	0,08	-	-
Health and Social Services	288.312	3,26	359.479	3,43	256.662	3,58	207.372	3,45
<b>Other</b>	<b>668.642</b>	<b>7,56</b>	<b>2.705.112</b>	<b>25,82</b>	<b>97.791</b>	<b>1,36</b>	<b>50.225</b>	<b>0,83</b>
<b>Total</b>	<b>8.839.416</b>	<b>100,00</b>	<b>10.475.633</b>	<b>100,00</b>	<b>7.171.006</b>	<b>100,00</b>	<b>6.013.004</b>	<b>100,00</b>

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

	I. Group		II. Group	
Current Period(*)	TL	FC	TL	FC
Letters of Guarantee	8.586.488	5.472.032	196.238	219.094
Bills of Exchange and Acceptances	19.991	2.992.795	-	106
Letters of Credit	946	1.782.345	-	-
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
<b>Non-cash Loans</b>	<b>8.607.425</b>	<b>10.247.172</b>	<b>196.238</b>	<b>219.200</b>

(\*) Does not include non-cash loans amounting to TL 45.014, for which provision is provided, but which are not indemnified and not liquidated yet.

	I. Group		II. Group	
Prior Period (*)	TL	FC	TL	FC
Letters of Guarantee	6.939.103	3.529.492	187.530	109.349
Bills of Exchange and Acceptances	7.421	1.248.034	-	22
Letters of Credit	5.000	1.115.882	-	936
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
<b>Non-cash Loans</b>	<b>6.951.524</b>	<b>5.893.408</b>	<b>187.530</b>	<b>110.307</b>

(\*) Does not include non-cash loans amounting to TL 41.241, for which 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>121.908.563</b>	<b>99.538.902</b>
Forward transactions <sup>(*)</sup>	13.539.343	11.595.556
Swap transactions	100.507.782	78.279.086
Futures transactions	209.931	74.460
Option transactions	7.651.507	9.589.800
<b>Interest Related Derivative Transactions (II)</b>	<b>20.280.668</b>	<b>16.261.062</b>
Forward rate transactions	-	-
Interest rate swap transactions	20.280.668	16.261.062
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
<b>Other trading derivative transactions (III)</b>	<b>628.716</b>	<b>882.950</b>
<b>A.Total Trading Derivative Transactions (I+II+III)</b>	<b>142.817.947</b>	<b>116.682.914</b>
<b>Types of hedging transactions</b>		
Fair value hedges	18.276.951	15.094.984
Cash flow hedges	35.285.822	22.704.240
Net investment hedges	-	-
<b>B.Total Hedging Related Derivatives</b>	<b>53.562.773</b>	<b>37.799.224</b>
<b>Total Derivative Transactions (A+B)</b>	<b>196.380.720</b>	<b>154.482.138</b>

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

As of December 31, 2017, breakdown of the Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy <sup>(**)</sup>	Forward Sell <sup>(**)</sup>	Swap Buy <sup>(*)</sup>	Swap Sell <sup>(*)</sup>	Option Buy	Option Sell	Future Buy	Futures Sell	Other
<b>Current Period</b>									
TL	2.025.349	3.490.468	25.434.643	39.778.171	1.485.641	2.140.793	23.358	-	-
USD	2.911.735	2.807.392	54.053.535	35.652.459	1.864.077	1.476.317	81.855	104.718	628.716
EURO	1.687.149	484.620	7.254.375	9.890.538	398.344	193.758	-	-	-
Other	96.686	35.944	2.164.520	122.982	63.161	29.416	-	-	-
<b>Total</b>	<b>6.720.919</b>	<b>6.818.424</b>	<b>88.907.073</b>	<b>85.444.150</b>	<b>3.811.223</b>	<b>3.840.284</b>	<b>105.213</b>	<b>104.718</b>	<b>628.716</b>

