

QNB FİNANSBANK ANONİM ŞİRKETİ

INDEPENDENT AUDITOR’S LIMITED REVIEW REPORT, UNCONSOLIDATED FINANCIAL STATEMENTS, NOTES AND INTERIM ACTIVITY REPORT FOR THE NINE MONTH PERIOD THEN SEPTEMBER 30, 2018

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

INTERIM REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To the Board of Directors of QNB Finansbank A.Ş.

Introduction

We have reviewed the unconsolidated balance sheet of QNB Finansbank A.Ş. (“the Bank”) at September 30, 2018 and the related unconsolidated income statement, unconsolidated statement of profit and loss accounted for under equity, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine-month period then ended. The Bank Management is responsible for the preparation and fair presentation of these unconsolidated interim financial information in accordance with the “Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Legislation” which includes the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 “Interim Financial Reporting” principles for those matters not regulated by the aforementioned legislations. Our responsibility is to express a conclusion on these unconsolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of QNB Finansbank A.Ş. at September 30, 2018 and of the results of its operations and its cash flows for the nine-month period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation

Report on other regulatory requirements arising from legislation

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

Additional paragraph for convenience translation to English:

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

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

Damla Harman, SMMM
Partner

October 26, 2018
İstanbul, Türkiye

**THE UNCONSOLIDATED FINANCIAL REPORT OF QNB FINANSBANK A.Ş.
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2018**

The Bank's;
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The unconsolidated financial report for the nine-month period then ended September 30, 2018, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

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

The accompanying unconsolidated financial statements and related disclosures and footnotes for the nine-month period ended September 30, 2018, are prepared and independently limited reviewed in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances, and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying unconsolidated financial statements are presented in **thousands of Turkish Lira (TL)**.

Ömer A. Aras
Chairman of
the Board of Directors

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

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

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

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

Temel Güzelöğlu
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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QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2018
(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 (QNB Finans Yatırım Menkul Değerler A.Ş., QNB Finans Portföy Yönetimi A.Ş., QNB Finans Finansal Kiralama A.Ş. and Cigna Finans Emeklilik ve Hayat A.Ş.) Before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016.

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

99,88% of shares of QNB Finansbank A.Ş. are controlled by Qatar National Bank as of September 30, 2018 and remaining 0,12% of related shares are public shares.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD THEN ENDED SEPTEMBER 30, 2018
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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

Name	Title	Date of Appointment	Education
Dr. Ömer A. Aras	Chairman	April 16, 2010	Phd
Sinan Şahinbaş	Deputy Chairman and Executive Member	April 16, 2010	Masters
Ali Teoman Kerman	Board Member and Chairman of the Audit Committee	April 16, 2013	Masters
Ramzi Talat A. Mari	Board Member and Audit Committee Member	June 16, 2016	Masters
Fatma Abdulla S.S. Al-Suwaidi	Board Member	June 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 and Audit Committee 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
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
Engin Turhan	Executive Vice President	June 14, 2016	Masters
Cumhur Türkmen	Executive Vice President	June 11, 2018	Graduate
Ahmet Erzenin	Head of the Department of Internal Control and Compliance	September 12, 2012	Graduate
Bülent Yurdalan	Head of Department of Internal Systems	August 6, 2013	Graduate
Ersin Emir	Head of Internal Audit	February 18, 2011	Masters
Zeynep Aydın Demirkıran	Head of 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 September 30, 2018, the Bank operates through 540 domestic (December 31, 2017 – 578), 1 abroad (December 31, 2017 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2017 – 1) branches. As of September 30, 2018, the Bank has 12.079 employees (December 31, 2017 - 12.007 employees).

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

QNB FİNANSBANK ANONİM ŞİRKETİ
BALANCE SHEET FOR THE NINE MONTH PERIOD
THEN ENDED SEPTEMBER 30, 2018 (STATEMENT OF FINANCIAL POSITION)
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

I. BALANCE SHEET – ASSETS

				Reviewed 30.09.2018	
		Section 5 Part I	TL	FC	Total
I.	FINANCIAL ASSETS (NET)		36.275.043	34.127.226	70.402.269
1.1	Cash and Cash Equivalents		1.943.973	22.829.458	24.773.431
1.1.1	Cash and Balances with Central Bank	(1)	1.935.785	20.962.061	22.897.846
1.1.2	Banks	(3)	8.188	1.867.397	1.875.585
1.1.3	Money Markets	(4)	-	-	-
1.2	Financial Assets at Fair Value Through Profit or Loss	(2)	23.153	23.109	46.262
1.2.1	Government Debt Securities		15.680	23.109	38.789
1.2.2	Equity Securities		-	-	-
1.2.3	Other Financial Assets		7.473	-	7.473
1.3	Financial Assets at Fair Value Through Other Comprehensive Income	(5)	4.303.967	4.327.482	8.631.449
1.3.1	Government Debt Securities		4.299.055	4.154.122	8.453.177
1.3.2	Equity Securities		4.912	148.782	153.694
1.3.3	Other Financial Assets		-	24.578	24.578
1.4	Financial Assets Measured at Amortized Cost	(7)	6.978.512	5.573.680	12.552.192
1.4.1	Government Debt Securities		6.978.512	4.605.317	11.583.829
1.4.2	Other Financial Assets		-	968.363	968.363
1.5	Derivative Financial Assets	(12)	23.103.082	1.373.497	24.476.579
1.5.1	Derivative Financial Assets at Fair Value Through Profit or Loss		17.974.144	1.113.766	19.087.910
1.5.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		5.128.938	259.731	5.388.669
1.6	Non-Performing Financial Assets		-	-	-
1.7	Expected Loss Provision (-)		77.644	-	77.644
II.	LOANS (NET)	(6)	66.742.786	33.496.746	100.239.532
2.1	Loans		68.458.119	33.496.746	101.954.865
2.1.1	Measured at Amortized Cost		68.458.119	33.496.746	101.954.865
2.1.2	Fair Value Through Profit or Loss		-	-	-
2.1.3	Fair Value Through Other Comprehensive Income		-	-	-
2.2	Lease Receivables	(11)	-	-	-
2.2.1	Financial Lease Receivables		-	-	-
2.2.2	Operating Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		-	-	-
2.3	Factoring Receivables		-	-	-
2.3.1	Measured at Amortized Cost		-	-	-
2.3.2	Fair Value Through Profit or Loss		-	-	-
2.3.3	Fair Value Through Other Comprehensive Income		-	-	-
2.4	Non-Performing Loans		5.074.690	-	5.074.690
2.5	Expected Credit Loss (-)		6.790.023	-	6.790.023
2.5.1	12 Month Expected Credit Losses (Stage I)		1.086.853	-	1.086.853
2.5.2	Significant Increase in Credit Risk (Stage II)		1.702.875	-	1.702.875
2.5.3	Credit-Impaired Losses (Stage III / Special Provision)		4.000.295	-	4.000.295
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(15)	-	-	-
3.1	Held for Sale Purpose		-	-	-
3.2	Related to Discontinued Operations		-	-	-
IV.	EQUITY INVESTMENTS		923.418	-	923.418
4.1	Investments in Associates (Net)	(8)	5.982	-	5.982
4.1.1	Associates Valued Based on Equity Method		-	-	-
4.1.2	Unconsolidated Associates		5.982	-	5.982
4.2	Subsidiaries (Net)	(9)	762.667	-	762.667
4.2.1	Unconsolidated Financial Subsidiaries		724.621	-	724.621
4.2.2	Unconsolidated Non-Financial Subsidiaries		38.046	-	38.046
4.3	Joint Ventures (Net)	(10)	154.769	-	154.769
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2	Unconsolidated Joint Ventures		154.769	-	154.769
V.	PROPERTY AND EQUIPMENT (Net)		2.780.947	108	2.781.055
VI.	INTANGIBLE ASSETS (Net)		351.116	-	351.116
6.1	Goodwill		-	-	-
6.2	Other		351.116	-	351.116
VII.	INVESTMENT PROPERTY (Net)	(13)	-	-	-
VIII.	CURRENT TAX ASSET	(14)	-	-	-
IX.	DEFERRED TAX ASSET	(14)	651.107	-	651.107
X.	OTHER ASSETS	(16)	1.803.986	3.723.104	5.527.090
TOTAL ASSETS			109.528.403	71.347.184	180.875.587

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
BALANCE SHEET FOR THE NINE MONTH PERIOD
THEN ENDED SEPTEMBER 30, 2018 (STATEMENT OF FINANCIAL POSITION)
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

I. BALANCE SHEET – ASSETS

		Audited 31.12.2017		
	Section 5 Part I	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	2.130.940	13.751.332	15.882.272
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	(2)	2.284.916	252.410	2.537.326
2.1 Financial assets held for trading		2.274.337	252.410	2.526.747
2.1.1 Public sector debt securities		16.093	8.355	24.448
2.1.2 Equity securities		-	-	-
2.1.3 Assets on trading derivatives		2.258.244	244.055	2.502.299
2.1.4 Other securities		-	-	-
2.2 Financial assets at fair value through profit and loss		10.579	-	10.579
2.2.1 Public sector debt securities		-	-	-
2.2.2 Equity securities		-	-	-
2.2.3 Loans		10.579	-	10.579
2.2.4 Other securities		-	-	-
III. BANKS	(3)	13.720	1.279.045	1.292.765
IV. MONEY MARKET PLACEMENTS		115.504	-	115.504
4.1 Interbank money market placements		1.029	-	1.029
4.2 Istanbul Stock Exchange money market placements		114.475	-	114.475
4.3 Receivables from reverse repurchase agreements	(4)	-	-	-
V. INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)	(5)	5.120.108	3.229.602	8.349.710
5.1 Equity securities		4.912	70.891	75.803
5.2 Public sector debt securities		5.115.196	3.143.191	8.258.387
5.3 Other securities		-	15.520	15.520
VI. LOANS AND RECEIVABLES	(6)	63.442.004	19.230.476	82.672.480
6.1 Loans and receivables		62.641.721	19.230.476	81.872.197
6.1.1 Loans to risk group of the Bank		253.581	78.113	331.694
6.1.2 Public sector debt securities		-	-	-
6.1.3 Other		62.388.140	19.152.363	81.540.503
6.2 Non-performing loans		4.330.104	-	4.330.104
6.3 Specific provisions (-)		3.529.821	-	3.529.821
VII. FACTORING RECEIVABLES		-	-	-
VIII. INVESTMENT SECURITIES HELD TO MATURITY (Net)	(7)	3.740.199	3.428.465	7.168.664
8.1 Public sector debt securities		3.740.199	2.826.843	6.567.042
8.2 Other securities		-	601.622	601.622
IX. INVESTMENT IN ASSOCIATES (Net)	(8)	3.766	-	3.766
9.1 Equity method associates		-	-	-
9.2 Unconsolidated		3.766	-	3.766
9.2.1 Financial Investments		-	-	-
9.2.2 Non-financial Investments		3.766	-	3.766
X. INVESTMENT IN SUBSIDIARIES (Net)	(9)	742.967	-	742.967
10.1 Unconsolidated financial investments		724.921	-	724.921
10.2 Unconsolidated non-financial investments		18.046	-	18.046
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)	(10)	154.769	-	154.769
11.1 Equity method entities under common control		-	-	-
11.2 Unconsolidated		154.769	-	154.769
11.2.1 Financial investments		151.969	-	151.969
11.2.2 Non-financial Investments		2.800	-	2.800
XII. LEASE RECEIVABLES (Net)	(11)	-	-	-
12.1 Financial lease receivables		-	-	-
12.2 Operational lease receivables		-	-	-
12.3 Others		-	-	-
12.4 Unearned income (-)		-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS HEDGING PURPOSES	(12)	2.875.719	48.158	2.923.877
13.1 Fair value hedge		1.964.761	14.483	1.979.244
13.2 Cash flow hedge		910.958	33.675	944.633
13.3 Hedging of a net investment in foreign subsidiaries		-	-	-
XIV. TANGIBLE ASSETS (Net)		1.937.691	43	1.937.734
XV. INTANGIBLE ASSETS (Net)		329.097	-	329.097
15.1 Goodwill		-	-	-
15.2 Others		329.097	-	329.097
XVI. INVESTMENT PROPERTIES (Net)	(13)	-	-	-
XVII. TAX ASSETS	(14)	-	-	-
17.1 Current tax assets		-	-	-
17.2 Deferred tax assets		-	-	-
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(15)	-	-	-
18.1 Assets held for sale		-	-	-
18.2 Discontinued operations		-	-	-
XIX. OTHER ASSETS	(16)	1.331.984	414.255	1.746.239
TOTAL ASSETS		84.223.384	41.633.786	125.857.170

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QNB FİNANSBANK ANONİM ŞİRKETİ
BALANCE SHEET FOR THE NINE MONTH PERIOD
THEN ENDED SEPTEMBER 30, 2018 (STATEMENT OF FINANCIAL POSITION)
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

I. BALANCE SHEET – LIABILITIES AND EQUITY

		Reviewed 30.09.2018		
	Section 5 Part II	TL	FC	Total
I. DEPOSITS	(1)	37.737.049	51.495.772	89.232.821
II. FUNDS BORROWED	(3)	129.944	25.167.905	25.297.849
III. MONEY MARKETS	(4)	1.111.964	5.867.371	6.979.335
IV. SECURITIES ISSUED (Net)	(5)	2.261.186	7.508.182	9.769.368
4.1 Bills		2.156.124	-	2.156.124
4.2 Asset Backed Securities		-	-	-
4.3 Bonds		105.062	7.508.182	7.613.244
V. FUNDS		-	-	-
5.1 Borrower Funds		-	-	-
5.2 Other		-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES		11.708.529	1.201.152	12.909.681
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss	(2)	11.681.581	1.179.533	12.861.114
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(8)	26.948	21.619	48.567
VIII. FACTORING LIABILITIES		-	-	-
IX. LEASE LIABILITIES (Net)	(7)	2	7.877	7.879
9.1 Financial Lease		20	8.494	8.514
9.2 Operating Lease		-	-	-
9.3 Other		-	-	-
9.4 Deferred Financial Lease Expenses (-)		18	617	635
X. PROVISIONS	(9)	715.399	-	715.399
10.1 Restructuring Provisions		-	-	-
10.2 Reserve for Employee Benefits		371.475	-	371.475
10.3 Insurance Technical Provisions (Net)		-	-	-
10.4 Other Provisions		343.924	-	343.924
XI. CURRENT TAX LIABILITY	(10)	585.112	-	585.112
XII. DEFERRED TAX LIABILITY		-	-	-
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(11)	-	-	-
13.1 Held for Sale Purpose		-	-	-
13.2 Related to Discontinued Operations		-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(12)	-	5.647.169	5.647.169
14.1 Loans		-	5.647.169	5.647.169
14.2 Other Debt Instruments		-	-	-
XV. OTHER LIABILITIES		3.957.748	11.767.240	15.724.988
XVI. SHAREHOLDERS' EQUITY		14.423.607	(417.621)	14.005.986
16.1 Paid-in capital	(13)	3.350.000	-	3.350.000
16.2 Capital Reserves	(14)	714	-	714
16.2.1 Share Premium		714	-	714
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		-	-	-
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		311.317	68.150	379.467
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		845.614	(485.771)	359.843
16.5 Profit Reserves		8.167.205	-	8.167.205
16.5.1 Legal Reserves		584.870	-	584.870
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		7.582.335	-	7.582.335
16.5.4 Other Profit Reserves		-	-	-
16.6 Income or Loss		1.748.757	-	1.748.757
16.6.1 Prior Periods' Income or Loss		-	-	-
16.6.2 Current Period Income or Loss		1.748.757	-	1.748.757
16.7 Minority Shareholder		-	-	-
TOTAL LIABILITIES		72.630.540	108.245.047	180.875.587

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QNB FİNANSBANK ANONİM ŞİRKETİ
BALANCE SHEET FOR THE NINE MONTH PERIOD
THEN ENDED SEPTEMBER 30, 2018 (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		
		Section5 Part II	TL	FC
				Total
I. DEPOSITS	(1)	34.622.366	33.019.129	67.641.495
1.1 Deposits from risk group of the Bank		659.786	78.974	738.760
1.2 Other		33.962.580	32.940.155	66.902.735
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	1.871.878	198.892	2.070.770
III. FUNDS BORROWED	(3)	114.947	16.158.820	16.273.767
IV. MONEY MARKET BORROWINGS		1.858.565	4.631.256	6.489.821
4.1 Interbank money markets takings		-	-	-
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
V. SECURITIES ISSUED (Net)	(5)	3.079.753	4.833.817	7.913.570
5.1 Bills		2.975.932	57.156	3.033.088
5.2 Asset backed securities		-	-	-
5.3 Bonds		103.821	4.776.661	4.880.482
VI. FUNDS		-	-	-
6.1 Borrower funds		-	-	-
6.2 Other		-	-	-
VII. SUNDRY CREDITORS		2.637.390	3.257.730	5.895.120
VIII. OTHER LIABILITIES	(6)	574.219	277.455	851.674
IX. FACTORING PAYABLES		-	-	-
X. LEASE PAYABLES (Net)	(7)	47	6.652	6.699
10.1 Financial lease payables		70	7.310	7.380
10.2 Operational lease payables		-	-	-
10.3 Others		-	-	-
10.4 Deferred financial lease expenses (-)		23	658	681
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(8)	296.819	232.504	529.323
11.1 Fair value hedge		16.615	197.837	214.452
11.2 Cash flow hedge		280.204	34.667	314.871
11.3 Hedge of net investments in foreign subsidiaries		-	-	-
XII. PROVISIONS	(9)	2.060.459	-	2.060.459
12.1 General provisions		1.396.268	-	1.396.268
12.2 Restructuring provisions		-	-	-
12.3 Reserve for employee benefits		357.044	-	357.044
12.4 Insurance technical provisions (Net)		-	-	-
12.5 Other provisions		307.147	-	307.147
XIII. TAX LIABILITY	(10)	458.233	-	458.233
13.1 Current tax liability		405.169	-	405.169
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
XVI. SHAREHOLDERS' EQUITY		12.308.551	(153.149)	12.155.402
16.1 Paid-in capital	(13)	3.350.000	-	3.350.000
16.2 Capital reserves		481.633	(153.149)	328.484
16.2.1 Share Premium	(14)	714	-	714
16.2.2 Share cancellation profits		-	-	-
16.2.3 Securities value increase fund	(15)	335.581	(176.412)	159.169
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
16.2.8 Hedging funds (effective portion)		208.629	23.263	231.892
16.2.9 Accumulated valuation differences from assets held for sale and discontinued operations		-	-	-
16.2.10 Other capital reserves		(65.980)	-	(65.980)
16.3 Profit reserves		6.873.477	-	6.873.477
16.3.1 Legal reserves		504.698	-	504.698
16.3.2 Status reserves		-	-	-
16.3.3 Extraordinary reserves		6.368.779	-	6.368.779
16.3.4 Other profit reserves		-	-	-
16.4 Profit or loss		1.603.441	-	1.603.441
16.4.1 Prior years' income/ (losses)		-	-	-
16.4.2 Current period income/ (loss)		1.603.441	-	1.603.441
TOTAL LIABILITIES AND EQUITY		59.883.227	65.973.943	125.857.170