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

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

	Forward Buy <sup>(**)</sup>	Forward Sell <sup>(**)</sup>	Swap Buy <sup>(*)</sup>	Swap Sell <sup>(*)</sup>	Option Buy	Option Sell	Future Buy	Futures Sell	Other
<b>Prior Period</b>									
TL	2.830.861	1.642.795	21.407.238	30.913.210	2.355.495	2.147.106	-	-	-
USD	2.198.997	3.183.658	40.432.094	28.905.387	1.975.445	2.432.743	37.230	37.230	882.950
EURO	701.431	952.940	5.045.532	4.404.674	372.903	202.619	-	-	-
Other	27.872	57.002	1.187.504	43.733	53.919	49.570	-	-	-
<b>Total</b>	<b>5.759.161</b>	<b>5.836.395</b>	<b>68.072.368</b>	<b>64.267.004</b>	<b>4.757.762</b>	<b>4.832.038</b>	<b>37.230</b>	<b>37.230</b>	<b>882.950</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 4.757.337 (December 31, 2016 – TL 3.532.426) were subject to hedge accounting by swaps with a nominal of TL 4.973.074 (December 31, 2016 – TL 3.456.411). On December 31, 2017 the net market valuation difference income amounting to TL 34.461 due to the loss from loans amounting to TL 5.235 (December 31, 2016 – TL 103.915 gain) and losses from swaps amounting to TL 36.696 (December 31, 2016 – TL 80.194 loss) is accounted for under “gains / (losses) from financial derivatives transactions” line in the accompanying financial statements.

As of balance sheet date project finance loans amounting to TL 188.632 (December 31, 2016 – TL 168.103) have been subject to hedge accounting with swaps with a nominal amount of TL 179.136 (December 31, 2016 – TL 160.939). In 2017, TL 1.196 net fair valuation difference loss, net of TL 2.014 (December 30, 2016 – TL 2.379 gain) loss from loans and TL 818 (December 31, 2016 – TL 619 loss) gain from swaps has been recorded under “Gains / (loss) from financial derivatives transactions” on accompanying financial statements.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Bank has booked the valuation effect amounting to TL 9.606 (December 31, 2016 – TL 21.275) related to the loans that are ineffective for hedge accounting under “gains / (losses) from financial derivatives transactions” as loss during the current period.

**b) Investment securities available for sale**

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Bank using swaps as hedging instruments. As of the balance sheet date; Eurobonds with a nominal of USD 371.7 million and EUR 75.412 million (December 31, 2016 – USD 378,7 million and EUR 75.8 million) were subject to hedge accounting by interest rate swaps with the same nominal value. As of December 31, 2017, the net market valuation difference loss is amounting to TL 945, due to gain from Eurobonds amounting to TL 4.794 (December 31, 2016 – TL 5.443 gain) and loss from swaps amounting to TL 5.739 (December 31, 2016 – TL 3.002 losses) is accounted for under “gains / (losses) from financial derivatives transactions” line in the accompanying financial statements.

The Bank does not apply fair value hedge on TL government bonds in the current period (As of December 31, 2016 - None).

**c) Bonds issued**

The Bank applies fair value hedge accounting to hedge against the changes in the interest rates related to the foreign currency bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of USD 283 million (December 31, 2016 – USD 283 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of December 31, 2017, TL 267 net fair valuation difference gains, net of TL 6.669 (December 31, 2016-TL 7.525 gain) income from issued bonds and TL 6.402 (December 31, 2016 – TL 7.981 loss) loss from swaps, has been recorded under “Gains / (losses) from financial derivatives transactions” on accompanying financial statements.



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**d) Tangible assets**

The Bank has designated fair value hedge accounting through foreign currency fundings to be hedged from fair value changes resulting from currency changes in real estate property which has been bought in foreign currency and has a market value denominated in foreign currency. Immovable having a carrying value at an amount of USD 380 million is subjected to hedge accounting with securities issued. The Main Partner Bank has recognized a cumulative amount of TL 400.552 mark to market exchange difference income (December 31, 2016 – TL 298.423 exchange difference income) whose TL 102.128 portion is a mark-to-market exchange difference income in current period from aforementioned immovable. The aforementioned exchange difference income will be amortized through the economic life of immovable which is the subject of hedging.

**e) Borrowings**

The Bank implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate foreign exchange credits used. Credit at an amount of EUR 30 million (December 31, 2016: EUR 30 million) is subjected to hedge accounting with a swap having the same amount. A net mark to market difference profit at an amount of TL 13 (December 31, 2016: TL 22 loss) sourcing from Credit at an amount of TL 521 (December 31, 2016: TL 2.160 loss) gain and TL 508 (December 31, 2016: TL 2.182 gain) loss from swaps is recognized under “Gains/losses from Derivative Financial Transactions”.

**5.2 Cash flow hedge accounting**

**a) Deposit**

The Bank applies cash flow hedge accounting using interest rate swaps in order to hedge itself from the interest rate changes of deposits that have an average maturity until 3 month, the Bank implements cash flow hedge accounting with interest rate swaps. The Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 5.210.000 are subject to hedge accounting as hedging instruments (December 31, 2016 – TL 5.270.130). As a result of the mentioned hedge accounting, fair value gains before taxes amounting to TL 106.616 are accounted for under equity during the current period (December 31, 2016 – TL 51.278 loss). The gain amounting to TL 676 (December 31, 2016 – TL 2 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 2.753 million (December 31, 2016 – USD 1.737 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 319 million (December 31, 2016 –EUR 139 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value gains before taxes amounting to TL 121.387 are accounted for under equity during the current period (December 31, 2016 – TL 6.746 gain). The loss amounting to TL 248 (December 31, 2016 – TL 636 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 loss of TL 1.327 transferred amount from equity to income statement due to ineffectiveness or matured swaps. (December 31, 2016 – TL 18.624 gain).

The measurements as of December 31, 2017, hedge of cash flow transactions stated above are determined as effective.

**b) Subordinated Loans**

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 260 million are subject to hedge accounting as hedging instruments (December 31, 2016 – None). As a result

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of the mentioned hedge accounting, fair value gains before taxes amounting to TL 11.673 are accounted for under equity during the current period (December 31, 2016 – None). Regarding the ineffective portions it reflects income statement with TL 688 gain (December 31, 2016 – None).

The measurements as of December 31, 2017, hedge of cash flow transactions stated above are determined as effective.

**6. Credit derivatives and risk exposures on credit derivatives**

As of December 31, 2017, the Bank has no commitments “credit linked notes” (As of December 31, 2016 - None).

As of December 31, 2017, “Other Derivative Financial Instruments” with nominal amount of USD 165.000.000 (December 31, 2016: USD 250.000.000) are included in Bank’s “Swap Interest Sell Transactions.” In aforementioned transaction, the Bank is the seller of the protection for USD 165.000.000.

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

The Bank has recorded a provision of TL 44.781 (December 31, 2016 - TL 24.635) for litigation and has accounted for it in the accompanying financial statements under the “Other Provisions” account (Section Five, part II.9.5). 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 March 2017		FITCH March 2017		CI August 2017	
Long-Term Deposit Rating (FC)	Ba2	Long -Term Foreign Curr.	BBB-	Long-Term Foreign Curr.	BB+
Long-Term Deposit Rating (TL)	Ba1	Short-Term Foreign Curr.	F3	Short-Term Foreign Curr.	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL	BBB-	FC Appearance	Negative
Short-Term Deposit Rating (TL)	NP	Short-Term TL	F3	Financial Strength Rating	BBB
Main Credit Evaluation	ba3	Long-Term National	AAA(tur)	Financial Strength Appearance	Negative
Appearance	Negative	Appearance	Stable	Support	2
Long term Foreign Currency Denominated Debt (FC)	Ba1	Support	2		
		Long term Foreign Currency Denominated Debt (FC)	BBB-		
		Financial Capacity Rating	bb+		

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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	3.428.933	61.137	3.458.341	42.704
Medium and Long-Term Loans	4.981.504	765.103	3.623.367	516.563
Non-Performing Loans	83.175	-	94.501	-
Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>8.493.612</b>	<b>826.240</b>	<b>7.176.209</b>	<b>559.267</b>