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QNB FİNANSBANK ANONİM ŞİRKETİ
STATEMENT OF OFF-BALANCE SHEET FOR THE NINE MONTH PERIOD
THEN ENDED SEPTEMBER 30, 2018

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

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

		Reviewed 30.09.2018			
		Section 5 Part III	TL	FC	Total
A.	OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		147.082.753	221.635.500	368.718.253
I.	GUARANTEES	(1), (2), (3),(4)	9.375.490	17.550.267	26.925.757
1.1.	Letters of guarantee		9.362.871	10.224.243	19.587.114
1.1.1.	Guarantees subject to State Tender Law		373.832	47.999	421.831
1.1.2.	Guarantees given for foreign trade operations		4.639.033	10.176.244	14.815.277
1.1.3.	Other letters of guarantee		4.350.006	-	4.350.006
1.2.	Bank loans		11.812	5.226.996	5.238.808
1.2.1.	Import letter of acceptance		11.812	5.226.996	5.238.808
1.2.2.	Other bank acceptances		-	-	-
1.3.	Letters of credit		807	2.099.028	2.099.835
1.3.1.	Documentary letters of credit		807	1.925.760	1.926.567
1.3.2.	Other letters of credit		-	173.268	173.268
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		62.328.334	3.144.723	65.473.057
2.1.	Irrevocable commitments	(1)	36.627.634	3.144.723	39.772.357
2.1.1.	Forward asset purchase commitments		503.996	2.601.051	3.105.047
2.1.2.	Forward deposit purchase and sales commitments		-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-
2.1.4.	Loan granting commitments		11.136.626	608	11.137.234
2.1.5.	Securities underwriting commitments		-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-
2.1.7.	Payment commitment for checks		2.382.433	-	2.382.433
2.1.8.	Tax and fund liabilities from export commitments		24.862	-	24.862
2.1.9.	Commitments for credit card expenditure limits		21.787.550	-	21.787.550
2.1.10.	Commitments for promotions related with credit cards and banking activities		28.226	-	28.226
2.1.11.	Receivables from short sale commitments		-	-	-
2.1.12.	Payables for short sale commitments		-	-	-
2.1.13.	Other irrevocable commitments		763.941	543.064	1.307.005
2.2.	Revocable commitments		25.700.700	-	25.700.700
2.2.1.	Revocable loan granting commitments		25.700.700	-	25.700.700
2.2.2.	Other revocable commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(5), (6)	75.378.929	200.940.510	276.319.439
3.1	Derivative financial instruments for hedging purposes		18.981.885	55.715.423	74.697.308
3.1.1	Fair value hedge		5.999.908	22.016.593	28.016.501
3.1.2	Cash flow hedge		12.981.977	33.698.830	46.680.807
3.1.3	Hedge of net investment in foreign operations		-	-	-
3.2	Held for trading transactions		56.397.044	145.225.087	201.622.131
3.2.1	Forward foreign currency buy/sell transactions		4.502.142	8.045.369	12.547.511
3.2.1.1	Forward foreign currency transactions-buy		2.156.835	4.121.908	6.278.743
3.2.1.2	Forward foreign currency transactions-sell		2.345.307	3.923.461	6.268.768
3.2.2	Swap transactions related to foreign currency and interest rates		44.684.128	126.512.644	171.196.772
3.2.2.1	Foreign currency swap-buy		17.812.011	44.046.434	61.858.445
3.2.2.2	Foreign currency swap-sell		26.872.117	35.682.452	62.554.569
3.2.2.3	Interest rate swaps-buy		-	23.391.879	23.391.879
3.2.2.4	Interest rate swaps-sell		-	23.391.879	23.391.879
3.2.3	Foreign currency, interest rate and securities options		7.203.164	9.503.301	16.706.465
3.2.3.1	Foreign currency options-buy		3.140.259	5.373.899	8.514.158
3.2.3.2	Foreign currency options-sell		4.062.905	4.129.402	8.192.307
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		7.610	282.869	290.479
3.2.4.1	Foreign currency futures-buy		7.418	137.963	145.381
3.2.4.2	Foreign currency futures-sell		192	144.906	145.098
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		-	880.904	880.904
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		670.581.910	189.832.180	860.414.090
IV.	ITEMS HELD IN CUSTODY		9.141.730	4.097.014	13.238.744
4.1.	Assets under management		2.361.436	-	2.361.436
4.2.	Investment securities held in custody		622.884	2.571.321	3.194.205
4.3.	Checks received for collection		4.744.448	649.721	5.394.169
4.4.	Commercial notes received for collection		1.412.962	399.375	1.812.337
4.5.	Other assets received for collection		-	-	-
4.6.	Assets received for public offering		-	-	-
4.7.	Other items under custody		-	476.597	476.597
4.8.	Custodians		-	-	-
V.	PLEDGED ITEMS		400.245.935	112.614.010	512.859.945
5.1.	Marketable securities		2.627.504	9.882.503	12.510.007
5.2.	Guarantee notes		434.686	179.210	613.896
5.3.	Commodity		62.690	-	62.690
5.4.	Warranty		-	-	-
5.5.	Properties		89.364.926	63.645.450	153.010.376
5.6.	Other pledged items		307.756.129	38.906.847	346.662.976
5.7.	Pledged items-depository		-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		261.194.245	73.121.156	334.315.401
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)			817.664.663	411.467.680	1.229.132.343

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QNB FİNANSBANK ANONİM ŞİRKETİ
STATEMENT OF OFF-BALANCE SHEET FOR THE NINE MONTH PERIOD
THEN ENDED SEPTEMBER 30, 2018

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

II. STATEMENT OF OFF-BALANCE COMMITMENTS AND CONTINGENCIES

			Audited 31.12.2017			
			Section 5			
			Part III	TL	FC	Total
A.	OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)			133.468.990	133.002.912	266.471.902
I.	GUARANTEES	(1), (2), (3),(4)		8.839.416	10.475.633	19.315.049
1.1.	Letters of guarantee			8.818.479	5.700.387	14.518.866
1.1.1.	Guarantees subject to State Tender Law			426.846	30.598	457.444
1.1.2.	Guarantees given for foreign trade operations			4.699.770	5.669.789	10.369.559
1.1.3.	Other letters of guarantee			3.691.863	-	3.691.863
1.2.	Bank loans			19.991	2.992.901	3.012.892
1.2.1.	Import letter of acceptance			19.991	2.992.901	3.012.892
1.2.2.	Other bank acceptances			-	-	-
1.3.	Letters of credit			946	1.782.345	1.783.291
1.3.1.	Documentary letters of credit			946	1.713.499	1.714.445
1.3.2.	Other letters of credit			-	68.846	68.846
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
2.1.	Irrevocable commitments	(1)		31.229.725	2.408.863	33.638.588
2.1.1.	Forward asset purchase commitments			992.621	1.883.881	2.876.502
2.1.2.	Forward deposit purchase and sales commitments			-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries			-	-	-
2.1.4.	Loan granting commitments			9.774.194	381	9.774.575
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
2.1.8.	Tax and fund liabilities from export commitments			15.358	-	15.358
2.1.9.	Commitments for credit card expenditure limits			17.115.833	-	17.115.833
2.1.10.	Commitments for promotions related with credit cards and banking activities			45.880	-	45.880
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
2.2.	Revocable commitments			20.014.047	-	20.014.047
2.2.1.	Revocable loan granting commitments			20.014.047	-	20.014.047
2.2.2.	Other revocable commitments			-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(5), (6)		73.385.802	120.118.416	193.504.218
3.1	Derivative financial instruments for hedging purposes			21.810.180	31.752.593	53.562.773
3.1.1	Fair value hedge			4.973.074	13.303.877	18.276.951
3.1.2	Cash flow hedge			16.837.106	18.448.716	35.285.822
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
3.2.1	Forward foreign currency buy/sell transactions			4.523.196	6.139.645	10.662.841
3.2.1.1	Forward foreign currency transactions-buy			1.583.405	3.700.991	5.284.396
3.2.1.2	Forward foreign currency transactions-sell			2.939.791	2.438.654	5.378.445
3.2.2	Swap transactions related to foreign currency and interest rates			43.402.634	77.385.816	120.788.450
3.2.2.1	Foreign currency swap-buy			20.224.643	30.250.673	50.475.316
3.2.2.2	Foreign currency swap-sell			23.177.991	26.854.475	50.032.466
3.2.2.3	Interest rate swaps-buy			-	10.140.334	10.140.334
3.2.2.4	Interest rate swaps-sell			-	10.140.334	10.140.334
3.2.3	Foreign currency, interest rate and securities options			3.626.434	4.025.073	7.651.507
3.2.3.1	Foreign currency options-buy			1.485.641	2.325.582	3.811.223
3.2.3.2	Foreign currency options-sell			2.140.793	1.699.491	3.840.284
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
3.2.4.1	Foreign currency futures-buy			23.358	81.855	105.213
3.2.4.2	Foreign currency futures-sell			-	104.718	104.718
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
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)			616.043.148	110.258.036	726.301.184
IV.	ITEMS HELD IN CUSTODY			10.275.742	1.561.318	11.837.060
4.1.	Assets under management			3.057.959	-	3.057.959
4.2.	Investment securities held in custody			1.916.543	637.461	2.554.004
4.3.	Checks received for collection			4.120.187	423.509	4.543.696
4.4.	Commercial notes received for collection			1.181.053	198.922	1.379.975
4.5.	Other assets received for collection			-	-	-
4.6.	Assets received for public offering			-	-	-
4.7.	Other items under custody			-	301.426	301.426
4.8.	Custodians			-	-	-
V.	PLEDGED ITEMS			369.834.726	64.199.119	434.033.845
5.1.	Marketable securities			1.973.989	6.076.387	8.050.376
5.2.	Guarantee notes			338.396	110.531	448.927
5.3.	Commodity			58.875	-	58.875
5.4.	Warranty			-	-	-
5.5.	Properties			85.341.634	36.591.013	121.932.647
5.6.	Other pledged items			282.121.832	21.421.188	303.543.020
5.7.	Pledged items-depository			-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES			235.932.680	44.497.599	280.430.279
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)				749.512.138	243.260.948	992.773.086

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QNB FİNANSBANK ANONİM ŞİRKETİ
STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY FOR THE NINE
MONTH PERIOD THEN ENDED SEPTEMBER 30, 2018 (STATEMENT OF INCOME/LOSS)
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

III. INCOME STATEMENT

	Section 5 Part IV	Reviewed 01.01 - 30.09.2018	Reviewed 01.07 - 30.09.2018
I. INTEREST INCOME	(1)	11.241.290	4.458.536
1.1 Interest income on loans		9.593.226	3.788.034
1.2 Interest income on reserve deposits		140.463	54.803
1.3 Interest income on banks		165.792	44.596
1.4 Interest income on money market transactions		34.015	5.462
1.5 Interest income on securities portfolio		1.301.994	563.768
1.5.1 Financial assets measured at FVTPL		1.659	430
1.5.2 Financial assets measured at FVOCI		565.425	222.119
1.5.3 Financial assets measured at amortized cost		734.910	341.219
1.6 Financial lease income		-	-
1.7 Other interest income		5.800	1.873
II. INTEREST EXPENSE (-)	(2)	5.827.424	2.416.752
2.1 Interest on deposits		4.171.281	1.733.234
2.2 Interest on funds borrowed		787.002	355.634
2.3 Interest on money market transactions		249.756	99.933
2.4 Interest on securities issued		613.208	227.990
2.5 Other interest expenses		6.177	(39)
III. NET INTEREST INCOME (I - II)		5.413.866	2.041.784
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		1.491.420	521.043
4.1 Fees and commissions received		1.868.002	676.417
4.1.1 Non-cash loans		80.023	29.604
4.1.2 Others		1.787.979	646.813
4.2 Fees and commissions paid (-)		376.582	155.374
4.2.1 Non-cash loans		748	187
4.2.2 Others		375.834	155.187
V. PERSONNEL EXPENSES (-)	(7)	1.044.589	367.002
VI. DIVIDEND INCOME	(3)	50.891	658
VII. NET TRADING INCOME/LOSSES (Net)	(4)	(1.076.832)	(284.063)
7.1 Trading account income/losses		12.925	3.952
7.2 Gain/losses from derivative financial instruments		1.052.918	1.128.150
7.3 Foreign exchange gains/losses		(2.142.675)	(1.416.165)
VIII. OTHER OPERATING INCOME	(5)	46.067	16.424
IX. TOTAL OPERATING PROFIT (III+IV+V+VI+VII+VIII)		4.880.823	1.928.844
X. EXPECTED CREDIT LOSSES (-)	(6)	1.242.376	649.017
XI. OTHER OPERATING EXPENSES (-)	(7)	1.442.885	517.307
XII. NET OPERATING PROFIT/LOSS (IX-X-XI)		2.195.562	762.520
XIII. INCOME RESULTED FROM MERGERS		-	-
XIV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XVI. OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)	(8)	2.195.562	762.520
XVII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)	(9)	(446.805)	(146.799)
17.1 Current tax charge		(764.318)	(382.079)
17.2 Deferred tax charge (+)		933.307	488.019
17.3 Deferred tax credit (-)		(615.794)	(252.739)
XVIII. NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)	(10)	1.748.757	615.721
XIX. INCOME FROM DISCONTINUED OPERATIONS		-	-
19.1 Income from assets held for sale		-	-
19.2 Income from sale of associates, subsidiaries and joint-ventures		-	-
19.3 Others		-	-
XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
20.1 Expenses on assets held for sale		-	-
20.2 Expenses on sale of associates, subsidiaries and joint-ventures		-	-
20.3 Others		-	-
XXI. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)		-	-
XXII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)		-	-
22.1 Current tax charge		-	-
22.2 Deferred tax charge (+)		-	-
22.3 Deferred tax credit (-)		-	-
XXIII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)		-	-
XXIV. NET PROFIT/LOSS (XVIII+XXIII)	(11)	1.748.757	615.721
24.1 Profit/Loss of the bank		1.748.757	615.721
24.2 Minority interest		-	-
Earnings Per Share		0,05220	0,01838

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QNB FİNANSBANK ANONİM ŞİRKETİ
STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY FOR THE NINE
MONTH PERIOD THEN ENDED SEPTEMBER 30, 2018 (STATEMENT OF INCOME/LOSS)
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

III. INCOME STATEMENT

			Reviewed 01.01 - 30.09.2017	Reviewed 01.07- 30.09.2017
		Section 5 Part IV		
I. INTEREST INCOME	(1)		7.855.459	2.872.636
1.1 Interest on loans			6.737.008	2.455.222
1.2 Interest received from reserve deposits			77.118	31.359
1.3 Interest received from banks			175.688	99.218
1.4 Interest received from money market placements			52.742	6.205
1.5 Interest received from marketable securities portfolio			807.997	279.658
1.5.1 Held-for-trading financial assets			3.372	1.408
1.5.2 Financial assets at fair value through profit and loss			1.646	440
1.5.3 Available-for-sale financial assets			409.400	142.691
1.5.4 Investments held-to-maturity			393.579	135.119
1.6 Finance lease income			-	-
1.7 Other interest income			4.906	974
II. INTEREST EXPENSE	(2)		3.697.808	1.471.942
2.1 Interest on deposits			2.868.994	1.172.966
2.2 Interest on funds borrowed			430.968	150.324
2.3 Interest on money market borrowings			106.872	35.429
2.4 Interest on securities issued			277.805	112.579
2.5 Other interest expense			13.169	644
III. NET INTEREST INCOME (I - II)			4.157.651	1.400.694
IV. NET FEES AND COMMISSIONS INCOME			1.247.244	429.668
4.1 Fees and commissions received			1.497.161	532.012
4.1.1 Non-cash loans			60.625	21.374
4.1.2 Other			1.436.536	510.638
4.2 Fees and commissions paid			249.917	102.344
4.2.1 Non-cash loans			1.049	95
4.2.2 Other			248.868	102.249
V. DIVIDEND INCOME	(3)		14.212	764
VI. NET TRADING INCOME	(4)		(991.130)	(361.792)
6.1 Securities trading gains/ (losses)			1.026	(1.708)
6.2 Gains / (losses) from financial derivatives transactions			(961.185)	(337.810)
6.3 Foreign exchange gains/ (losses)			(30.971)	(22.274)
VII. OTHER OPERATING INCOME	(5)		47.628	16.767
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)			4.475.605	1.486.101
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)		728.732	213.844
X. OTHER OPERATING EXPENSES (-)	(7)		2.188.682	743.015
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)			1.558.191	529.242
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER			-	-
XIII. GAIN / (LOSS) ON EQUITY METHOD			-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION			-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(8)		1.558.191	529.242
XVI. TAX CHARGE FOR CONTINUED OPERATIONS (±)	(9)		(325.318)	(106.336)
16.1 Current income tax charge			(90.474)	111.454
16.2 Deferred tax charge / benefit			(234.844)	(217.790)
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)		1.232.873	422.906
XVIII. INCOME ON DISCONTINUED OPERATIONS			-	-
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			-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)			-	-
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			-	-
XX. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)	(8)		-	-
XXI. TAX CHARGE FOR DISCONTINUED OPERATIONS (±)	(9)		-	-
21.1 Current income tax charge			-	-
21.2 Deferred tax charge / benefit			-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	(10)		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(11)		1.232.873	422.906
Earnings Per Share			0,03680	0,01262

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

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QNB FİNANSBANK ANONİM ŞİRKETİ
STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY FOR THE NINE
MONTH PERIOD THEN ENDED SEPTEMBER 30, 2018 (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

	Reviewed 01.01 – 30.09.2018
I. CURRENT PERIOD PROFIT/LOSS	1.748.757
II. OTHER COMPREHENSIVE INCOME	323.027
2.1 Other Income/Expense Items not to be Recycled to Profit or Loss	32.463
2.1.1 Revaluation Surplus on Tangible Assets	-
2.1.2 Revaluation Surplus on Intangible Assets	-
2.1.3 Defined Benefit Plans' Actuarial Gains/Losses	1.492
2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss	34.011
2.1.5 Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(3.040)
2.2 Other Income/Expense Items to be Recycled to Profit or Loss	290.564
2.2.1 Translation Differences	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(710.321)
2.2.3 Gains/losses from Cash Flow Hedges	1.085.635
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	-
2.2.5 Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6 Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	(84.750)
III. TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (X±XI)	2.071.784

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

	Reviewed 01.01 – 30.09.2017
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	338.399
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective Portion of Fair Value Differences)	24.640
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (Effective Portion of Fair Value Differences)	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY AS PER TURKISH ACCOUNTING STANDARDS	-
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(54.779)
X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	308.260
XI. PROFIT/LOSS	1.232.873
11.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	3.786
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes recycled to Income Statement	(1.279)
11.3 Transfer of hedge of net investments in foreign operations recycled to Income Statement	-
11.4 Other	1.230.366
XII. TOTAL PROFIT / LOSS ACCOUNTED FOR THE PERIOD (X ± XI)	1.541.133