**b) Information on interest income from banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank (*)	-	1	-	756
Domestic Banks	184.786	432	2.422	23
Foreign Banks	2.065	12.959	1.494	5.222
Foreign Headquarters and Branches	-	-	-	-
<b>Total</b>	<b>186.851</b>	<b>13.392</b>	<b>3.916</b>	<b>6.001</b>

(\*) The interest income on Required Reserve amounting TL 113.120 is not included into interest income on Banks. (December 31, 2016: TL 52.930).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Held-for-Trading Financial Assets	4.848	496	3.248	-
Financial Assets at FVTPL	1.854	44	4.231	219
Investment Securities Available for Sale	470.587	147.203	362.729	121.143
Investment Securities Held to Maturity	454.891	161.388	278.755	72.163
<b>Total</b>	<b>932.180</b>	<b>309.131</b>	<b>648.963</b>	<b>193.525</b>

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity 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. In this context, the estimated inflation rate used is updated during the year when necessary. In this context, as of December 31, 2017, valuation of such assets is made according to estimated annual inflation rate of 11,90%.

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

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	13.731	11.808

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**2. a) Information on interest expense related to funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	<b>7.064</b>	<b>589.853</b>	<b>6.989</b>	<b>335.546</b>
T.R. Central Bank	-	-	-	-
Domestic Banks	7.023	3.043	6.965	2.150
Foreign Banks	41	586.810	24	333.396
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	-	-	-	-
<b>Total</b>	<b>7.064</b>	<b>589.853</b>	<b>6.989</b>	<b>335.546</b>

**b) Information on interest expense paid to associates and subsidiaries**

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	66.551	10.639

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

As of December 31, 2017 interest paid to securities issued is TL 438.658 (December 31, 2016 – TL 279.722).

**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	-	49.209	3.115	-	-	-	-	52.324
Saving Deposits	1	228.997	1.808.348	119.927	51.389	116.413	-	2.325.075
Public Sector Deposits	-	402	3.160	211	18	13	-	3.804
Commercial Deposits	1	331.586	508.396	47.800	83.607	58.914	-	1.030.304
Other Deposits	-	5.929	43.732	9.728	28.138	469	-	87.996
7 Days Call Accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2</b>	<b>616.123</b>	<b>2.366.751</b>	<b>177.666</b>	<b>163.152</b>	<b>175.809</b>	<b>-</b>	<b>3.499.503</b>
<b>Foreign Currency</b>								
Deposits	-	28.875	413.183	36.454	18.873	12.579	-	509.964
Bank Deposits	300	49.366	5.573	1.418	2.743	-	-	59.400
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	886	-	-	-	-	-	886
<b>Total</b>	<b>300</b>	<b>79.127</b>	<b>418.756</b>	<b>37.872</b>	<b>21.616</b>	<b>12.579</b>	<b>-</b>	<b>570.250</b>
<b>Grand Total</b>	<b>302</b>	<b>695.250</b>	<b>2.785.507</b>	<b>215.538</b>	<b>184.768</b>	<b>188.388</b>	<b>-</b>	<b>4.069.753</b>

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**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	-	18.523	6.312	237	427	-	-	25.499
Saving Deposits	-	234.421	1.586.095	66.009	33.551	92.527	-	2.012.603
Public Sector Deposits	-	288	6.707	159	241	12	-	7.407
Commercial Deposits	1	182.099	454.173	59.184	21.198	19.613	-	736.268
Other Deposits	-	3.685	70.692	28.024	44.211	1.693	-	148.305
7 Days Call Accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1</b>	<b>439.016</b>	<b>2.123.979</b>	<b>153.613</b>	<b>99.628</b>	<b>113.845</b>	<b>-</b>	<b>2.930.082</b>
<b>Foreign Currency</b>								
Deposits	-	28.802	277.304	19.137	5.452	9.424	-	340.119
Bank Deposits	98	16.191	5.655	968	-	-	-	22.912
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	659	-	-	-	-	-	659
<b>Total</b>	<b>98</b>	<b>45.652</b>	<b>282.959</b>	<b>20.105</b>	<b>5.452</b>	<b>9.424</b>	<b>-</b>	<b>363.690</b>
<b>Grand Total</b>	<b>99</b>	<b>484.668</b>	<b>2.406.938</b>	<b>173.718</b>	<b>105.080</b>	<b>123.269</b>	<b>-</b>	<b>3.293.772</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on Repurchase Agreements (*)	79.099	75.553	180.552	31.493

(\*) Disclosed in "Interest on Money Market Transactions".

f) **Information on finance lease expenses**

	Current Period	Prior Period
Finance Lease Expenses	307	145

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

None (December 31, 2016 – None).

**3. Information on dividend income**

	Current Period	Prior Period
From Trading Securities	-	-
From Financial assets at fair value through profit and loss	-	-
From Available for Sale Financial Assets	-	-
Other	14.499	57
<b>Total</b>	<b>14.499</b>	<b>57</b>

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

	Current Period	Prior Period
<b>Trading Income</b>	<b>9.956.145</b>	<b>7.724.633</b>
Gains on Capital Market Operations	26.121	29.687
Derivative Financial Instruments	5.801.054	4.027.905
Foreign Exchange Gains	4.128.970	3.667.041
<b>Trading Loss (-)</b>	<b>11.190.302</b>	<b>8.401.680</b>
Losses on Capital Market Operations	22.121	15.698
Derivative Financial Instruments	7.058.552	4.741.393
Foreign Exchange Losses	4.109.629	3.644.589
<b>Net Trading Income/Loss</b>	<b>(1.234.157)</b>	<b>(677.047)</b>

**5. Information on other operating income**

The Bank recorded the current year collections from loans written off in the previous period, portfolio management fees and expense accrual cancelations in “Other Operating Income” account.

**6. Provision for losses on loans and other receivables**

	Current Period	Prior Period
<b>Specific Provisions For Loans and Other Receivables</b>	<b>1.056.549</b>	<b>1.377.158</b>
Loans and Receivables in Group III	330.313	258.291
Loans and Receivables in Group IV	194.039	294.699
Loans and Receivables in Group V	532.197	824.168
<b>Provision for Loans Under Close Monitoring</b>	<b>68.549</b>	<b>(66.340)</b>
<b>General Provisions</b>	<b>107.874</b>	<b>97.991</b>
<b>Provision Expenses for Possible Losses</b>	-	<b>(100.000)</b>
<b>Impairment Losses on Securities</b>	-	-
Financial assets at fair value through profit or loss	-	-
Investment securities available for sale	-	-
<b>Impairment Losses on Associates, Subsidiaries and</b>	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control	-	-
Investment securities held-to-maturity	-	-
<b>Other</b>	<b>468</b>	<b>7.137</b>
<b>Total</b>	<b>1.233.440</b>	<b>1.315.946</b>

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**7. Information on other operating expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Personnel costs	1.253.346	1.138.118
Reserve for employee termination benefits	4.630	15.886
Provision for pension fund deficits	-	-
Impairment losses on tangible assets	-	-
Depreciation charge of tangible assets	139.471	139.609
Impairment losses on intangible assets	-	-
Impairment losses on goodwill	-	-
Amortization charge of intangible assets	112.518	106.812
Impairment losses on investments under equity method of accounting	-	-
Impairment losses on assets to be disposed of	-	-
Depreciation on assets to be disposed	-	6.164
Impairment charge of assets held for sale and discontinued operations	-	-
Other operating expenses	1.043.318	917.505
<i>Operational lease related expenses</i>	<i>221.125</i>	<i>223.672</i>
<i>Repair and maintenance expenses</i>	<i>146.124</i>	<i>123.767</i>
<i>Advertisement expenses</i>	<i>93.260</i>	<i>80.002</i>
<i>Other expenses</i>	<i>582.809</i>	<i>490.064</i>
Losses on sales of assets	376	2.726
Other (*)	413.552	473.664
<b>Total</b>	<b>2.967.211</b>	<b>2.800.484</b>

(\*) Comprising repayments amounting to TL 20.879 (December 31, 2016: TL 76.304) in respect of Consumer Arbitration Committee and courts' decision, which was fees and commissions recognized in previous year as income.