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QNB FİNANSBANK ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE MONTH PERIOD
THEN ENDED SEPTEMBER 30, 2018
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Part 5 Section 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	Acc. Val. Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity
I. Prior period – 01.01 – 30.09.2017																	
Prior Period End Balance		3.150.000	-	714	-	444.527	-	5.425.540	(42.019)	-	1.203.410	(104.084)	-	2.689	45.551	-	10.126.328
Changes in period																	
II. Increase/decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	288.548	-	-	-	-	288.548
IV. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	19.712	-	19.712
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	19.712	-	19.712
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. The disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. The reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. The effect of change in associates' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Period net income/(loss)		-	-	-	-	-	-	-	-	1.232.873	-	-	-	-	-	-	1.232.873
XVIII. Profit distribution		-	-	-	-	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	(42.019)	1.232.873	-	184.464	-	2.689	65.263	-	11.667.461

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QNB FİNANSBANK ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE MONTH PERIOD
THEN ENDED SEPTEMBER 30, 2018

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss							Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss								
		Section 5	Paid-in	Share	Share	Other	Revaluation	Defined Benefit		Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at				Profit	Prior	Current	
Reviewed	Part V	Capital	Premium	Cancellation	Capital	Reserves	surplus on tangible and intangible assets	Plans' Actuarial Gains/Losses	Other ^(*)	Translation Differences	FVOCI	Other ^(**)	Reserves	Period's Profit/Loss	Period's Net Profit/Loss	Total Equity	
Current Period- 01.01 – 30.09.2018																	
I.	Prior Period End Balance	3.350.000	714	-	-	-	-	(65.980)	412.984	-	(251.126)	231.892	6.873.477	1.603.441	-	12.155.402	
II.	Correction made as per TAS 8 ^(***)	-	-	-	-	-	-	-	-	-	88.513	-	-	(209.713)	-	(121.200)	
2.1	Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	88.513	-	-	(209.713)	-	(121.200)	
III.	Adjusted Balances at Beginning of Period (I+II)	3.350.000	714	-	-	-	-	(65.980)	412.984	-	(162.613)	231.892	6.873.477	1.393.728	-	12.034.202	
IV.	Total Comprehensive Income	-	-	-	-	-	-	1.164	31.299	-	(562.507)	853.071	-	-	1.748.757	2.071.784	
V.	Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital Increase from Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increase/Decrease by Others Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	1.293.728	(1.393.728)	-	(100.000)	
11.1	Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(100.000)	-	(100.000)	
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	1.293.728	(1.293.728)	-	-	
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period (III+IV...+X+XI)		3.350.000	714	-	-	-	-	(64.816)	444.283	-	(725.120)	1.084.963	8.167.205	-	1.748.757	14.005.986	

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

^(**) Accumulated amount of cash flow hedge gains / losses, equity attributable to equity holders of the Group for profit or loss from other comprehensive income and other comprehensive income to be reclassified to other profit or loss

^(***) Effect of accounting policy adjustments as a result of TFRS 9 explained in related disclosures Section three part XXVII.

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
STATEMENT OF CASH FLOWS FOR THE NINE MONTH PERIOD
THEN ENDED SEPTEMBER 30, 2018
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Part 5 Section VI	Reviewed 01.01 – 30.09.2018
A. CASH FLOWS FROM / (TO) BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		8.504.963
1.1.1 Interest received		8.700.997
1.1.2 Interest paid		4.966.006
1.1.3 Dividend received		50.891
1.1.4 Fees and commissions received		1.869.083
1.1.5 Other income		46.067
1.1.6 Collections from previously written off loans		1.000.363
1.1.7 Payments to personnel and service suppliers		(1.891.469)
1.1.8 Taxes paid		(1.058.078)
1.1.9 Others		(5.178.897)
1.2 Changes in operating assets and liabilities		1.759.516
1.2.1 Net (increase) decrease in financial assets measured at fair value through profit/loss		(22.150)
1.2.2 Net (increase) decrease in due from banks		(969.669)
1.2.3 Net (increase) decrease in loans		(1.839.558)
1.2.4 Net (increase) decrease in other assets		(4.112.527)
1.2.5 Net increase (decrease) in bank deposits		619.058
1.2.6 Net increase (decrease) in other deposits		(920.183)
1.2.7 Net (increase) decrease in financial liabilities measured at fair value through profit/loss		-
1.2.8 Net increase (decrease) in funds borrowed		(1.907.671)
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		10.912.216
I. Net cash provided from / (used in) banking operations		10.264.479
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from / (used in) investing activities		(2.356.681)
2.1 Purchase of entities under common control, associates and subsidiaries		(35.000)
2.2 Sale of entities under common control, associates and subsidiaries		-
2.3 Fixed assets purchases		768.458
2.4 Fixed assets sales		(856.088)
2.5 Purchase of financial assets measured at fair value through other comprehensive income		(2.164.004)
2.6 Sale of financial assets measured at fair value through other comprehensive income		1.158.614
2.7 Purchase of financial assets measured at amortized cost		(1.660.300)
2.8 Sale of financial assets measured at amortized cost		540.750
2.9 Others		(109.111)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from / (used in) financing activities		(774.273)
3.1 Cash obtained from funds borrowed and securities issued		2.466.811
3.2 Cash used for repayment of funds borrowed and securities issued		(3.141.794)
3.3 Capital increase		-
3.4 Dividends paid		(100.000)
3.5 Payments for finance leases		710
3.6 Other		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		(602.540)
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)		6.530.985
VI. Cash and cash equivalents at beginning of the period		5.952.798
VII. Cash and cash equivalents at end of the period (V+VI)		12.483.783

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

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

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VI. STATEMENT OF CASH FLOWS

	Part 5 Section VI	Reviewed 01.01 – 30.09.2017
A. CASH FLOWS FROM / (TO) BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities (+)		3.592.496
1.1.1 Interest received (+)		7.190.836
1.1.2 Interest paid (-)		(3.241.536)
1.1.3 Dividend received (+)		14.212
1.1.4 Fees and commissions received (+)		1.473.022
1.1.5 Other income (+)		36.894
1.1.6 Collections from previously written off loans (+)		686.685
1.1.7 Payments to personnel and service suppliers (-)		(1.716.055)
1.1.8 Taxes paid (-)		(201.975)
1.1.9 Others (+/-)		(649.587)
1.2 Changes in operating assets and liabilities		(4.277.976)
1.2.1 Net (increase) decrease in financial assets held for trading (+/-)		(69.590)
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss (+/-)		37.352
1.2.3 Net (increase) decrease in due from banks (+/-)		(741.873)
1.2.4 Net (increase) decrease in loans (+/-)		(15.686.224)
1.2.5 Net (increase) decrease in other assets (+/-)		(495.342)
1.2.6 Net increase (decrease) in bank deposits (+/-)		2.886.472
1.2.7 Net increase (decrease) in other deposits (+/-)		10.067.494
1.2.8 Net increase (decrease) in funds borrowed (+/-)		1.134.872
1.2.9 Net increase (decrease) in matured payables (+/-)		-
1.2.10 Net increase (decrease) in other liabilities (+/-)		(1.411.137)
I. Net cash provided from / (used in) banking operations (+/-)		(685.480)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from / (used in) investing activities (+/-)		(944.619)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries (-)		(30.000)
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries (+)		-
2.3 Fixed assets purchases (-)		(65.322)
2.4 Fixed assets sales (+)		211
2.5 Cash paid for purchase of financial assets available for sale (-)		(1.663.061)
2.6 Cash obtained from sale of financial assets available for sale (+)		1.606.704
2.7 Cash paid for purchase of investment securities (-)		(829.914)
2.8 Cash obtained from sale of investment securities (+)		140.075
2.9 Others (+/-)		(103.312)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from / (used in) financing activities (+/-)		2.661.095
3.1 Cash obtained from funds borrowed and securities issued (+)		3.812.064
3.2 Cash used for repayment of funds borrowed and securities issued (-)		(1.149.648)
3.3 Capital increase (+)		-
3.4 Dividends paid (-)		-
3.5 Payments for finance leases (-)		(1.321)
3.6 Other (+/-)		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents (+/-)		76.795
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)		1.107.791
VI. Cash and cash equivalents at beginning of the period (+)		5.750.384
VII. Cash and cash equivalents at end of the period (V+VI)		6.858.175

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

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

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SECTION THREE
ACCOUNTING POLICIES

I. Basis of Presentation

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

The 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 unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, the format and detail of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué dated March 14, 2018 which include Turkish Accounting Standard 34 "Interim Financial Reporting" principles.

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

Explanation for Convenience Translation to English

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

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

Accounting policies and valuation principles used in the preparation of the interim financial statements are determined and applied, in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and are consistent with the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2017 except for the application of TFRS 9. The Bank has started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017 in lieu of TAS 39 Financial Instruments: "Accounting and Measurement" starting from 1 January 2018. TFRS 9 sets out the new principles for the classification and measurement of financial instruments and expected credit loss which will be calculated for financial assets. Explanations on adoption of TFRS 9 is explained in Note XXVI. The bank also assessed the effect of TFRS 15 "Revenue from Contracts with Customers" standard concluded that it had no material impact on its financial position and performance.

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

Financial statements are prepared in TL accordance with the historical cost basis except for financial instruments measured at fair value through profit/loss, financial assets measured at fair value through other comprehensive income, derivative financial assets and liabilities and real estates. 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.

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

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

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

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

2. Foreign currency transactions

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

The Bank accounts for the transactions denominated in foreign currencies in accordance with TAS 21 “The Effects of Changes in Foreign Exchange Rates”. Foreign exchange gains and losses arising from transactions that are completed as of December 31, 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 period end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Bank’s foreign currency exchange rates for the related period ends are as follows:

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
US Dollar	TL 6,0752	TL 3,8104
Euro	TL 7,1130	TL 4,5478

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

The foreign currency position of the Bank and the profit / loss from the foreign exchange transactions realized are included in the income statement of foreign exchange gains / losses and income/losses from derivative

financial instruments in the income statement. While gain / loss from spot foreign exchange transactions are included in the profit / loss item of foreign exchange gain/loss on balance sheet, profit / loss from derivative transactions (forward, option etc.) for the purpose of hedging related transactions are included in income / loss statement of derivative financial instruments. Therefore, in order to determine the net profit / loss effects of foreign exchange transactions, two balances should be assessed together. As of September 30, 2018, net foreign exchange transaction income is TL 364.736 (September 30, 2017- TL 78.289 net foreign exchange transaction income) when the net interest expense amounting to TL 1.454.493 (September 30, 2017- TL 1.070.445) arising from derivative transactions is excluded from the derivative transactions income amounting to TL 1.052.918 (September 30, 2017- TL 961.185 derivative transactions loss) and foreign exchange loss amounting to TL 2.142.675 (September 30, 2017- TL 30.971 net foreign exchange loss).

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

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

IV. Explanations on Derivative Financial Assets and Liabilities

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

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

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

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

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

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

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

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

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

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

In cash flow hedge accounting:

The Bank applies cash flow hedge accounting using interest swap transactions to hedge its TL and FC customer deposits with short term cyclical basis and subordinated loans which have floating interest payment. The Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity "Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss" (31 December, 2017: 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 interest rate swap transactions to hedge long term, fixed rate, foreign currency Eurobonds in financial assets which is classified as fair value through Other Comprehensive Income (31 December, 2017: Available for Sale) portfolio against interest rate fluctuations.

The Parent Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term TL government bonds with fixed coupon payment in financial assets which is classified as fair value through Other Comprehensive Income (31 December, 2017 available for sale) portfolio using swap transactions as hedging instruments.

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

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

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

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V. Explanations on Interest Income and Expenses

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

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

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

VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Instruments

Initial recognition of financial instruments

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

Initial measurement of financial instruments

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

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Classification of financial instruments

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

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

Assessment of business model

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

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

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

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

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

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

Other business models

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

Measurement categories of financial assets and liabilities

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

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

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Financial assets at the fair value through profit or loss

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

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

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

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Financial Assets Measured at Amortized Cost:

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

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

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

VIII. Explanations on Expected Credit Losses:

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

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

Stage 1:

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

Stage 2:

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

Stage 3:

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

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- Delay of over 90 days
- Impairment of creditworthiness
- Collateral and / or equity of debtor is inadequate cover the payment of receivables on the maturity.
- In case the management believes that collection of receivables will be delayed by more than 90 days due to macroeconomic, sector-specific or customer-specific reasons.

Calculation of expected credit losses

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

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

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

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

Probability of Default (PD)

The PD represents the likelihood of a default over a specified time period. A 12-month PD represents the likelihood of default determined for the next 12 months and a lifetime PD represents the probability of default over the remaining lifetime of the instrument. The lifetime PD calculation is based on a series of 12-month PIT PDs that are derived from TTC PDs (Through the Cycle Probability Defaults) and scenario forecasts.

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

Loss Given Default (LGD)

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

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

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Exposure at Default (EAD):

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

Consideration of the Macroeconomic Factors

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

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

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

Calculating the Expected Loss Period

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

Significant increase in credit risk

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

Within the scope of quantitative assessment, the quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD, it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Bank has calculated thresholds at which point the relative change is a significant deterioration. In the quantitative evaluation of the significant increase in credit risk, the Bank considers the absolute thresholds as well as the relative thresholds as an additional layer. Receivables below the absolute threshold value of default are not included in the relative threshold value comparison.

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

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watch-list
- When there is a change in the payment plan due to restructuring

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IX. Explanations on Netting of Financial Instruments

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

X. Derecognition of financial instruments

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

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset could lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered as ‘new’ financial asset. When the Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

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

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

c) Derecognition of financial liabilities

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

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

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

Funds 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 8.559.994 (December 31, 2017– TL 7.616.909).

As of September 30, 2018 the Bank has no securities that are subject to lending transactions (December 31, 2017 – none).

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

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XII. Explanations on Assets Held for Sale and Discontinued Operations

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

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

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

XIII. Explanations on Goodwill and Other Intangible Assets

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

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

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

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

XIV. Explanations on Tangible Assets

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

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

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

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

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

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

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

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

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

XV. Explanations on Leasing Transactions

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

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.

XVI. Explanations on Provisions and Contingent Liabilities

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

XVII. Explanations on Obligations of the Bank Concerning Employee Benefits

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

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

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

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

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

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

XVIII. Explanations on Taxation

1. Corporate Tax

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

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

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

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

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

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

2. Deferred Taxes

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

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

Deferred tax calculation has started to be measured over Stage 1 and Stage 2 expected credit loss provisions according to TFRS 9 articles from 1 January 2018.

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

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of September 30, 2018 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.

3. Transfer Pricing

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

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

XIX. Explanations on Additional Explanations on Borrowings

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

XX. Explanations on Share Issues

The Bank's paid in capital has not been changed for the current period (January 1- December 31, 2017 the Bank's paid in capital has been increased by TL 200.000 provided from first dividend share as 200.000).

XXI. Explanations on Confirmed Bills of Exchange and Acceptances

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

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

XXII. Explanations on Government Incentives

As of September 30, 2018 the Bank does not have any government incentives or grants (As of December 31, 2017 – None).

XXIII. Explanations on Segment Reporting

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

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

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

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Current Period (January 1 – September 30, 2018)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Net Interest Income	1.615.176	1.986.175	1.812.515	5.413.866
Net Fees and Commissions Income	1.083.487	449.272	(41.339)	1.491.420
Other Operating Income and Net Trading Income	35.053	4.858	(1.070.676)	(1.030.765)
Personnel Expense (-)	240.726	302.239	501.624	1.044.589
Dividend Income	-	-	50.891	50.891
Operating Income	2.492.990	2.138.066	249.767	4.880.823
Other Operating Expenses	1.108.180	582.194	(247.489)	1.442.885
Provision for Loan Losses and Other Receivables	498.207	678.704	65.465	1.242.376
Profit Before Taxes	886.603	877.168	431.791	2.195.562
Net Profit/Loss	-	-	-	1.748.757
Total Assets	29.676.725	70.562.806	67.194.624	180.875.587
Segment Assets	29.676.725	70.562.806	67.194.624	167.434.155
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	923.418
Undistributed Assets	-	-	-	12.518.014
Total Liabilities	54.303.626	32.270.842	63.261.755	180.875.587
Segment Liabilities	54.303.626	32.270.842	63.261.755	149.836.223
Undistributed Liabilities	-	-	-	17.033.378
Equity	-	-	-	14.005.986
Other Segment Accounts	241.674	126.966	(45.211)	323.429
Capital Expenditures	103.782	54.523	(23.178)	135.127
Depreciation and Amortization	137.892	72.443	(22.033)	188.302

Prior Period (January 1 – September 30, 2017)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Net Interest Income	1.340.582	1.328.536	1.488.533	4.157.651
Net Fees and Commissions Income	829.437	447.498	(29.691)	1.247.244
Other Operating Income and Net Trading Income	22.246	16.409	(982.157)	(943.502)
Dividend Income	-	-	14.212	14.212
Operating Income	2.192.265	1.792.443	490.897	4.475.605
Other Operating Expenses (-)	1.200.187	800.909	187.586	2.188.682
Provision for Loan Losses and Other Receivables (-)	377.605	366.039	(14.912)	728.732
Profit Before Taxes	614.473	625.495	318.223	1.558.191
Net Profit/Loss	-	-	-	1.232.873
Other Segment Accounts	170.793	113.975	29.358	314.126
Capital Expenditures	67.199	44.844	13.146	125.189
Amortization	103.594	69.131	16.212	188.937

Prior Period (December 31, 2017)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Bank
Total Assets	26.494.193	56.188.865	37.247.490	125.857.170
Segment Assets	26.494.193	56.188.865	37.247.490	119.930.548
Associates and Subsidiaries and Entities	-	-	-	901.502
Undistributed Assets	-	-	-	5.025.120
Total Liabilities	40.773.968	24.521.788	39.133.827	125.857.170
Segment Liabilities	40.773.968	24.521.788	39.133.827	104.429.583
Undistributed Liabilities	-	-	-	9.272.185
Equity	-	-	-	12.155.402

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XXIV. Explanations on Profit Reserves and Profit Distribution

The Ordinary General Assembly Meeting of the Bank was held on March 29, 2018. In the Ordinary General Assembly, it was decided to net income from 2017 operations to the Bank's shareholders.

2017 profit distribution table:

Current Year Profit	1.603.441
A – I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	(80.172)
B –The First Dividend for Shareholders(*)	(100.000)
C – Extraordinary Reserves	(1.423.269)

(*)Gross amount of TL 100.000 which is reserved as first profit share to distributed, was paid in cash as of June 21,2018.

XXV. Earnings Per Share

Earnings per share listed on income statement is calculated by dividing net profit to weighted average amount of shares issued within respective year.

	Current Period	Prior Period
Net Profit for the Period	1.748.757	1.232.873
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
Earnings Per Share	0,05220	0,03680

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 2018 is none. (Amount of issued bonus shared in 2017 is 2.000.000.000).