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

For the year ended December 31, 2017, net interest income in regards to continued operations of TL 5.651.601 (December 31, 2016 – TL 4.504.103), net fees and commission income of TL 1.685.893 (December 31, 2016 – TL 1.362.603) and other operating income of TL 131.780 (December 31, 2016 – TL 410.535) constitute an important part of the income.

**9. Explanations on tax provision for continued and discontinued operations**

**9.1. Current period taxation benefit or charge and deferred tax benefit or charge**

As of December 31, 2017, the Bank has recorded tax charge TL 446.266 (December 31, 2016 – TL 182.485 tax charge) and a deferred tax income of TL 742 (December 31, 2016 – TL 97.926 deferred tax income) from its continuing operations.

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

None (December 31, 2016 – None).

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

Net profit of the Bank from continued operations is TL 1.603.441 (December 31, 2016 – TL 1.203.410).

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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 (December 31, 2016 – None).

**11.2. Effect of changes in accounting estimates on income statement for the current and for subsequent periods.**

None.

**11.3. There is no profit or loss attributable to minority shares.**

**11.4. There are no changes in the nature and amount of accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.**

**12. Information on the components of other items in the income statement exceeding 10% of the total, or items that comprise at least 20% of the income statement**

Fees and commissions from credit cards, transfers and insurance intermediaries are recorded in the “Others” line under “Fees and Commissions Received” account, while fees and commissions given to credit cards are recorded in the “Others” line under “Fees and Commissions Paid” account by the Bank.



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SECTION FIVE

V. EXPLANATIONS AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1. Changes resulting from valuation of available for sale securities

Net increase of TL 190.578 (December 31, 2016 – TL 175.894 net decrease) after tax effect resulting from valuation of available for sale securities at fair values is included in “Securities Value Increase Fund” account under shareholders’ equity.

2. Explanations on foreign exchange differences

None.

3. Explanations on dividend

3.1. Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2016 profit as stated below at the Ordinary General Assembly held on March 30, 2017.

2016 profit distribution table:

Current Year Profit	1.203.410
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	(60.171)
B - The First Dividend for Shareholders(*)	(157.500)
C – Profit from Disposal of Associates	-
D- II. Legal Reserves	-
E- Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(985.739)
(*)Distributed as bonus share	

3.2. Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date (December 31, 2016- Profit distribution for 2016 is detailed in footnote 3.1).

3.3. Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained Earnings	60.171	35.289

4. Information on issuance of share certificates

4.1 The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (December 31, 2016 - None).

5. Information on the other capital increase items in the statement of changes in shareholders’ equity

The Bank has increased its paid-in capital through internal reserves amounting to TL 200.000 and TL 150.000, respectively in 2017 and 2016.

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SECTION FIVE

VI. EXPLANATIONS AND DISCLOSURES RELATED TO CASH FLOWS STATEMENT

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

“Other items” amounting to TL 2.048.058 (December 31, 2016 – TL 1.685.783) in “Operating profit before changes in operating assets and liabilities” consist of commissions paid amounting to TL 363.096 (December 31, 2016 – TL 263.920), net trading income/loss by TL 50.908 (December 31, 2016 – TL 1.285.878 net trading income/loss) and other operating expenses amounting to TL 1.735.870 (December 31, 2016 – TL 2.707.241).

“Other items” in changes in operating assets amounting to TL 446.374 (December 31, 2016- TL 569.698) consist of the increase in collaterals given by TL 179.491 (December 31, 2016- TL 272.634 decrease) and the decrease in other assets by TL 625.865 (December 31, 2016 - TL 842.332 increase).