XXVI. Explanations on Other Matters

The Bank has started to apply TFRS 9 Financial Instruments (“TFRS 9”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017 in lieu of TAS 39 Financial Instruments: “Accounting and Measurement” starting from 1 January 2018. In accordance with the transition rules option provided by the TFRS 9 "Financial Instruments", the Bank is not restated the prior period financial statements and recognized the transition effect of the standard as of January 1, 2018 under equity's “prior year profit or loss” accounts. Furthermore, in accordance with Communiqué Regarding Financial Statements and Explanations and Footnotes to be Announced to the Public by Banks", the Bank has classified the following classifications as of 1 January 2018. Explanation of the effect of the Bank's application of TFRS 9 is stated below:

1. Reconciliation of statement of financial position balances as at the transition of TFRS 9

Financial Assets	Book Value Before TFRS9 December 31, 2017	Reclassifica tions	Re-measures	TFRS 9 book value January 1, 2018	Tax Effect	Equity Effect
Measured at amortized cost						
Pre-classification balance (held to maturity)	7.168.664	-	-	-	-	-
Classified from Measured at Fair Value through Other Comprehensive Income	-	1.720.595	99.484	-	(21.886)	77.597
Classified as Measured at Fair Value through Other Comprehensive Income	-	(42.573)	-	-	-	-
Post-classification book value	-	-	-	8.946.170	-	-
Measured at Fair Value through Other Comprehensive Income						
Pre-classification Balance (Available to Sale)	8.349.710	-	-	-	-	-
Classified as Held-to-Maturity	-	42.573	2.872	-	(632)	2.240
Classified to Held-to-Maturity	-	(1.720.595)	-	-	-	-
Post-classification book value	-	-	-	6.674.560	-	-
Expected loss provision	-	-	11.124	-	(2.447)	8.677
Loans and Other Receivables Measured at Amortized Cost (Gross)						
Pre-classification value measured at Amortized Cost	85.202.301	-	-	-	-	-
Financial Assets Measured at Fair Value through Profit/Loss	10.579	-	-	-	-	-
Classified to Measured at Amortized Cost	-	10.579	-	-	-	-
Classified from Measured at Fair Value through Profit/Loss	-	(10.579)	-	-	-	-
Post-classification value measured at Amortized cost	-	-	-	86.212.880	-	-
Post-classification value Measured at Fair Value through Profit/Loss	-	-	-	-	-	-
Expected loss provision (*)	(5.101.253)	-	(651.560)	(5.752.814)	441.847	(209.714)

(*)Expected loss provision also includes amounts related to loans and receivables, other receivables and off-balance sheet financial assets.

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In addition to the classification in the table, "Cash and Cash Equivalents" item on the financial statements as of January 1, 2018 includes the combination of items "Cash and Central Bank", "Banks" and "Money Market Receivables" which were shown as separate items on the December 31, 2017 financial statements.

In addition, "Other Liabilities" item in the financial statements as of January 1, 2018 includes both "Miscellaneous Payables" and "Other Liabilities" items which were shown as separate items in the December 31, 2017 financial statements.

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

	Book Value Before TFRS 9 December 31, 2017	Remeasurements	Book Value After TFRS 9 January 1, 2018
Loans	4.883.425	605.657	5.489.082
Stage 1	1.124.990	(117.112)	1.007.878
Stage 2	228.613	871.900	1.100.513
Stage 3	3.529.821	(149.131)	3.380.691
Financial Assets^(*)	59.270	(18.424)	40.846
Non-Cash Loans^(**)	158.558	64.328	222.886
Stage 1 and 2	91.845	120.072	211.917
Stage 3	66.714	(55.744)	10.969
Total	5.101.253	651.560	5.752.814

^(*)Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Fair Value Through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets

^(**)Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified "General Provision" and expected credit loss for stage 3 non-cash loans is classified "Other Provisions" under liabilities. In accordance with TFRS 9, the expected loss provisions for the 1st, 2nd and 3rd stage non-cash loans are in the "Other Provisions" column in the liabilities.

3. Effects on equity with TFRS 9 transition

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not revised, it is stated that the difference between the book value of 1 January 2018 at the date of application should be reflected in the opening aspect of equity. The explanations about the transition effects to TFRS 9 presented in the equity items under the scope of this article are given below.

The amounting to TL 651.560 difference which is an expense between the provision for impairment of the previous period of the Bank and the provision for loss that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 is classified as "Extraordinary Reserves" in shareholders' equity.

Deferred tax assets amounting to TL 474.448 and corporate tax loss amounting to TL 46.444 which have been cancelled due to TFRS 9 transition, have been reflected to the opening financials of January 1, 2018 and the related amount has been classified under "Extraordinary Reserves" in shareholders' equity.

Before January 1, 2018 securities which was classified as fair value through OCI is now classified as amortized cost with the adoption of TFRS 9 is TL 1.720.595 and securities which was classified as amortized cost is now classified as fair value through OCI with the adoption of TFRS 9 is TL 45.445. Net After tax remeasurement differences of these securities TL 79.836 are classified in Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI.

At the same time as of 1 January 2018, the expected loss reserve amounting to TL 8.677 for the securities classified as fair value through other comprehensive income is classified under "Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI".

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XXVII. Explanations on prior period accounting policies not valid for the current period with TFRS 9

"TFRS 9 Financial Instruments" has been started applying instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies lost their validity with the transition of TFRS 9 are given below.

1. Explanations and Disclosures on Financial Assets

"The Bank recognizes its financial assets;" Financial Assets Measured at Fair Value through Profit/Loss (FVTPL),"Investments Held to Maturity", "Financial Assets Available for Sale" and "Loans and Receivables". The classification of financial assets is made when the related financial asset is acquired.

a. Financial assets at fair value through profit or loss

a.1. Financial assets held for trading

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.

a.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).

b. 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.

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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 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. 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.

c. 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.

d. Loans and specific provisions

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 uncollectability 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 “Impairment Other Operating Income” and interest collections are recorded under the “Interest on Loans” account.

e. 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.

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.

2. 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.

3. Explanations on Tax Implementation

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 December 8, 2004.

4. 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.

5. Explanations on Leasing Transactions

Provisions are made within the context of "Regulation on Accounting Applications and Financial Tables of Financial Leasing, Factoring and Financing Companies" dated December 24, 2013 and numbered 28861 for receivables from financial leasing transactions.

6. Explanations on factoring receivables

Factoring receivables are measured at amortized cost using the effective interest rate method after deducting unearned interest income and when specific provisions for impairment are recognized. These provisions are made within the context of "Regulation on Accounting Applications and Financial Tables of Financial Leasing, Factoring and Financing Companies" dated December 24, 2013 and numbered 28861 for receivables from financial leasing transactions.

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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 September 30, 2018 Bank’s total capital has been calculated as TL 18.761.706 (December 31, 2017 – TL 14.142.352), capital adequacy ratio is 16,01%. (December 31, 2017 – 14,99%). This ratio is well above the minimum ratio required by the legislation.

According to regulation No: 10578, dated August 13, 2018: In the calculation of amount subject to credit risk, the foreign exchange bid rate to be used shall be determined as average CBRT's foreign exchange bid rate of 252 business days prior to the calculation date or foreign exchange bid rate used in the preparation of financial statements as of 30 June 2018. Therefore the buying rates of exchange on the dated of June 30, 2018 was used in calculation of capital adequacy ratios by The Bank. Furthermore, The Bank considered to apply the Regulation numbered 10513, dated August 12, 2018: The valuation differences of the securities included in the “Financial Assets at Fair Value through Other Comprehensive Income” portfolio shall be calculated in accordance with the regulation and shall not be taken into consideration in the equity amount that in the capital adequacy ratio calculation as of 12 August 2018.

Components of unconsolidated shareholders’ equity items:

	Current Period September 30, 2018	1/1/2014 Amounts related to previous application^(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.350.000	
Share issue premiums	714	
Reserves	8.167.205	
Gains recognized in equity as per TAS	393.125	
Profit	1.748.757	
Current Period Profit	1.748.757	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	2.689	
Common Equity Tier 1 Capital Before Deductions	13.662.490	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	64.842	
Improvement costs for operating leasing	64.076	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	321.338	321.338
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	450.256	
The positive difference between the expected loan loss provisions under TFRS 9 and the total provision amount calculated before the application of TFRS 9	521.248	
Total Common Equity Tier 1 Capital	13.733.482	

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	Current Period September 30, 2018	1/1/2014 Amounts related to previous application(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity	-	
Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	13.733.482	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	3.785.080	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.309.079	
Tier II Capital Before Deductions	5.094.159	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	5.094.159	
Total Capital (The sum of Tier I Capital and Tier II Capital)	18.827.641	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	13.812	
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 (-)	52.123	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank owns more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	

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	Current Period September 30, 2018	1/1/2014 Amounts related to previous application (*)
TOTAL CAPITAL		
Total Capital	18.761.706	
Total risk weighted amounts	117.183.975	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	11,72%	
Tier 1 Capital Adequacy Ratio (%)	11,72%	
Capital Adequacy Ratio (%)	16,01%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	1,88%	
a) Capital conservation buffer requirement	1,88%	
b) Bank specific counter-cyclical buffer requirement	0,01%	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	5,72%	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	154.769	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	2.789.728	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.309.079	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	3.785.080	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	1.743.352	

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Information on Equity Accounts:	Prior Period December 31, 2017	1/1/2014 Amounts related to previous application(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	3.350.000	
Share issue premiums	714	
Reserves	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	
Common Equity Tier 1 Capital Before Deductions	12.240.616	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	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	-	
Total Deductions From Common Equity Tier 1 Capital	623.654	
Total Common Equity Tier 1 Capital	11.616.962	

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

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	Prior Period December 31, 2017	1/1/2014 Amounts related to previous application (*)
TOTAL CAPITAL		
Total Capital	14,142.352	
Total risk weighted amounts	94.325.508	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	12,32%	
Tier 1 Capital Adequacy Ratio	12,25%	
Capital Adequacy Ratio	14,99%	
BUFFERS		
Bank specific total common equity tier I capital ratio	1,76%	
Capital conservation buffer requirement	1,25%	
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%	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	151.969	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	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	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	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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Information on debt instruments included in the calculation of equity:

	1	2	3	4
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	No	Yes	Yes	None
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)	1.974	142	89	1.580
Par value of instrument (Currency in million)	1.974	1.215	759	1.580
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	June 29, 2018	October 6, 2009	December 28, 2009	May 22, 2017
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	10 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 + 7,02%	LIBOR + 3,80%	LIBOR + 3,63%	LIBOR + 5,28%
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	Yes	None	None	Yes
If convertible, conversion trigger (s)	Article number 7-2-i of "Own fund regulation"	-	-	Article number 7-2-i of "Own fund regulation"
If convertible, fully or partially	All the remaining capital	-	-	All the remaining capital
If convertible, conversion rate	(*)	-	-	(*)
If convertible, mandatory or optional conversion	Optional	-	-	Optional
If convertible, specify instrument type convertible into	Equities	-	-	Equities
If convertible, specify issuer of instrument it converts into	QNB Finansbank A.Ş.	-	-	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 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2	After the senior creditors, before the TIER 1 subdebt, same with TIER 2
Incompliance with article number 7 and 8 of "Own fund regulation"	Article number 7 and 8 of "Own fund regulation"	Yes	Yes	Article number 7 and 8 of "Own fund regulation"
Details of incompliances with article number 7 and 8 of "Own fund regulation"	Article number 7 and 8 of "Own fund regulation"	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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Informations on Article 5 of the Regulation on Equities of Banks:

EQUITY ITEMS	T	T-1	T-2	T-3	T-4
Common Equity	13.733.482	13.524.983	13.420.733	13.316.484	13.212.234
Transition process not implemented Common Equity	13.212.234	13.212.234	13.212.234	13.212.234	13.212.234
Tier 1 Capital	13.733.482	13.524.983	13.420.733	13.316.484	13.212.234
Transition process not implemented Tier 1 Capital	13.212.234	13.212.234	13.212.234	13.212.234	13.212.234
Total Capital	18.761.706	18.553.207	18.448.957	18.344.708	18.240.458
Transition process not implemented Equity	18.240.458	18.240.458	18.240.458	18.240.458	18.240.458
TOTAL RISK WEIGHTED AMOUNTS					
Total Risk Weighted Amounts	117.183.975	117.183.975	117.183.975	117.183.975	117.183.975
Capital Adequacy Ratio					
Common Equity Adequacy Ratio (%)	11,72%	11,54%	11,45%	11,36%	11,27%
Transition process not implemented Common Equity Ratio (%)	11,27%	11,27%	11,27%	11,27%	11,27%
Tier 1 Capital Adequacy Ratio (%)	11,72%	11,54%	11,45%	11,36%	11,27%
Transition process not implemented Tier 1 Capital Adequacy Ratio (%)	11,27%	11,27%	11,27%	11,27%	11,27%
Capital Adequacy Ratio (%)	16,01%	15,83%	15,74%	15,65%	15,57%
Transition process not implemented Capital Adequacy Ratio (%)	15,57%	15,57%	15,57%	15,57%	15,57%
LEVERAGE					
Leverage Ratio Total Risk Amount	247.096.081	247.096.081	247.096.081	247.096.081	247.096.081
Leverage(%)	5,40%	5,40%	5,40%	5,40%	5,40%
Transition process not implemented Leverage Ratio(%)	5,35%	5,35%	5,35%	5,35%	5,35%

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Explanations on the reconciliation of shareholders' equity items and balance sheet amounts:

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context; up to 1.25% of the amount of the first and second part of the expected loss provisions is taken into account as contribution capital, losses from cash flow hedges have not been taken into consideration in the information on the equity items and valuation adjustments calculated according to item (i) of the first paragraph of the ninth article of the "Regulation on Equity of Banks" have been taken into consideration in the explanations on equity items.

II. Explanations On Risk Management :

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about RWA flow statements of credit risk exposures under IRB Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of March 31, 2016. According to Communiqué have to be presented on three-month basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of September 30, 2018:

1. RWA flow statements of credit risk exposures under IRB
2. RWA flow statements of CCR exposures under the Internal Model Method (IMM)
3. RWA flow statements of market risk exposures under an IMA

4. GB1 – Overview of Risk Weighted Assets:

According to regulation No: 10578, dated August 13, 2018: In the calculation of amount subject to credit risk, the foreign exchange bid rate to be used shall be determined as average CBRT's foreign exchange bid rate of 252 business days prior to the calculation date or foreign exchange bid rate used in the preparation of financial statements as of 30 June 2018. Therefore the buying rates of exchange on the dated of June 30, 2018 was used in calculation of capital adequacy ratios by The Bank.

	Risk Weighted Amount		Minimum Capital Requirement	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
1. Credit Risk (excluding counterparty Credit Risk)	99.072.419	81.920.527	7.925.794	6.553.642
2. Standardized approach	99.072.419	81.920.527	7.925.794	6.553.642
3. Internal rating-based approach	-	-	-	-
4. Counterparty credit risk	5.653.878	1.879.275	452.310	150.342
5. Standardized approach for counterparty credit Risk	5.653.878	1.879.275	452.310	150.342
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	2.456.700	1.715.437	196.536	137.235
17. Standardized approach	2.456.700	1.715.437	196.536	137.235
18. Internal model approaches	-	-	-	-
19. Operational Risk	10.000.978	8.810.269	800.078	704.822
20. Basic Indicator Approach	10.000.978	8.810.269	800.078	704.822
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	-	-	-	-
TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	117.183.975	94.325.508	9.374.718	7.546.041

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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 ("cross currency risk").

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

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

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

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

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

US Dollar purchase rate at the date of the balance sheet	TL 6,0752
Euro purchase rate at the date of the balance sheet	TL 7,1130

<u>Date</u>	<u>US Dollar</u>	<u>Euro</u>
September 28, 2018	6,0752	7,1130
September 27, 2018	6,1242	7,2007
September 26, 2018	6,1240	7,2057
September 25, 2018	6,2287	7,3234
September 24, 2018	6,2671	7,3794

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 September 2018 are TL 6,3669 and TL 7,4247 respectively.

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

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽¹⁾	10.396.695	8.710.585	1.854.781	20.962.061
Due From Banks	343.809	1.469.869	53.719	1.867.397
Financial Assets at Fair Value through Profit/Loss ⁽²⁾	397.356	377.395	322	775.073
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	582.803	3.744.679	-	4.327.482
Loans and Receivables ⁽³⁾	21.109.161	15.411.178	231.644	36.751.983
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	30.389	5.543.291	-	5.573.680
Derivative Financial Assets Hedging Purposes	1.838	323.488	-	325.326
Tangible Assets	-	-	108	108
Intangible Assets	-	-	-	-
Other Assets ⁽⁴⁾	1.379.307	2.287.360	45.001	3.711.668
Total Assets	34.241.358	37.867.845	2.185.575	74.294.778
Liabilities				
Bank Deposits	1.356.007	985.525	70.474	2.412.006
Foreign Currency Deposits ⁽⁵⁾	13.051.561	33.367.087	2.665.118	49.083.766
Money Market Borrowings	339.363	5.528.008	-	5.867.371
Funds Provided from Other Financial Institutions	8.492.002	19.108.262	3.214.810	30.815.074
Securities Issues	71.177	7.437.005	-	7.508.182
Sundry Creditors	9.239.169	1.916.735	4.324	11.160.228
Derivative Fin. Liabilities for Hedging Purposes	64.347	155.437	-	219.784
Other Liabilities ⁽⁶⁾	481.699	526.515	246	1.008.460
Total Liabilities	33.095.325	69.024.574	5.954.972	108.074.871
Net Balance Sheet Position	1.146.033	(31.156.729)	(3.769.397)	(33.780.093)
Net Off-Balance Sheet Position	(1.179.116)	28.381.568	3.768.361	30.970.813
Financial Derivative Assets	20.048.034	90.110.376	3.856.235	114.014.645
Financial Derivative Liabilities	21.227.150	61.728.808	87.874	83.043.832
Non-Cash Loans ⁽⁷⁾	8.248.219	8.857.169	444.879	17.550.267
Prior Period				
Total Assets	17.450.988	25.532.684	1.970.217	44.953.889
Total Liabilities	16.130.845	45.893.929	4.079.488	66.104.262
Net Balance Sheet Position	1.320.143	(20.361.245)	(2.109.271)	(21.150.373)
Net Off-Balance Sheet Position	(1.357.497)	18.626.089	2.111.085	19.379.677
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	4.724.545	5.457.980	293.108	10.475.633

⁽¹⁾ Cash and Balances with TR Central Bank; Other FC include TL 1.756.339 (December 31, 2017 – TL 1.799.886) precious metal deposit account.

⁽²⁾ Does not include TL 296.207 (December 31, 2017 – TL 53.594) of currency income accruals arising from derivative transactions.

⁽³⁾ Includes TL 3.255.237 (December 31, 2017 – TL 3.382.889) FC indexed loans.

⁽⁴⁾ Does not include FC prepaid expenses amounting to TL 11.436 (December 31, 2017 – TL 9.192) as per BRSA's Communique published in Official Gazette no 26085 on 19 February 2006.

⁽⁵⁾ Other foreign currency includes TL 1.881.348 (December 31, 2017 – TL 1.198.394) of precious metal deposit account.

⁽⁶⁾ Does not include currency expense accruals of derivative financial instruments kept in FC accounts amounting to TL 587.797 (December 31, 2017 – TL 22.830)

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

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IV. Explanations on Interest Rate Risk

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

Interest rate sensitivity of assets, liabilities and off balance sheet items is analyzed by top management in the Asset/Liability Committee meetings held every month by taking the market developments into consideration.

The management of the Bank follows the interest rates in the market on a daily basis and revises interest rates of the Bank when necessary.

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

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

(Based on repricing dates)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing ⁽¹⁾	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank ⁽²⁾	8.455.827	-	-	-	-	14.400.074	22.855.901
Banks ⁽³⁾	946.168	6.516	-	-	-	920.233	1.872.917
Financial Assets at Fair Value Through Profit/Loss ⁽⁴⁾	2	433	345	21.601	16.382	19.095.409	19.134.172
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) ⁽⁵⁾	860.104	1.784.653	874.111	2.484.716	3.064.390	4.952.144	14.020.118
Loans and Receivables	15.807.993	15.952.039	33.998.693	25.964.332	4.058.318	4.458.157	100.239.532
Financial Assets Measured at Amortized Cost ⁽⁶⁾	779.185	2.594.782	3.349.667	1.691.463	3.852.578	253.186	12.520.861
Other Assets	-	-	-	-	-	10.232.086	10.232.086
Total Assets	26.849.279	20.338.423	38.222.816	30.162.112	10.991.668	54.311.289	180.875.587
Liabilities							
Bank Deposits	1.762.579	190.196	24.222	-	-	681.197	2.658.194
Other Deposits	56.359.662	9.468.657	3.518.082	29.877	124	17.198.225	86.574.627
Money Market Borrowings	3.573.222	1.394.797	1.882.295	48.068	42.880	38.073	6.979.335
Sundry Creditors	11.160.228	-	-	-	-	3.123.007	14.283.235
Securities Issued	1.556.772	784.672	3.072.524	4.201.760	-	153.640	9.769.368
Funds Borrowed	3.558.752	18.707.375	5.624.685	554.628	2.498.200	1.378	30.945.018
Other Liabilities ⁽⁷⁾	416	839	3.733	3.525	-	29.657.297	29.665.810
Total Liabilities	77.971.631	30.546.536	14.125.541	4.837.858	2.541.204	50.852.817	180.875.587
On Balance Sheet Long Position	-	-	24.097.275	25.324.254	8.450.464	3.458.472	61.330.465
On Balance Sheet Short Position	(51.122.352)	(10.208.113)	-	-	-	-	(61.330.465)
Off-Balance Sheet Long Position	8.635.336	24.504.352	777.495	-	-	-	33.917.183
Off-Balance Sheet Short Position	-	-	-	(15.472.471)	(8.302.799)	-	(23.775.270)
Total Position	(42.487.016)	14.296.239	24.874.770	9.851.783	147.665	3.458.472	10.141.913

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

⁽²⁾ Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank include amount of TL 41.943 expected loss provisions.

⁽³⁾ Banks include balance of expected loss provisions amounting to TL 2.669.

⁽⁴⁾ Financial Assets at Fair Value Through Profit/Loss include TL 19.087.910 derivative financial assets used for hedging purposes.

⁽⁵⁾ Financial Assets at Fair Value Through Other Comprehensive Income include 5.388.669 derivative financial assets used for hedging purposes.

⁽⁶⁾ Financial Assets measured at amortized cost includes the balance of the expected loss provisions amounting to TL 31.331.

⁽⁷⁾ Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 12.909.681.

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	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing ⁽¹⁾	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	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 ⁽²⁾	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
Total Assets	28.860.336	11.056.715	31.498.713	26.328.053	8.134.409	19.978.944	125.857.170
Liabilities							
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 ⁽³⁾	261	535	2.345	4.239	-	18.125.180	18.132.560
Total Liabilities	54.300.447	15.629.026	15.355.466	4.851.278	1.621.878	34.099.075	125.857.170
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)
Total Position	(19.173.133)	11.150.114	16.697.731	5.310.352	3.448.771	(14.120.131)	3.313.704

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

⁽²⁾ Financial Assets at Fair Value Through Profit/Loss include TL 2.923.877 Derivative financial assets used for hedging purposes.

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

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Average interest rates applied to monetary financial instruments

	EURO %	USD %	JPY %	TL %
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	1,50	-	13,00
Due from Banks	-	1,83	-	17,78
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	3,50	6,45	-	17,91
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	3,47	4,98	-	15,57
Loans and Receivables	4,68	6,92	2,44	21,35
Financial Assets Measured at Amortized Cost	2,96	5,17	-	13,68
Liabilities				
Bank Deposits	1,36	3,81	-	25,23
Other Deposits	2,47	5,32	1,83	21,25
Money Market Borrowings	0,22	2,33	-	23,80
Sundry Creditors	0,36	1,95	-	-
Securities Issued	1,41	5,61	-	22,55
Funds Borrowed	1,73	4,69	-	7,76
Prior Period				
Assets				
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 Measured at Fair Value through Profit/Loss (FVTPL)	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
Liabilities				
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

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

Equity Securities (shares)	Comparison		
	Carrying Value	Fair Value	Market Value
1. Investment in Shares- grade A	-	-	-
Quoted Securities	-	-	-
2. Investment in Shares- grade B	430.949	-	430.949
Quoted Securities	430.949	-	430.949
3. Investment in Shares- grade C	-	-	-
Quoted Securities	-	-	-
4. Investment in Shares- grade Other ^(*)	492.469	445.640	-

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

Portfolio	Revaluation Surpluses		Unrealized Gains and Losses			
	Gains/Losses in Current Period	Total	Amount under Supplementary Capital	Amount under Core		
				Total	Capital	Supplementary Capital
1. Private Equity Investments	373.444	373.444	-	-	-	-
2. Quoted Shares	-	-	-	-	-	-
3. Other Shares	-	-	-	-	-	-
4. Total	373.444	373.444	-	-	-	-

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VI. Explanations on Remarks regarding Liquidity Risk Management and Liquidity Coverage Ratio

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

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

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

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

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

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

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

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

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Liquidity Coverage Ratio

Current Period - September 30, 2018	Unweighted Amounts^(*)		Weighted Amounts^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS			31.433.749	19.963.318
1. High Quality Liquid Assets	31.433.749	19.963.318	31.433.749	19.963.318
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	59.789.981	27.539.605	5.369.196	2.753.961
3. Stable deposits	12.196.039	-	609.802	-
4. Less stable deposits	47.593.942	27.539.605	4.759.394	2.753.961
5. Unsecured Funding other than Retail and Small Business Customers Deposits	26.664.520	17.523.829	16.184.214	10.844.470
6. Operational deposits	678.909	52.793	169.727	13.198
7. Non-Operational Deposits	20.665.700	15.378.774	11.763.449	8.739.010
8. Other Unsecured Funding	5.319.911	2.092.262	4.251.038	2.092.262
9. Secured funding	-	-	638.015	638.015
10. Other Cash Outflows	16.904.120	9.227.606	16.904.120	9.227.606
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	16.904.120	9.227.606	16.904.120	9.227.606
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	24.649.090	-	1.232.454	-
15. Other irrevocable or conditionally revocable commitments	63.279.745	17.710.138	4.602.689	1.465.461
16. TOTAL CASH OUTFLOWS			44.930.688	24.929.513
CASH INFLOWS				
17. Secured Lending Transactions	15.507	-	-	-
18. Unsecured Lending Transactions	7.823.459	2.153.247	4.980.145	1.951.412
19. Other contractual cash inflows	16.905.244	13.813.698	16.905.244	13.813.699
20. TOTAL CASH INFLOWS	24.744.210	15.966.945	21.885.389	15.765.111
			Capped Amounts	
21. TOTAL HIGH QUALITY LIQUID ASSETS			31.433.749	19.963.318
22. TOTAL NET CASH OUTFLOWS			23.045.299	9.308.591
23. LIQUIDITY COVERAGE RATIO (%)			136,40%	214,46%

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

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Prior Period - December 31, 2017	Unweighted Amounts ^(*)		Weighted Amounts ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS			21.822.818	12.880.447
1 High Quality Liquid Assets	26.707.639	17.765.267	21.822.818	12.880.447
CASH OUTFLOWS				
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 and other off balance sheet liabilities	-	-	-	-
İü 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
16 TOTAL CASH OUTFLOWS			43.718.333	25.448.359
CASH INFLOWS				
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
20 TOTAL CASH INFLOWS	25.114.828	14.906.327	22.472.699	14.642.147
Capped Amounts				
21 TOTAL HIGH QUALITY LIQUID ASSETS			21.822.818	12.880.447
22 TOTAL NET CASH OUTFLOWS			21.245.634	10.806.212
23 LIQUIDITY COVERAGE RATIO (%)			102,72%	119,19%

^(*) 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 2018 are explained in the table below. According to “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette numbered 28948, dated March 21, 2014.

	Maximum	Week	Minimum	Week	Average
TL+FC	169,03	17.08.2018	110,20	06.07.2018	137,6
FC	317,69	31.08.2018	118,68	06.07.2018	232,7

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 49% of total liabilities of the bank (December 31, 2017 – 54%) 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 ⁽¹⁾	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank ⁽²⁾	10.890.060	12.007.786	-	-	-	-	(41.944)	22.855.902
Due from Banks ⁽³⁾	921.034	948.035	6.516	-	-	-	(2.669)	1.872.916
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL) ⁽⁴⁾	7.473	1.327.157	1.863.099	6.966.981	8.532.127	437.335	-	19.134.172
Money Markets Placements	-	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) ⁽⁵⁾	153.694	333.010	279.986	2.251.474	7.055.604	3.946.350	-	14.020.118
Loans and Receivables	-	18.062.963	8.462.292	25.885.011	33.506.397	13.248.474	1.074.395	100.239.532
Financial Assets Measured at Amortized Cost ⁽⁶⁾	-	-	313.441	637.974	4.673.532	6.927.245	(31.331)	12.520.861
Other Assets	-	4.770.475	-	-	756.615	-	4.704.996	10.232.086
Total Assets	11.972.261	37.449.426	10.925.334	35.741.440	54.524.275	24.559.404	5.703.447	180.875.587
Liabilities								
Bank Deposits	675.190	1.767.462	191.171	24.371	-	-	-	2.658.194
Other Deposits	16.635.545	56.726.497	9.576.125	3.605.316	31.018	126	-	86.574.627
Funds Borrowed	-	2.191.258	8.563.299	6.555.557	6.564.084	7.070.820	-	30.945.018
Money Market Borrowings	-	2.213.653	1.153.997	1.606.426	965.671	1.039.588	-	6.979.335
Securities Issued	-	1.560.575	785.477	3.144.923	4.278.393	-	-	9.769.368
Sundry Creditors	-	3.835.652	652.674	3.221.734	6.573.175	-	-	14.283.235
Other Liabilities ⁽⁷⁾	-	2.423.114	1.961.625	5.414.118	4.251.049	309.407	15.306.497	29.665.810
Total Liabilities	17.310.735	70.718.211	22.884.368	23.572.445	22.663.390	8.419.941	15.306.497	180.875.587
Liquidity Excess / Gap	(5.338.474)	(33.268.785)	(11.959.034)	12.168.995	31.860.885	16.139.463	(9.603.050)	-
Net Off Balance Sheet Position ⁽⁸⁾								
Net Off Balance Sheet Position ⁽⁸⁾	-	529.987	313.840	3.190.073	4.679.389	71.754	-	8.785.043
Receivables from Financial Derivative Instruments	-	17.778.082	18.658.589	40.601.704	43.905.627	21.608.239	-	142.552.241
Liabilities from Derivatives	-	17.248.095	18.344.749	37.411.631	39.226.238	21.536.485	-	133.767.198
Non-cash Loans ⁽⁹⁾	-	1.664.408	2.797.480	10.964.779	3.382.097	387.286	7.729.707	26.925.757
Prior Period								
Total Assets	5.141.036	29.997.249	6.744.695	25.242.575	38.040.325	16.722.674	3.968.616	125.857.170
Total Liabilities	12.735.826	54.538.130	13.980.962	13.203.588	12.903.800	4.225.937	14.268.927	125.857.170
Liquidity Gap	(7.594.790)	(24.540.881)	(7.236.267)	12.038.987	25.136.525	12.496.737	(10.300.311)	-
Net-Off Balance Sheet Position ⁽⁸⁾								
Net-Off Balance Sheet Position ⁽⁸⁾	-	157.178	385.083	695.747	1.451.851	21.733	-	2.711.592
Receivables from Derivative Instruments	-	16.531.491	15.524.060	23.034.807	35.951.080	7.066.467	-	98.107.905
Liabilities from Derivative Instruments	-	16.374.313	15.138.977	22.339.060	34.499.229	7.044.734	-	95.396.313
Non-cash Loans ⁽⁹⁾	-	1.100.786	2.055.672	7.089.728	2.717.879	404.698	5.946.286	19.315.049

⁽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 14.005.986 and unallocated provisions amounting to TL 715.399.

⁽²⁾ Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R Central Bank includes expected loss provisions the amount of TL 41.943.

⁽³⁾ Banks include balance of expected loss provisions amounting to TL 2.669.

⁽⁴⁾ Financial Assets at Fair Value Through Profit/Loss include TL 19.087.910 derivative financial assets used for hedging purposes.

⁽⁵⁾ Financial Assets at Fair Value Through Other Comprehensive Income include 5.388.669 derivative financial assets used for hedging purposes.

⁽⁶⁾ Financial assets measured at amortized cost include TL 31.331 of expected loss provisions.

⁽⁷⁾ Other Liabilities also include derivative financial liabilities held for hedging purposes amounting to TL 12.909.681.

⁽⁸⁾ 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

⁽⁹⁾ Amounts related to letter of guarantees represent contractual maturities and amounts included in aforementioned maturities and they have on demand and optionally withdrawable nature.

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VII. Information regarding Leverage Ratio

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

The Bank's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 5,40% (December 31, 2017: 6,22%). Subject level is above the minimum requirement which is determined as 3% by the regulation. Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts of balance sheet asset items.

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

	Book Value	
	Current Period^(*)	Prior Period^(*)
Assets on Balance sheet		
Assets on Balance sheet (except for derivative financial instruments and credit (Assets deducted from capital stock)	153.973.112	119.310.922
Total risk amount related to Assets on Balance sheet	153.588.494	118.962.531
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	22.999.431	6.085.823
Potential credit risk amount of derivative financial instruments and credit derivatives	1.852.665	1.277.368
Total risk amount related to derivative financial instruments and credit derivatives	24.852.096	7.363.191
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral kıymet veya emtia teminatlı finansman işlemlerinin risk tutarı	-	-
Risk amount sourcing from transactions mediated	-	-
Total risk amount related to financial transactions having security or commodity collateral	-	-
Off-Balance sheet Transaction		
Gross nominal amount of off-balance sheet transactions	91.012.607	73.964.631
(Adjustment amount sourcing from multiplying to credit conversion rates)	22.357.116	16.486.236
Total risk amount related to off-balance sheet transactions	68.655.491	57.478.395
Capital and Total Risk		
Core Capital	13.352.469	11.429.491
Amount of total risk	247.096.081	183.804.117
Financial leverage ratio		
Financial leverage ratio	5,40%	6,22%

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

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations And Disclosures Related To Assets

1. a) Cash and balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	726.380	2.422.875	644.333	340.629
T.R. Central Bank	1.165.511	18.524.689	1.461.242	13.408.983
Other	43.894	14.497	25.365	1.720
Total	1.935.785	20.962.061	2.130.940	13.751.332

b) Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1.165.511	6.516.903	849.656	2.239.530
Restricted Time Deposits	-	12.007.786	611.586	11.169.453
Total	1.165.511	18.524.689	1.461.242	13.408.983

As of September 30, 2018 amount of TL 41.943 provision provided for the account T.R. Central Bank with adoption of TFRS 9.

As of September 30, 2018, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 1,5% to 8% depending on the maturity of deposits (December 31, 2017 – 4% to 10,5%) and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 20% depending on the maturity of deposits and other liabilities (December 31, 2017 – 4% to 24%). 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

As of September 30, 2018 amount of financial assets at fair value through profit/loss which has given as collateral or blocked is TL 2.237 (December 31, 2017 – TL 1.113).

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

None (December 31, 2017 – None).

c) Assets on trading derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	658.903	-	43.711	-
Swap Transactions	10.965.558	302.882	2.213.649	182.290
Futures Transactions	-	3.793	-	105
Options	-	741.496	884	61.660
Other	-	-	-	-
Total	11.624.461	1.048.171	2.258.244	244.055

Positive differences from derivative assets for trading were shown at “Financial Assets Fair Value Through Profit/Loss” account at prior periods. As a result of TFRS 9 adoption at current period, this difference has shown under the column 1.5 derivative financial assets.

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3. a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	6.848	449	12.873	844.509
Foreign	1.340	1.866.948	847	434.536
Foreign Head Offices and Branches	-	-	-	-
Total	8.188	1.867.397	13.720	1.279.045

As of September 30, 2018 amount of TL 2.669 provision provided for the Bank account with adoption of TFRS 9.

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	338.316	68.192	44.236	17.419
USA and Canada	1.288.710	240.799	182.532	103.924
OECD Countries (*)	3.699	2.133	-	-
Off-shore Banking Regions	-	-	-	-
Other	10.795	2.916	-	-
Total	1.641.520	314.040	226.768	121.343

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

(**) Includes blocked placements amounting to TL 226.768 at foreign banks (December 31, 2017 - TL 121.343) for the funds borrowed from foreign banks.

4. Information on receivables from reverse repurchase agreements

None (December 31, 2017- None).

5. Information on Financial Assets Measured at Fair Value through Other Comprehensive Income

a.1) Information on financial assets measured at fair value through other comprehensive income that are subject to repurchase agreements and given as Collateral /blocked

	Current Period	
	TL	FC
Given as Collateral/ Blocked	67.327	763.795
Subject to repurchase agreements	703.492	3.359.575
Total	770.819	4.123.370

a.2) Information on financial assets available-for-sale subject to repurchase agreements and given as collateral / blocked

	Prior Period	
	TL	FC
Given as Collateral/ Blocked	543.802	556.466
Subject to repurchase agreements	1.824.242	2.544.108
Total	2.368.044	3.100.574

b.1) Information on financial assets at fair value through other comprehensive income

	Current Period
Debt securities	9.140.304
Quoted on a stock exchange (*)	9.140.304
Unquoted on a stock exchange	-
Share certificates	153.800
Quoted on a stock exchange	-
Unquoted on a stock exchange (**)	153.800
Impairment provision(-) (***)	(662.655)
Total	8.631.449

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b.2) Information on financial assets available-for-sale

	Prior Period
Debt securities	8.372.633
Quoted on a stock exchange (*)	8.372.633
Unquoted on a stock exchange	-
Share certificates	75.908
Quoted on a stock exchange	-
Unquoted on a stock exchange (**)	75.908
Impairment provision(-)	(98.831)
Total	8.349.710

(*) The Eurobond Portfolio amounting to TL 3.028.970 (December 31, 2017 - TL 4.072.503) which is accounted for as financial assets measured at fair value through other comprehensive income were hedged under fair value hedge accounting starting from March and April 2009. The mentioned financial assets are accounted for as financial assets measured at fair value through other comprehensive income in order to be in line with balance sheet presentation.