“Other items” in changes in operating liabilities amounting to TL 650.456 (December 31, 2016- TL 3.026.532) consist of the decrease in money market borrowings by TL 33.854 (December 31, 2016- TL 1.876.007 increase), the decrease in sundry debtors and other liabilities by TL 584.535 (December 31, 2016- TL 1.150.525 increase) and the decrease in other capital reserves by TL 32.067 (December 31, 2016 – TL 0).

“Other items” in changes in net cash provided from banking operations amounting to TL 161.449 (December 31, 2016 – TL 123.021) includes the increase in intangible assets.

Effect of change in foreign currency on cash and cash equivalents is calculated as the difference between monthly average balances converted to TL using the currency rate at the beginning and at the end of the period and is TL 1.900 (December 31, 2016 – TL 92.080) as of December 31, 2017.

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	Current Period January 1, 2017	Prior Period January 1, 2016
<b>Cash</b>	<b>1.064.054</b>	<b>955.903</b>
Cash in TL	685.251	678.545
Cash in Foreign Currencies	376.428	274.820
Other	2.375	2.538
<b>Cash Equivalents</b>	<b>4.686.330</b>	<b>2.685.681</b>
Balances with the T.R. Central Bank	2.941.850	2.418.116
Banks	226.268	276.099
Money Market Placements	1.546.944	-
Less: Placements with Banks with Maturities Longer than 3 Months	(12.182)	-
Less: Accruals	(16.550)	(8.534)
<b>Cash and Cash Equivalents</b>	<b>5.750.384</b>	<b>3.641.584</b>

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

	<b>Current Period December 31, 2017</b>	<b>Prior Period December 31, 2016</b>
<b>Cash</b>	<b>1.012.047</b>	<b>1.064.054</b>
Cash in TL	644.333	685.251
Cash in Foreign Currencies	340.629	376.428
Other	27.085	2.375
<b>Cash Equivalents</b>	<b>4.940.751</b>	<b>4.686.330</b>
Balances with the T.R. Central Bank	3.700.772	2.941.850
Banks	1.171.424	226.268
Money Market Placements	114.899	1.546.944
Less: Placements with Banks with Maturities Longer than 3 Months	(38.155)	(12.182)
Less: Accruals	(8.189)	(16.550)
<b>Cash and Cash Equivalents</b>	<b>5.952.798</b>	<b>5.750.384</b>

**4. Restricted cash and cash equivalents due to legal requirements or other reasons**

A portion of foreign bank accounts amounting to TL 121.343 (December 31, 2016- TL 47.518) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

**5. Additional information**

**5.1. Restrictions on the Bank's potential borrowings that can be used for ordinary operations or capital commitment**

None.

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**SECTION FIVE**

**VII. EXPLANATIONS AND DISCLOSURES RELATED TO THE BANK'S RISK GROUP**

**1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at year end and income and expenses in the current period**

- 1.1.** As of December 31, 2017, the Bank's risk group has deposits, cash and non-cash loans at the Bank amounting to TL 738.760 (December 31, 2016 - TL 268.869) deposit, TL 331.694 (December 31, 2016 - TL 266.483) cash loan and TL 12.254 (December 31, 2016 - TL 7.482) non-cash loans, respectively.

**Current Period**

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group (**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	264.052	5.896	1.179	-	1.252	1.586
Balance at the End of the Period	330.935	10.384	613	-	146	1.870
Interest and Commission Income (***)	13.731	112	-	26	73	29

**Prior Period**

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group (**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and Other Receivables</b>						
Balance at the Beginning of the Period	155.953	11.315	-	21.651	-	964
Balance at the End of the Period	264.052	5.896	1.179	-	1.252	1.586
Interest and Commission Income (***)	11.808	152	-	3	23	19

(\*) 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 Decemer 31, 2016 balance.

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

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group (**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Deposits</b>						
Balance at the Beginning of the Period	89.151	265.905	-	-	179.718	258.905
Balance at the End of the Period	568.454	89.151	-	-	170.306	179.718
Interest on deposits (***)	66.551	10.639	-	-	15.903	15.743

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

(\*\*) Includes the deposits taken to the Bank's indirect subsidiaries.

(\*\*\*) Prior Period Balance Represents Decemer 31, 2016 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	104.180	-	-	168.641	-	74.646
End of the Period	470.862	104.180	1.046	-	-	-
Total Income/Loss (***)	9.055	2.120	(19)	-	-	-
<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 derivative transactions between the Bank's indirect subsidiaries.

(\*\*\*) Prior Period Balance Represents December 31, 2016 balance.

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

As of December 31, 2017, the total amount of remuneration and bonuses paid to top management of the Bank is TL 82.697 (December 31, 2016 – TL 63.247).

**2. Disclosures of transactions with the Bank's risk group**

**2.1. Relations with entities in the risk group of / or controlled by the Bank regardless of the nature of relationship among the parties**

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

**2.2. In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other**

As of December 31, 2017, cash loans of the risk group represented 0,4% of the Bank's total cash loans (December 31, 2016 – 0,4%), the deposits represented 1,1% of the Bank's total deposits (December 31, 2016-0,5%) and derivative transactions represented 0,2% of the Bank's total derivative transactions (December 31, 2016 – 0%).

**2.3. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts**

The Bank enters into finance lease agreements with Finans Finansal Kiralama A.Ş. As of December 31, 2017, the Bank has net finance lease payables to Finans Finansal Kiralama A.Ş. amounting to TL 6.699 (December 31, 2016 - TL 940) relating with finance lease agreements.

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

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

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

The Bank provides agency services to Cigna Finans Emeklilik ve Hayat A.Ş., which is a jointly controlled entity with 49,00% shares held by the Bank.

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VIII. EXPLANATIONS ON THE BANK'S DOMESTIC, FOREIGN AND OFF-SHORE BANKING BRANCHES AND FOREIGN REPRESENTATIVES

1. Information relating to the bank's domestic and foreign branch and representatives

	Number	Employees			
Domestic Branch	579	12.007			
Foreign Representation	-	-			
				Total Assets	Capital
Foreign Branch	1	8	1- Bahreyn	17.566.520	-
Off-shore Banking and Region Branches	-	-	-	-	-

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**SECTION SIX**  
**OTHER EXPLANATIONS AND DISCLOSURES**

**I. Other explanations related to the Bank's operations**

**1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements**

The Bank made a bond issuances at a nominal amount of TL 185.200 having 14,20% interest rate with 88 days maturity and at a nominal amount of TL 329,650 having 14,50% interest rate with 84 days maturity on January 5, 2018 and at a nominal amount of TL 227,550 having 14,45% interest rate with 84 days maturity on January 12, 2018 and at a nominal amount TL 396,900 having 14,35% interest with 75 days maturity on January 18, 2018 and at a nominal amount TL 90,000 having 14,60% interest with 175 days maturity and at a nominal amount TL 150,500 having 14,35% interest with 84 days maturity on January 19, 2018 and at a nominal amount TL 160,900 having 14,20% interest with 83 days maturity on January 24, 2018 and at a nominal amount TL 103,200 having 14,35% interest with 84 days maturity on January 26, 2018 and at a nominal amount of TL 294,000 having 14,31% interest rate with 92 days maturity on January 31, 2018 and at a nominal amount of TL 168.400 having 14,35% interest rate with 77 days maturity on February 2, 2018.

**2. Information about effects of significant changes in foreign exchange rates after balance sheet date that would affect decision making process of users and foreign operations of the bank**

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

**3. Other matters**

According to the decision dated January 17, 2018 which was taken by the General Assembly, "The Bank's trade name is changed from FİNANS BANK A.Ş to QNB FİNANSBANK A.Ş as of January 19, 2018.

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

**QNB FİNANSBANK ANONİM ŞİRKETİ**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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

**SECTION SEVEN**

**INDEPENDENT AUDIT REPORT**

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

The unconsolidated financial statements for the year ended December 31, 2017 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor's report dated February 2, 2018 is presented preceding the unconsolidated financial statements.

**II. Explanations and notes prepared by Independent Auditors**

None (December 31, 2016 – None).