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

(***) As a result of adoption of TFRS 9, As of September 30, 2018 amount of TL 20.445 provision provided for financial assets measured at fair value through other comprehensive income account.

6. Information related to loans

a) Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-	613	-
Corporate Shareholders	-	-	613	-
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	86.907	-	82.484	-
Total	86.907	-	83.097	-

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

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

Cash Loans (*)	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Non-specialized Loans	92.619.764	5.683.562	176.963	3.474.576
Discount Notes	1.140.214	15.055	-	-
Export Loans	2.268.066	100.016	-	-
Import Loans	16.127	-	-	-
Loans Given to Financial Sector	1.099.604	1.083	-	-
Retail Loans	17.514.338	936.784	12.438	622.354
Credit Cards	12.224.316	670.480	-	484.491
Other	58.357.099	3.960.144	164.525	2.367.731
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	92.619.764	5.683.562	176.963	3.474.576

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	Standard Loans	Loans and other receivables under close monitoring
Provision for 12 Month Expected Credit Losses (Stage I)	1.086.853	-
Significant Increase in Credit Risk (Stage II)	-	1.702.875

Number of Extension	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
1 or 2 times	-	3.419.755
3, 4 or 5 times	-	183.885
Over 5 times	-	47.899
Total	-	3.651.539

Extension Periods	Performing Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
0 - 6 months	-	2.342.914
6 -12 months	-	269.354
1 - 2 years	-	630.651
2 - 5 years	-	378.531
5 years and over	-	30.089
Total	-	3.651.539

c) Loans and other receivables according to their maturity structure

Cash Loans	Standard Loans	Loans Under Close Monitoring	
		Loans Not Subject to restructuring	Loans with Restructured Loans
Short-term Loans	32.148.790	670.480	484.491
Medium and Long-term Loans	60.470.974	5.013.082	3.167.048
Total	92.619.764	5.683.562	3.651.539

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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
Consumer Loans-TL	889.683	16.460.987	17.350.670
Housing Loans	49.414	4.501.581	4.550.995
Automobile Loans	212	18.310	18.522
Personal Need Loans	840.057	11.941.096	12.781.153
Other	-	-	-
Consumer Loans-FC Indexed	6.357	1.806	8.163
Housing Loans	5.977	1.695	7.672
Automobile Loans	-	-	-
Personal Need Loans	380	111	491
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	10.095.636	352.000	10.447.636
Installment	3.658.329	352.000	4.010.329
Non- Installment	6.437.307	-	6.437.307
Individual Credit Cards-FC	5.366	-	5.366
Installment	-	-	-
Non- Installment	5.366	-	5.366
Personnel Loans-TL	5.320	42.450	47.770
Housing Loans	43	524	567
Automobile Loans	-	-	-
Personal Need Loans	5.277	41.926	47.203
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	35.137	-	35.137
Installment	13.666	-	13.666
Non-Installment	21.471	-	21.471
Personnel Credit Cards-FC	93	-	93
Installment	-	-	-
Non-Installment	93	-	93
Overdraft Accounts-TL (Real Persons)	1.679.311	-	1.679.311
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	12.716.903	16.857.243	29.574.146

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

	Short Term	Medium and Long Term	Total
Commercial Loans with Installment Facility – TL	1.235.276	16.069.259	17.304.535
Real Estate Loans	37.988	414.951	452.939
Automobile Loans	4.786	125.764	130.550
Personal Need Loans	1.192.502	15.528.544	16.721.046
Other	-	-	-
Commercial Loans with Installment Facility - FC Indexed	826.293	810.322	1.636.615
Real Estate Loans	18.078	15.227	33.305
Automobile Loans	46.341	56.272	102.613
Personal Need Loans	761.874	738.823	1.500.697
Other	-	-	-
Commercial Loans with Installment Facility – FC	-	-	-
Real Estate Loans	-	-	-
Automobile Loans	-	-	-
Personal Need Loans	-	-	-
Other	-	-	-
Corporate Credit Cards –TL	2.866.796	23.087	2.889.883
Installment	836.800	23.087	859.887
Non-Installment	2.029.996	-	2.029.996
Corporate Credit Cards –FC	1.172	-	1.172
Installment	-	-	-
Non-Installment	1.172	-	1.172
Overdraft Accounts-TL (Legal Entities)	1.246.322	-	1.246.322
Overdraft Accounts-FC (Legal Entities)	-	-	-
Total	6.175.859	16.902.668	23.078.527

f) Loans according to borrowers

	Current Period	Prior Period
Public	100.749	50.160
Private	101.854.116	81.832.616
Total	101.954.865	81.882.776

g) Domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	101.339.121	81.461.750
Foreign Loans	615.744	421.026
Total	101.954.865	81.882.776

h) Loans granted to subsidiaries and associates

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	485.698	331.694
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	485.698	331.694

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i) Specific provisions for loans

	Current Period	Prior Period
Provisions		
Loans and Receivables with Limited Collectability	303.406	113.483
Doubtful Loans and Other Receivables	478.171	346.348
Uncollectible Loans and Receivables	3.218.718	3.069.990
Total	4.000.295	3.529.821

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
Gross Amounts Before the Provisions	17.066	12.555	53.350
Restructured Loans	17.066	12.555	53.350
Prior Period			
Gross Amounts Before the Provisions	-	2.481	57.600
Restructured Loans	-	2.481	57.600

j.2) Movement of non-performing loans

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and other receivables
Prior Period End Balance	567.418	692.696	3.069.990
Additions (+)	1.559.648	124.469	59.423
Transfers from Other Categories of Non-Performing Loans (+)	-	1.178.893	985.779
Transfers to Other Categories of Non-Performing Loans (-)	1.178.893	985.779	-
Collections (-)	341.082	207.958	449.914
Write-offs (-)	-	-	-
Debt Sales	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Current Period End Balance	607.091	802.321	3.665.278
Provision (-)	303.406	478.171	3.218.718
Net Balances on Balance Sheet	303.685	324.150	446.560

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

None (December 31, 2017 - None).

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

	III. Group	IV. Group	V.Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	303.685	324.150	446.560
Loans to Real Persons and Legal Entities (Gross)	607.091	802.321	3.630.958
Provision (-)	303.406	478.171	3.184.398
Loans to Real Persons and Legal Entities (Net)	303.685	324.150	446.560
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	34.320
Provision (-)	-	-	34.320
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	453.935	346.348	-
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)	-	-	-

	III. Group	IV. Group	V.Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)			
Interest Accruals and Valuation Differences	61.690	91.093	8.096
Provision (-)	36.397	53.745	4.776

k) Liquidation policies for uncollectible loans and other receivables

For the unrecoverable non-performing loans under legal follow-up, the loan quality, collateral quality, bona fide of the debtor and assessment of the emergency of legal follow-up are considered, before applying the best practice for unrecoverable non-performing loans under legal follow up. The bank prefers to liquidate the risk through negotiations with the debtors. If this cannot be possible, then the Bank starts the legal procedures for the liquidation of the risk. Ongoing legal follow-up procedures do not prevent negotiations with the debtors. An agreement is made with the debtor at all stage of the negotiations for the liquidation of the risk.

l) Write-off policy

The Bank's general policy for write-offs of loans and receivables under follow-up is to write off taking over such loans and receivables that are proven to be uncollectible in legal follow-up process.

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7. Information on Financial Assets Measured at Amortized Cost

a.1) Information on financial assets measured at amortized cost subject to repurchase agreements and provided as collateral/blocked

	Current Period	
	TL	FC
Given as Collateral / Blocked	204.943	581.785
Subject to repurchase agreements	399.744	4.097.183
Total	604.687	4.678.968

a.2) Information on financial assets held-to-maturity subject to repurchase agreements and provided as collateral/blocked

	Prior Period	
	TL	FC
Given as Collateral / Blocked	268.590	178.708
Subject to repurchase agreements	-	3.248.559
Total	268.590	3.427.267

b.1) Information on government debt securities measured at amortized cost

	Current Period	
	TL	FC
Government Bond	6.978.512	4.108.979
Treasury Bill	-	-
Other Debt Securities	-	496.338
Total	6.978.512	4.605.317

b.2) Information on financial government debt securities held-to-maturity

	Prior Period	
	TL	FC
Government Bond	3.740.199	2.398.866
Treasury Bill	-	-
Other Debt Securities	-	427.977
Total	3.740.199	2.826.843

c.1) Information on investment securities measured at amortized cost

	Current Period	
	TL	FC
Debt Securities	6.978.512	5.573.680
Publicly-traded	6.978.512	5.573.680
Non-publicly traded	-	-
Provision for losses (-)	-	-
Total	6.978.512	5.573.680

c.2) Information on investment securities held-to-maturity

	Prior Period	
	TL	FC
Debt Securities	3.740.199	3.428.465
Publicly-traded	3.740.199	3.428.465
Non-publicly traded	-	-
Provision for losses (-)	-	-
Total	3.740.199	3.428.465

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d.1) Movements of financial assets measured at amortized cost

	Current Period
Value at the beginning of the period^(*)	8.946.170
Exchange differences on monetary assets	2.063.459
Acquisitions during the year	1.660.300
Disposals through sales and redemptions	(540.750)
Provision for losses (-)	-
Valuation effect	423.013
The sum of end of the period	12.552.192

(*)After the equity effect, the portfolio was revised and TL 1.777.506 transferred from financial assets measured at fair value through other comprehensive income to financial assets measured at amortized cost as a result of accounting policy change as of 01.01.2018.

As of September 30, 2018, a provision amounting to TL 31.331 is provided for the financial assets measured at amortized cost with TFRS 9 adoption.

d.2) Movements of investments held to maturity

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

8. Investments in associates (Net)

8.1. Investments in associates

a) Information on the unconsolidated subsidiaries

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

Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
94.425	57.724	49.104	1.370	-	8.630	10.416	-

^(*) Current amounts stated in table are from June 30, 2018 and prior period profit&loss amounts are taken from the financials of June 30, 2017.

b) Information on the consolidated subsidiaries

None (December 31, 2017- None).

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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	2.216	-
Purchases	-	-
Bonus Shares Received	2.216	-
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	5.982	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	5.982	3.766
Total	5.982	3.766

8.4. Quoted Associates

None (December 31, 2017 - None).

8.5. Valuation methods of investments in associates

	Current Period	Prior Period
Valued at Cost	5.982	3.766
Valued at Fair Value	-	-
Valued at Equity Method	-	-
Total	5.982	3.766

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9. Investments in subsidiaries (Net)

a) Information on the unconsolidated subsidiaries

Title	Address (City/Country)	Bank's Share-If different, Voting Rights (%)	Bank' Risk Group Share (%)
1. 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	100,00	100,00

	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	44.409	19.733	18.623	-	-	(41)	(882)	-
2.	14.923	4.221	5.460	522	-	1.323	(446)	-

(*)A total of 2.940.000 shares with a nominal value of TL 2.940.000 corresponding to 49% of the paid-up capital of EFinans Elektronik Ticaret ve Bilişim Hizmetleri AS has a total of TL 20.000.000-TL at a price of 6.80 TL for each share. Sibertek Danışmanlık Eğitim ve Yatırım A.Ş. was completed on 25.04.2018.

b) Information on the consolidated subsidiaries

b.1) Information on the consolidated subsidiaries

Subsidiary	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1. QNB Finans Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	99,80	100,00
2. QNB Finans Finansal Kiralama A.Ş.	İstanbul/Turkey	99,40	99,40
3. Hemenal Finansman A.Ş.	İstanbul/Turkey	100,00	100,00
4. QNB Finans Portföy Yönetimi A.Ş.	İstanbul/Turkey	0,03	100,00
5. QNB Finans Faktoring Hizmetleri A.Ş.	İstanbul/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 ^(*)
1.	506.439	157.359	3.460	30.375	5.502	28.536	17.251	126.712
2.	6.993.806	815.456	5.955	364.001	-	92.510	77.748	430.949(*)
3.	216.773	45.553	2.906	11.285	-	(4.248)	(4.200)	-
4.	11.829	10.472	113	1.344	-	(1.456)	(592)	-
5.	1.227.021	117.570	4.556	194.220	34	28.164	14.868	108.565

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

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b.2) Movement of investments in subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	724.921	647.572
Movements during the period	(300)	77.349
Purchases ^(*)	15.000	30.000
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Increase	(15.300)	47.349
Impairment Provision	-	-
Balance at the End of the Period	724.621	724.921
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

^(*)At the current period, QNB Finans Faktoring A.Ş. has raised its capital at an amount of TL 15.000. In the previous period, Hemenal Finansman A.Ş. has increased its capital at an amount of TL 30.000 through paid capital increase.

b.3) Sectoral distribution of subsidiaries

	Current Period	Prior Period
Factoring Companies	108.565	93.350
Leasing Companies	430.949	445.809
Finance Companies	58.395	58.395
Other Subsidiaries	126.712	127.367
Total	724.621	724.921

b.4) Quoted subsidiaries within the context of consolidation

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	430.949	445.809
Quoted on International Stock Exchanges	-	-
Total	430.949	445.809

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's Risk Group Share (%)
1. Cigna Finans Emeklilik ve Hayat A.Ş. Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik	İstanbul/Turkey	49,00	49,00
2. 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. ^(*)	1.261.141	146.150	15.920	-	-	65.697	36.908	151.969
2.	64.758	43.905	34.274	-	-	5.421	9.050	-

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

11. Information on leasing receivables (Net)

None (December 31, 2017 - None).

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12. Information on the hedging derivative financial assets

	Current Period^(***)	
	TL	FC
Fair Value Hedge ^(*)	6.349.683	65.595
Cash Flow Hedge ^(**)	5.128.938	259.731
Foreign Net Investment Hedges	-	-
Total	11.478.621	325.326
	Prior Period	
	TL	FC
Fair Value Hedge ^(*)	1.964.761	14.483
Cash Flow Hedge ^(**)	910.958	33.675
Foreign Net Investment Hedges	-	-
Total	2.875.719	48.158

^(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of September 30, 2018, TL 63.826 from securities issued (December 31, 2017 – TL 13.675), TL 1.769 (December 31, 2017 - TL 808) from borrowings , TL 6.349.683 (December 31, 2017 – TL 1.964.761) from the fair value of derivative financial instruments used in the fair value hedging of loans. There is no fair value of derivatives which are designated as hedging instruments to hedge the fair value changes in securities issued (December 31, 2017-None)

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

^(***) Derivative financial assets for fair value hedge in the current period are presented in the financial statements at line 1.5.1 and financial assets held for cash flow hedge are shown in the line at line 1.5.2.

13. Explanations regarding the investment properties

None (December 31, 2017- None).

14. Information on Tax Asset

As of September 30, 2018, the Bank has TL 651.107 deferred tax asset calculated under the related regulations.

Deferred tax assets and liabilities are reflected to the financial statements by netting off according to TAS 12. As of September 30, 2018, the Bank has deferred tax assets amounting to TL 1.895.228 and deferred tax assets amounting to TL 1.244.121, which arise between the carrying amount of the assets and liabilities in the balance sheet and the tax bases determined in accordance with tax legislation and calculated over the amounts to be taken into account in the calculation of financial profit / the tax liability is netted and recorded in the records.

Deferred tax is offset against deferred tax assets or liabilities, if the differences between the carrying amount and the fair value of the related assets are related to the equity account group. The deferred tax liability amounting to TL 95.851 has been netted under equity (December 31, 2017 - TL 16.906 deferred tax asset).

	Accumulated Temporary Differences	Deferred Tax Assets/(Liabilities)
	30.09.2018	30.09.2018
Provision for Employee Rights	371.475	101.738
Difference Between the Book Value of Financial Assets and Tax Base	3.080.370	647.842
Other	5.289.612	1.145.648
Deferred Tax Assets		1.895.228
Difference Between the Book Value Financial Assets and Tax Base	(221.029)	(48.626)
Difference Between the Book Value of Financial Assets and Tax Base	(4.745.734)	(1.040.569)
Other	(704.207)	(154.926)
Deferred Tax Liabilities		(1.244.121)
Deferred Tax Assets/(Liabilities), Net		651.107
	Current Period 01.01-30.09.2018	Prior Period 01.01-30.09.2017
Deferred Tax as of January 1 Active/ (Passive) - Net ^(*)	421.384	33.517
Deferred Tax (Loss) / Gain	317.513	(234.844)
Deferred Tax that is Realized Under Shareholder's Equity ^(*)	(87.790)	(54.779)
30 September Deferred Tax Active/ (Passive) - Net	651.107	(256.106)

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15. Information on assets held for sale and discontinued operations

As of September 30, 2018 there is no tangible asset held for sale (December 31, 2017: none).

16. Information on other assets

16.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Collateral Given for Derivative Transactions	3.639.357	361.684
Assets Held for Resale (net)	756.615	512.975
Other Prepaid Expenses	555.507	474.821
Miscellaneous Receivables	331.870	262.498
Cheques Receivables from Other Banks	110.021	72.281
Prepaid rent expenses	50.279	34.406
Prepaid Agency Commissions	14.619	12.460
Advances Given	12.458	3.791
Other	56.364	11.323
Total	5.527.090	1.746.239

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

Details of the other assets are described above in the 16.1 section of explanations and disclosures related to assets.

17. Accrued interest and income

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

	Current Period	
	TL	FC
Derivative Financial Instruments	23.103.082	1.373.497
Loans	2.794.379	575.636
Financial Assets measured at amortized cost	223.906	60.612
Central Bank of Turkey	54.797	-
Banks	516	-
Financial Assets at Fair Value Through Profit or Loss	18	9
Financial Assets at Fair Value Through Other Comprehensive Income	(45.245)	(493.411)
Other Accruals	35.464	11.854
Total	26.166.917	1.528.197

	Prior Period	
	TL	FC
Derivative Financial Instruments Held for Hedging Purposes	2.875.719	48.158
Assets on Trading Derivatives	2.258.244	244.055
Loans and Receivables	1.029.257	297.851
Investments Held-to-Maturity	167.886	46.918
Financial Assets Available for Sale	54.368	29.369
Central Bank of Turkey	36.002	-
Banks	1.451	97
Trading Securities	328	36
Other Accruals	1.125	5.313
Total	6.424.380	671.797

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SECTION FIVE

II. Explanations And Disclosures Related To Liabilities

1. Information on maturity structure of deposits

Current Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	3.064.725	-	3.511.079	19.187.551	891.402	467.076	1.134.153	1.888	28.257.874
Foreign Currency	9.134.822	-	3.659.602	29.138.309	1.790.496	2.196.427	1.282.401	361	47.202.418
Residents in Turkey	8.886.718	-	3.621.899	28.401.011	1.721.902	2.111.240	993.964	361	45.737.095
Residents Abroad	248.104	-	37.703	737.298	68.594	85.187	288.437	-	1.465.323
Public Sector Deposits	189.769	-	5.974	6.872	88	9	221	-	202.933
Commercial Deposits	2.435.321	-	2.332.645	2.986.991	117.168	223.162	600.843	-	8.696.130
Other Ins. Deposits	67.998	-	33.379	228.588	1.696	564	1.699	-	333.924
Precious Metal Deposits	1.742.910	-	-	31.409	476	8.947	97.606	-	1.881.348
Bank Deposits	675.190	-	42.655	1.629.392	230.794	80.163	-	-	2.658.194
T.R Central Bank.	-	-	-	-	-	-	-	-	-
Domestic Banks	46.239	-	12.047	35.558	-	2.130	-	-	95.974
Foreign Banks	25.979	-	30.608	1.593.834	230.794	78.033	-	-	1.959.248
Participation Banks	602.972	-	-	-	-	-	-	-	602.972
Other	-	-	-	-	-	-	-	-	-
Total	17.310.735	-	9.585.334	53.209.112	3.032.120	2.976.348	3.116.923	2.249	89.232.821

Prior Period

	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulated Deposit Accounts	Total
Saving Deposits	2.841.194	-	2.664.643	16.185.117	1.001.997	391.611	1.178.780	2.367	24.265.709
Foreign Currency	5.877.143	-	2.449.203	18.324.339	1.372.059	904.862	673.011	225	29.600.842
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
Public Sector Deposits	112.991	-	2.508	13.989	97	8	119	-	129.712
Commercial Deposits	2.606.915	-	2.562.486	2.936.396	379.681	323.156	789.212	-	9.597.846
Other Ins. Deposits	56.387	-	34.530	185.822	159.759	67.049	566	-	504.113
Precious Metal Deposits	1.111.916	-	-	17.196	354	-	68.928	-	1.198.394
Bank Deposits	129.280	-	673.759	1.256.275	136.335	69.007	80.223	-	2.344.879
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	-	-	-	-	-	-	-	-	-
Total	12.735.826	-	8.387.129	38.919.134	3.050.282	1.755.693	2.790.839	2.592	67.641.495

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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	13.717.107	12.342.514	13.903.218	11.921.850
Foreign Currency Savings Deposits	5.161.421	3.857.126	23.657.859	14.315.461
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	18.878.528	16.199.640	37.561.077	26.237.311

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	17.142	7.440
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close	80.107	15.440
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237	-	-
Saving deposits in banks established in Turkey exclusively for off-shore	-	-
Total	97.249	22.880

2. Information on trading purpose derivatives

a.1) Negative value of trading purpose derivatives

	Current Period (*)		Prior Period	
	TL	FC	TL	FC
Forwards	578.883	-	83.786	-
Swaps	11.102.698	444.646	1.787.817	176.523
Futures	-	3.719	-	103
Options	-	533.003	275	22.266
Other	-	-	-	-
Total	11.681.581	981.368	1.871.878	198.892

(*) Derivative financial liabilities held for trading in the current period are shown on the financial statement in 7.1 Derivative Financial liabilities line.

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3. Information on funds borrowed

a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Bank and Institutions	129.944	417.417	114.947	231.647
Foreign Bank, Institutions and Funds	-	24.750.488	-	15.927.173
Total	129.944	25.167.905	114.947	16.158.820

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	129.944	7.764.779	114.947	5.706.737
Medium and Long-Term	-	17.403.126	-	10.452.083
Total	129.944	25.167.905	114.947	16.158.820

The Bank's fund sources include deposits, funds borrowed, securities issued and money market borrowings. Deposit is the most significant fund source of the Bank and does not present any risk concentration with its consistent structure extended to a wide base. Funds borrowed mainly consist of funds provided by foreign financial institutions which have different characteristics and maturity-interest structure such as syndication, securitization, and post-financing. There isn't risk concentration on the fund sources of the Bank.

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

As of September 30, 2018, the Bank's liabilities comprise; 49% deposits (December 31, 2017 – 54%), 14% funds borrowed (December 31, 2017 – 13%), 5% issued bonds (December 31, 2017 – 6%) and 4% Money Market Debts (December 31, 2017 – 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	1.108.457	-	1.801.841	-
Financial institutions and organizations	1.086.943	-	1.771.995	-
Other institutions and organizations	9.324	-	15.494	-
Real persons	12.190	-	14.352	-
From foreign transactions	3.063	5.867.371	6.724	4.631.256
Financial institutions and organizations	-	5.867.371	-	4.631.256
Other institutions and organizations	3.063	-	6.724	-
Real persons	-	-	-	-
Total	1.111.520	5.867.371	1.808.565	4.631.256

Money market borrowings include Interbank money market borrowings amounting to TL 444 (December 31, 2017 – TL 50.000).

5. Information on securities issued (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	2.156.124	-	2.975.932	57.156
Bills	105.062	7.508.182	103.821	4.776.661
Total	2.261.186	7.508.182	3.079.753	4.833.817

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

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

Other liabilities do not exceed 10% of total liabilities excluding the off-balance sheet items (December 31, 2017 - 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, 2017- None).

7.2. Financial Lease Payables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	4.990	4.618	3.141	2.851
Between 1 - 4 years	3.524	3.261	4.239	3.848
More than 4 years	-	-	-	-
Total	8.514	7.879	7.380	6.699

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, 2017 - None).

8. Information on liabilities arising from hedging purpose derivatives

	Current Period ^(***)	
	TL	FC
Fair Value Hedge ^(*)	-	198.165
Cash Flow Hedge ^(**)	26.948	21.619
Net Investment Hedge	-	-
Total	26.948	219.784

	Prior Period	
	TL	FC
Fair Value Hedge ^(*)	16.615	197.837
Cash Flow Hedge ^(**)	280.204	34.667
Net Investment Hedge	-	-
Total	296.819	232.504

^(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of September 30, 2018, TL 31.634 from loans (December 31, 2017 – TL 41.598), TL 4.962 (December 31, 2017 - TL 4.057) from securities issued, TL 161.569 (December 31, 2017 - TL 168.798) from securities, represents the fair value of the derivative financial instruments used in the fair value hedging transaction.

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

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

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9. Information on provisions

9.1. Information on general provisions

	Current Period
Provisions for off-balance sheet commitments ^(*)	118.201
Total	118.201

(*) As of September 30, 2018 provisions for non-cash loans in stage 3 represented at line 9.5 in liabilities and equity table with the adoption of TFRS 9.

	Prior Period
Provisions for Loans and Receivables in Group I	1.124.990
Provisions for Loans and Receivables in Group II	120.163
Provisions for Non - Cash Loans	91.845
Other	59.270
Total	1.396.268

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

	Current	Prior Period
Foreign Exchange Provision for Foreign Currency Indexed Loans ^(*)	-	3.573

(*) 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 39.840 (December 31, 2017 – TL 45.014).

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 September 30, 2018, TL 186.673 (December 31, 2017 - TL 175.627) reserve for employee termination benefits was provided in the accompanying financial statements.

As of September 30, 2018, the Bank accrued TL 45.666 (December 31, 2017 – TL 42.089) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of September 30, 2018 TL 139.136 (December 31, 2017 - TL 139.328) bonus and premium provisions have been provided under reserve for employee benefits account in the accompanying financial statements.

9.4.1. Movement of employee termination benefits

	Current Period	Prior Period
	01.01-30.09.2018	01.01-30.09.2017
As of January 1	175.627	138.930
Service Cost	18.215	13.964
Interest Cost	15.533	11.526
Settlement / curtailment / termination loss	10.295	16.708
Actuarial Difference	(1.494)	-
Paid during the period	(31.503)	(36.516)
Total	186.673	144.612

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9.5. Information on other provisions

9.5.1. Information on provisions for possible risks

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

	Current Period	Prior Period
Other provisions made for close monitoring loans portfolio ^(*)	-	108.450
Provision for Promotion Expenses of Credit Cards	8.834	9.356
Other Provisions	216.889	144.327
Total	225.723	262.133

(*) Provisions for the closely monitored loan portfolio were recalculated under TFRS 9 and accounted under loans and other receivables.

10. Taxation

10.1. Current taxes

10.1.1. Current tax liability

As of September 30, 2018, the Bank has TL 585.112 current tax liability (December 31, 2017- TL 446.266). As of September 30, 2018, the Bank has no prepaid tax (31 December 2017- TL 41.097).

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	585.112	405.169
Banking and Insurance Transaction Tax (BITT)	98.429	63.463
Taxation on Securities Income	81.682	56.775
Taxation on Real Estates Income	2.968	1.953
Other	23.526	23.139
Total	791.717	550.499

The “Corporate Taxes Payable” balance is presented in the “Current Tax Liability” account and other taxes are presented in the “Other Liabilities” account in the accompanying unconsolidated financial statements.

10.1.3. Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	13.944	20.809
Social Security Premiums - Employer Share	15.022	18.187
Unemployment Insurance - Employee Share	980	1.205
Unemployment Insurance - Employer Share	1.960	2.408
Total	31.906	42.609

11. Information on payables related to assets held for sale

None (December 31, 2017 – None).

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12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
To be included in the calculation of additional capital	-	-	-	-
Subordinated Loans	-	-	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	-	5.647.169	-	3.510.837
Subordinated loans	-	5.647.169	-	3.510.837
Subordinated debt instruments	-	-	-	-
Total	-	5.647.169	-	3.510.837

On June 29, 2018, the subordinated loan amounting to USD 325 Million was renewed for 2028 as maturity date according to Basel III.

13. Information on shareholder's equity

13.1. Paid-in capital

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

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

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

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

None (December 31, 2017 – TL 200.000.000).

13.4. Information on share capital increases from revaluation funds

None (December 31, 2017 – None).

13.5. Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments

The Bank does not have any capital commitments, all of the capital is fully paid-in.

13.6. Prior periods' indicators related with the Bank's income, profit and liquidity and the possible effects of the uncertainties in these indicators on the Bank's equity

None (December 31, 2017 – None).

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

None (December 31, 2017 – None).

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14. Common stock issue premiums, shares and equity instruments

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

^(*) Due to the Bank's capital increase 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
Associates, Subsidiaries and Entities under Common Control	373.444	-	388.744	-
Valuation Difference	373.444	-	388.744	-
Foreign Exchange Rate Difference	-	-	-	-
Securities Measured at Fair Value Through Other Comprehensive Income (FVOCI)	(17.557)	(639.414)	(53.163)	(176.412)
Valuation Difference	(17.557)	(639.414)	(53.163)	(176.412)
Foreign Exchange Rate Difference	-	-	-	-
Total	355.887	(639.414)	335.581	(176.412)

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	
	TL	FC
Derivative Financial Liabilities	11.681.581	1.179.533
Deposits	437.935	130.748
Securities Issued	5.265	159.011
Funds Borrowed	2.857	312.848
Money Market Borrowings	4.935	33.138
Other Accruals	210.304	1.931
Total	12.342.877	1.817.209

	Prior Period	
	TL	FC
Derivative Financial Liabilities Held for Trading	1.871.878	198.892
Deposits	358.992	57.106
Derivative Financial Liabilities Held for Hedging	296.819	232.504
Funds Borrowed	1.786	126.212
Money Market Borrowings	1.900	16.306
Securities Issued	2.921	39.745
Other Accruals	120.130	407
Total	2.654.426	671.172

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SECTION FIVE

III. Explanations And Disclosures Related To Off-Balance Sheet Items

1. Information related to off-balance sheet contingencies

a. Type and amount of irrevocable commitments

	Current Period	Prior Period
Credit Cards Limit Commitments	21.787.550	17.115.833
Commitment For Use Guaranteed Credit Allocation	11.137.234	9.774.575
Forward, Asset Purchase Commitments	3.105.047	2.876.502
Payment Commitments for Cheques	2.382.433	2.754.045
Other Irrevocable Commitments	1.307.005	1.056.395
Commitments for Promotions Related with Credit Cards and Banking	28.226	45.880
Tax and Fund Liabilities due to Export Commitments	24.862	15.358
Total	39.772.357	33.638.588

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 39.840 (December 31, 2017 - TL 45.014) followed in the off-balance sheet accounts that are not indemnified and liquidated yet.

1.3 Final guarantees, provisional guarantees, sureties and similar transactions

	Current Period	Prior Period
Bank Loans	5.238.808	3.012.892
Letters of Credit	2.099.835	1.783.291
Total	7.338.643	4.796.183

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

	Current Period	Prior Period
Provisional Letters of Guarantee	788.285	920.541
Final Letters of Guarantee	7.874.022	6.387.607
Advance Letters of Guarantee	1.520.210	822.037
Letters of Guarantee Given to Customs Offices	421.831	457.444
Other Letters of Guarantee	8.982.766	5.931.237
Total	19.587.114	14.518.866

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	4.378.964	2.315.378
Less Than or Equal to One Year with Original Maturity	722.502	681.540
More Than One Year with Original Maturity	3.656.462	1.633.838
Other Non-Cash Loans	22.546.793	16.999.671
Total	26.925.757	19.315.049

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

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	36.986	0,39	23.464	0,14	44.952	0,51	2.855	0,03
Farming and Raising Livestock	32.582	0,35	4.512	0,03	40.054	0,45	-	-
Forestry	3.269	0,03	-	-	2.375	0,03	-	-
Fishing	1.135	0,01	18.952	0,11	2.523	0,03	2.855	0,03
Manufacturing	1.280.594	13,65	8.955.478	51,03	1.261.085	14,27	4.430.301	42,29
Mining and Quarrying	27.445	0,29	34.571	0,20	48.598	0,55	36.769	0,35
Production	1.074.605	11,46	8.060.694	45,93	990.927	11,21	3.888.686	37,12
Electricity, gas and water	178.544	1,90	860.213	4,90	221.560	2,51	504.846	4,82
Construction	2.204.451	23,51	2.041.087	11,63	2.769.132	31,33	782.143	7,47
Services	4.726.035	50,39	6.403.531	36,48	4.095.605	46,33	2.555.222	24,39
Wholesale and Retail Trade	2.733.022	29,15	1.705.496	9,72	2.475.606	28,01	954.016	9,12
Hotel, Food and Beverage Services	71.508	0,76	716.097	4,08	75.523	0,85	85.148	0,81
Transportation&Communication	269.521	2,87	1.318.579	7,51	193.455	2,19	280.352	2,66
Financial Institutions	1.050.929	11,21	1.560.707	8,89	773.612	8,75	838.847	8,01
Real Estate and Renting Services	6.088	0,06	301	0,00	8.232	0,09	611	0,01
Self Employment Services	166.186	1,77	36.602	0,21	274.603	3,11	36.769	0,35
Educational Services	5.520	0,06	7.113	0,04	6.262	0,07	-	-
Health and Social Services	423.261	4,51	1.058.636	6,03	288.312	3,26	359.479	3,43
Other	1.127.424	12,06	126.707	0,72	668.642	7,56	2.705.112	25,82
Total	9.375.490	100,00	17.550.267	100,00	8.839.416	100,00	10.475.633	100,00

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

	I. Group		II. Group	
	TL	FC	TL	FC
Current Period (*)				
Letters of Guarantee	9.192.839	10.166.494	130.192	57.749
Bills of Exchange and Acceptances	11.812	5.226.996	-	-
Letters of Credit	807	2.097.671	-	1.357
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issued	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Collaterals and Sureties	-	-	-	-
Non-cash Loans	9.205.458	17.491.161	130.192	59.106

(*) Does not include non-cash loans amounting to TL 39.840, for which special provision is provided, but which are not indemnified and not liquidated yet.

	I. Group		II. Group	
	TL	FC	TL	FC
Prior Period (*)				
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	-	-	-	-
Non-cash Loans	8.607.425	10.247.172	196.238	219.200

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

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5. Information on derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	157.062.516	121.908.563
Forward transactions ^(*)	15.652.558	13.539.343
Swap transactions	124.413.014	100.507.782
Futures transactions	290.479	209.931
Option transactions	16.706.465	7.651.507
Interest Related Derivative Transactions (II)	46.783.758	20.280.668
Forward rate transactions	-	-
Interest rate swap transactions	46.783.758	20.280.668
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	880.904	628.716
A.Total Trading Derivative Transactions (I+II+III)	204.727.178	142.817.947
Types of hedging transactions		
Fair value hedges	28.016.501	18.276.951
Cash flow hedges	46.680.807	35.285.822
Net investment hedges	-	-
B.Total Hedging Related Derivatives	74.697.308	53.562.773
Total Derivative Transactions (A+B)	279.424.486	196.380.720

^(*) This line also includes Forward Asset Purchase Commitments accounted for under Commitments.

As of September 30, 2018, breakdown of the Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

Current Period	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell (*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
TL	2.418.692	2.587.447	21.302.011	42.364.002	3.140.258	4.062.905	7.418	192	-
USD	2.764.689	4.678.743	85.524.049	55.509.899	4.295.315	3.523.066	137.963	137.793	880.904
EURO	2.585.113	491.905	16.998.507	20.379.062	1.075.079	606.336	-	7.113	-
Other	65.254	60.715	3.789.392	27.158	3.506	-	-	-	-
Total	7.833.748	7.818.810	127.613.959	118.280.121	8.514.158	8.192.307	145.381	145.098	880.904

^(*) This column also includes hedging purpose derivatives.

^(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

Prior Period	Forward Buy(**)	Forward Sell(**)	Swap Buy(*)	Swap Sell (*)	Option Buy	Option Sell	Future Buy	Futures Sell	Other
TL	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	-	-	-
Total	6.720.919	6.818.424	88.907.073	85.444.150	3.811.223	3.840.284	105.213	104.718	628.716

^(*) This column also includes hedging purpose derivatives.

^(**) This column also includes Forward Asset Purchase Commitments and accounted for under Commitments.

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5.1 Fair value hedge accounting

a) Loans

The Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the mortgage loans amounting to TL 5.437.733 (December 31, 2017 – TL 4.757.337) were subject to hedge accounting by swaps with a nominal of TL 5.999.908 (December 31, 2017 – TL 4.973.074). On September 30, 2018 the net market valuation difference income amounting to TL 11.874 due to the loss from loans amounting to TL 860.133 (September 30, 2017 – TL 39.584 gain) and gain from swaps amounting to TL 872.007 (September 30, 2017 – TL 1.911 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 272.157 (December 31, 2017 – TL 188.632) have been subject to hedge accounting with swaps with a nominal amount of TL 256.163 (June 30, 2017 – TL 179.136). In 2018 TL 1.300 net fair valuation difference gain, net of TL 6.884 (September 30, 2017 – TL 2.130 loss) gain from loans and TL 5.583 (September 30, 2017 – TL 664 gain) loss from swaps has been recorded under “Gains / (losses) 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 33.323 (September 30, 2017 – TL 10.084) related to the loans that are ineffective for hedge accounting under “gains / (losses) from financial derivatives transactions” as loss during the current period.

b) Financial Assets Measured at Fair Value through Other Comprehensive Income (Financial Assets Available for Sale)

The Bank applies fair value hedge accounting to hedge itself against the changes in the interest rates related to long term foreign currency Eurobonds with fixed coupon held by the Bank using swaps as hedging instruments. As of the balance sheet date; Eurobonds with a nominal of USD 411,7 million and EUR 75,4 million (December 31, 2017 – USD 371,7 million and EUR 75.4 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On September 30, 2018, the net market valuation difference gain amounting to TL 1.718, due to loss from Eurobonds amounting to TL 55.941 (September 30, 2017 – TL 13.398 gain) and gain from swaps amounting to TL 57.658 (September 30, 2017 – TL 13.690 loss) 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, 2017 - 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, 2017 – USD 283 Million) have been subject to hedge accounting with the same nominal amount of swaps. As of September 30, 2018, TL 146 net fair valuation difference loss, net of TL 5.122 (December 30, 2017 – TL 2.626 gain) gain from issued bonds and TL 5.268 (December 30, 2017 – TL 2.533 loss) loss from swaps, has been recorded under “Gains / (losses) from financial derivatives transactions” on accompanying financial statements.

d) Borrowings

The Bank implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate foreign exchange credits used. Credit at an amount of EUR 30 million (December 31, 2017: EUR 30 million) is subjected to hedge accounting with a swap having the same amount. A net mark to market difference loss at an amount of TL 20 (September 30, 2018: TL 1 gain) sourcing from Credit at an amount of TL 640 (September 30, 2017: TL 372 gain) loss and TL 620 (September 30, 2017 – TL 371 loss) gain from swaps is recognized under “Gains/losses from Derivative Financial Transactions”.

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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 3.490.000 are subject to hedge accounting as hedging instruments (December 31, 2017 – TL 5.210.000). As a result of the mentioned hedge accounting, fair value gains before taxes amounting to TL 217.724 are accounted for under equity during the current period (September 30, 2017 – TL 38.844 gain). The gain amounting to TL 1.961 (September 30, 2017 – TL 211 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 2.499 million (December 31, 2017 – USD 2.753 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 279 million (December 31, 2017 –EUR 319 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value gain before taxes amounting to TL 766.527 are accounted for under equity during the current period (September 30, 2017 – TL 14.017 loss). The income amounting to TL 1.389 (September 30, 2017 – TL 217 gain) relating to the ineffective portion is accounted for at the income statement.

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. Effective parts classified under equity due to hedge accounting are amortized through income statement until the maturity of swaps in case of ineffectiveness. In the current period there is loss TL 5.129 transferred amount from equity to income statement due to ineffectiveness or matured swaps. (September 30, 2017 – TL 1.279 loss).

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 810 million are subject to hedge accounting as hedging instruments (December 31, 2017 – USD 260 million). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 101.386 are accounted for under equity during the current period (December 31, 2017 – TL 11.673). Regarding the ineffective portion amounting to TL 2.140, has been associated with the income statement.

The measurements as of September 30, 2018, hedge of cash flow transactions stated above are determined as effective.

6. Credit derivatives and risk exposures on credit derivatives

As of September 30, 2018, the Bank has no commitments “Credit Linked Notes” (As of December 31, 2017 - None).

As of September 30, 2018, “Other Derivative Financial Instruments” with nominal amount of USD 145.000.000 (December 31, 2017 - USD 165.000.000) are included in Bank’s “Swap Interest Sell Transactions.” In aforementioned transaction, the Bank is the seller of the protection for USD 145.000.000.

7. Information on contingent liabilities and assets

The Bank has recorded a provision of TL 112.805 (December 31, 2017 - TL 44.781) 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.

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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 September 2018		FITCH October 2018		CI September 2018	
Long-Term Deposit Rating (FC)	B2	Long -Term Foreign Curr.	BB-	Long-Term Foreign Curr.	BB-
Long-Term Deposit Rating (TL)	Ba3	Short-Term Foreign Curr.	B	Short-Term Foreign Curr.	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL	BB	FC Appearance	Negative
Short-Term Deposit Rating (TL)	NP	Short-Term TL	B	Financial Strength Rating	BB+
Main Credit Evaluation	b2	Long-Term National	AA(tur)	Financial Strength Appearance	Negative
Adjusted Main Credit Evaluation	ba3	Appearance	Negative	Support	2
Appearance	Negative	Long-Term Foreign Currency	BB-		
		Denominated Debt			
Long-Term Foreign Currency					
Denominated Debt (FC)	Ba3	Support	3		
		Financial Capacity Rating	b+		

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SECTION FIVE

IV. Explanations And Disclosures Related To The Income Statement

1. a) Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	3.657.745	82.412	2.508.098	42.039
Medium and Long-Term Loans	4.694.689	1.082.586	3.595.901	529.107
Non-Performing Loans	75.794	-	61.863	-
Resource Utilization Support Fund Premiums	-	-	-	-
Total^(*)	8.428.228	1.164.998	6.165.862	571.146

^(*) Includes fee and commission income related to cash loans.

b) Information on interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank ^(*)	-	-	-	1
Domestic Banks	141.628	419	163.829	199
Foreign Banks	2.209	21.536	1.678	9.981
Foreign Headquarters and Branches	-	-	-	-
Total	143.837	21.955	165.507	10.181

^(*) The interest income on Required Reserve amounting TL 140.463 is not included into interest income on Banks. (September 30, 2017: TL 77.118).

c) Information on interest income from securities portfolio

	Current Period	
	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	1.340	319
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	431.324	134.101
Financial Assets Measured at Amortized Cost	539.012	195.898
Total	971.676	330.318

	Prior Period	
	TL	FC
Held-for-Trading Financial Assets	3.044	328
Financial Assets at FVTPL	1.605	41
Investment Securities Available for Sale	300.863	108.537
Investment Securities Held to Maturity	277.053	116.526
Total	582.565	225.432

As stated in Section Three disclosure VII.2, the Bank has inflation indexed (CPI) government bonds in its Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) and Financial Assets Measured at Amortized Cost portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The Bank determines the estimated inflation rates used for valuation of securities in line with this. The estimated inflation rate used is updated during the year when necessary. In this context, as of September 30, 2018, valuation of such assets is made according to estimated annual inflation rate of 11%. If valuation of these securities indexed to the CPI had been done by the reference index valid through September 30, 2018, the Bank's Marketable securities valuation differences would be decreased by TL 4,9 million and net profit would be increased by TL 154 million to TL 1.903 million.

d) Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Associates and Subsidiaries	26.346	8.925

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	7.315	779.687	5.336	425.632
T.R. Central Bank	-	-	-	-
Domestic Banks	6.357	5.374	5.314	2.059
Foreign Banks	958	774.313	22	423.573
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	7.315	779.687	5.336	425.632

(*) Includes fee and commission expenses related to cash loans.

b) Information on interest expense paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	47.282	48.382

c) Information on interest expense paid to securities issued

As of September 30, 2018 interest paid to securities issued is TL 613.208 (September 30, 2017 – TL 277.805).

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		
Turkish Lira								
Bank Deposits	-	27.990	127	-	-	-	-	28.117
Saving Deposits	3	336.437	1.954.172	107.675	55.313	112.811	-	2.566.411
Public Sector Deposits	-	457	1.300	102	10	8	-	1.877
Commercial Deposits	-	322.475	319.568	21.017	46.477	68.643	-	778.180
Other Deposits	-	4.520	24.454	2.415	1.948	69	-	33.406
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	3	691.879	2.299.621	131.209	103.748	181.531	-	3.407.991
Foreign Currency								
Deposits	3	36.025	554.366	39.239	42.238	21.821	-	693.692
Bank Deposits	199	60.091	7.258	174	754	-	-	68.476
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1.122	-	-	-	-	-	1.122
Total	202	97.238	561.624	39.413	42.992	21.821	-	763.290
Grand Total	205	789.117	2.861.245	170.622	146.740	203.352	-	4.171.281

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

Account	Time Deposit						Accumulated Deposit Account	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
Turkish Lira								
Bank Deposits	-	43.006	269	-	-	-	-	43.275
Saving Deposits	3	155.958	1.271.083	78.889	37.367	80.360	-	1.623.660
Public Sector Deposits	-	358	2.211	206	14	11	-	2.800
Commercial Deposits	1	236.687	363.382	30.927	63.775	40.501	-	735.273
Other Deposits	-	4.033	31.711	3.357	25.155	461	-	64.717
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	4	440.042	1.668.656	113.379	126.311	121.333	-	2.469.725
Foreign Currency								
Deposits	-	21.785	281.984	26.712	13.138	8.939	-	352.558
Bank Deposits	172	34.869	9.640	322	1.100	-	-	46.103
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	608	-	-	-	-	-	608
Total	172	57.262	291.624	27.034	14.238	8.939	-	399.269
Grand Total	176	497.304	1.960.280	140.413	140.549	130.272	-	2.868.994

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e) Information on interest expense on repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on Repurchase Agreements ^(*)	137.983	109.809	46.320	51.236

^(*) Disclosed in "Interest on Money Market Transactions".

f) Information on finance lease expenses

	Current Period	Prior Period
Finance Lease Expenses	385	176

g) Information on interest expense on factoring payables

None (September 30, 2017 – None).

3. Information on dividend income

	Current Period	Prior Period
Financial Derivative Assets at Fair Value through Profit/Loss (FVTPL)	-	-
From Financial Assets at Fair Value through Profit and Loss	-	-
From Financial Assets at Fair Value through Other Comprehensive Income	-	686
Other	50.891	13.526
Total	50.891	14.212

4. Information on trading income/loss

	Current Period	Prior Period
Trading Income	18.708.940	7.145.065
Gains on Capital Market Operations	35.388	16.896
Derivative Financial Instruments	11.651.485	3.977.814
Foreign Exchange Gains	7.022.067	3.150.355
Trading Loss (-)	19.785.772	8.136.195
Losses on Capital Market Operations	22.463	15.870
Losses on Derivative Financial Instruments	10.598.567	4.938.999
Foreign Exchange Losses	9.164.742	3.181.326
Net Trading Income/Loss	(1.076.832)	(991.130)

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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
Expected Credit Loss	1.300.942
12 month expected credit loss (stage 1)	78.976
Significant increase in credit risk (stage 2)	602.362
Non-performing loans (stage 3)	619.604
Marketable Securities Impairment Expense	25.824
Financial Assets at Fair Value through Profit or Loss	16.502
Financial Assets at Fair Value through Other Comprehensive Income	9.322
Investments in Associates, Subsidiaries and Held-to-maturity	
Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	(84.390)
Total	1.242.376

	Prior Period
Specific Provisions For Loans and Other Receivables	669.603
Loans and Receivables in Group III	210.523
Loans and Receivables in Group IV	125.439
Loans and Receivables in Group V	333.641
Provision for Loans Under Close Monitoring	(16.246)
General Provisions	74.342
Provision Expenses for Possible Losses	-
Impairment Losses on Securities	-
Financial assets at fair value through profit or loss	-
Investment securities available for sale	-
Impairment Losses on Associates, Subsidiaries and	-
Associates	-
Subsidiaries	-
Entities under common control	-
Investment securities held-to-maturity	-
Other	1.033
Total	728.732

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7. Information on other operating expenses

	Current Period	Prior Period
Personnel Expenses ^(*)	1.032.049	920.813
Reserve for Employee Termination Benefits	12.540	5.682
Bank Social Aid Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	101.210	105.015
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	87.092	83.922
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Resale	-	-
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	862.803	780.308
<i>Operational Leasing Expenses</i>	<i>180.033</i>	<i>166.188</i>
<i>Maintenance Expenses</i>	<i>132.887</i>	<i>107.861</i>
<i>Advertisement Expenses</i>	<i>89.000</i>	<i>89.025</i>
<i>Other Expenses</i>	<i>460.883</i>	<i>417.234</i>
Loss on Sales of Assets	27	348
Other ^(**)	391.753	292.594
Total	2.487.474	2.188.682

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

^(**) Comprising repayments amounting to TL 7.244 (September 30, 2017: TL 17.591) in respect of Consumer Arbitration Committee and courts' decision, which was fees and commissions recognized in previous year as income.

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

For the period ended September 30, 2018, net interest income in regards to continued operations of TL 5.413.866 (September 30, 2017 – TL 4.157.651), net fees and commission income of TL 1.491.420 (September 30, 2017 – TL 1.247.244) and other operating income of TL 46.067 (September 30, 2017 – TL 47.628) constitute an important part of the income.

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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 September 30, 2018, the Bank has recorded tax charge TL 764.318 (September 30, 2017 – TL 90.474) and a deferred tax income of TL 317.513 (September 30, 2017 – TL 234.844 deferred tax expense) from its continuing operations.

9.2. Explanations on operating profit/loss after taxes

None (September 30, 2017 – None).

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

Net profit of the Bank from continued operations is TL 1.748.757 (September 30, 2017 – TL 1.232.873).

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 (September 30, 2017 – None).

11.2. Effect of changes in accounting estimates on income statement for the current and for subsequent periods.

None.

11.3. There is no profit or loss attributable to minority shares.

11.4. There are no changes in the nature and amount of accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods.

12. Information on the components of other items in the income statement exceeding 10% of the total, or items that comprise at least 20% of the income statement

Fees and commissions from credit cards, transfers and insurance intermediaries are recorded in the “Others” line under “Fees and Commissions Received” account, while fees and commissions given to credit cards are recorded in the “Others” line under “Fees and Commissions Paid” account by the Bank.

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

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

VI. Explanations And Disclosures Related To Cash Flows Statements

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

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SECTION FIVE

VII. Explanations And Disclosures Related To The Bank's Risk Group

1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period

- b. As of September 30, 2018, the Bank's risk group has deposits, cash and non-cash loans at the Bank amounting to TL 591.913 (December 31, 2017 – TL 738.760) deposit and TL 485.698 (December 31, 2017- TL 331.694) cash loans and TL 18.652 (December 31, 2017 – TL 12.254) non-cash loans respectively.

Current Period

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	330.935	10.384	613	-	146	1.870
Balance at the End of the Period	485.578	16.085	-	-	120	2.567
Interest and Commission Income	26.231	115	-	30	27	31

Prior Period

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the Beginning of the Period	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(***)	8.842	83	-	22	66	20

(*) 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 September 30, 2017 balance

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

Bank's Risk Group (*)	Associates and Subsidiaries		Bank's Direct and Indirect Shareholders		Other Legal and Real Persons in Risk Group(**)	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	568.454	89.151	-	-	170.306	179.718
Balance at the End of the Period	467.573	568.454	-	-	124.340	170.306
Interest on deposits(***)	47.282	48.382	-	-	16.623	10.194

(*) 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 September 30, 2017 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
Transactions for Trading Purposes						
Beginning of the Period	470.862	104.180	1.046	-	-	-
End of the Period	1.926.809	470.862	-	1.046	-	-
Total Income/Loss (***)	219.277	(248)	19	-	-	-
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss (***)	-	-	-	-	-	-

(*) As described in the Article 49 of Banking Law No 5411.

(**) Includes the derivative transactions between the Bank's indirect subsidiaries.

(***) Prior Period Balance Represents September 30, 2017 balance.

1.4. Information on benefits provided to top management

As of September 30, 2018, the total amount of remuneration and bonuses paid to top management of the Bank is TL 81.700 (September 30 2017 - TL 73.537).

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 September 30, 2018, cash loans of the risk group represented 0,5% of the Bank's total cash loans (December 31, 2017 – 0,4%), the deposits represented 0,7% of the Bank's total deposits (December 31, 2017 – 1,1%) and derivative transactions represented 0,7% of the Bank's total derivative transactions (December 31, 2017 – 0,2%).

2.3. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts

The Bank enters into finance lease agreements with QNB Finans Finansal Kiralama A.Ş. As of September 30, 2018, the Bank has net finance lease payables to QNB Finans Finansal Kiralama A.Ş. amounting to TL 7.879 (December 31, 2017 - TL 6.699) relating with finance lease agreements.

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

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

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

The Bank provides agency services to Cigna Finans Emeklilik ve Hayat A.Ş., which is a jointly controlled entity with 49,00% shares held by the Bank.

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VIII. 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 Eurobond issuance; on October 3, 2018 at a nominal amount of TL 10.000 along with an interest rate of 1,38% maturing in 33 days, a discounted bond issuance on October 5, 2018 at a nominal amount of TL 89.940 with an interest rate of 28,00% maturing in 63 days, a discounted bond issuance with coupon payments on October 12, 2018 at a nominal amount of TL 103.070 with an interest rate 25,25% maturing in 91 days. A discounted bond issuance on October 12, 2018 at a nominal amount TL 218.570 with an interest rate of 27,25% maturing in 63 days, a discounted bond issuance on October 19, 2018 at a nominal amount of TL 119.975 with an interest rate of 27,20% maturing 63 days and a discounted bond on October 26, 2018 at a nominal amount of TL 190.200 with an interest rate 26,90% maturing in 70 days.

QNB Finans Varlık Kiralama A.Ş. was established on October 4, 2018 in order to issue lease certificate as a subsidiary of QNB Finans Yatırım Menkul Değerler A.Ş. in accordance with the Capital Market Law and the relevant legislation. Turkey was published in the Trade Registry Gazette numbered 9648 and on October 10, 2018. The Company's sole shareholder is QNB FinansInvest Securities.

6. 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

None.

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SECTION SIX

INDEPENDENT AUDITOR’S LIMITED REPORT

I. Explanations on the Independent Limited Review Report

The unconsolidated financial statements for the period ended September 30, 2018 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor’s limited report dated October 26, 2018 is presented preceding the unconsolidated financial statements.

II. Explanations and notes prepared by Independent Auditors

None (December 31, 2017 – None).

SECTION SEVEN

UNCONSOLIDATED INTERIM ACTIVITY REPORT

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

Message by the Chairman

Dear Shareholders,

Subsequent to the material currency depreciation in the third quarter of 2018, we have entered a period where financial conditions are tighter, inflation has increased substantially and interest rates were hiked as a result. These conditions mark the deceleration of growth trends, while current account deficit is observed to be rapidly narrowed and a new period of balancing takes place in the economy.

Having started with currency fluctuations, this period has marked decisive steps undertaken both by the government and Central Bank, within a two-month period, in order to accelerate the balancing process. The ‘New Economic Program’ announced furthered the confidence in sustaining economic stability and reform-driven policies under the titles “Balancing, Change and Discipline”. Therefore, we are most assured that the effects of the market volatility encountered in our economy will be eliminated and a rapid recovery will follow.

We can observe that the currency account deficit, which reached almost 7% of the GDP, will ease to 4% with the slowdown in economic activity. Both the decrease in imports caused by growth deceleration and the recovery of export and tourism revenue, driven by currency advantages, will play a major role in decreasing external financing risks.

We anticipate that inflation will maintain its high levels in the short run with currency depreciation and distortion in pricing behaviors. However, we believe that the inflation landscape will be much more positive in the second half of the upcoming year, if strict fiscal and monetary policies are sustained, which can trigger a decrease in interest rates as well.

It is observed that extreme currency volatility has had a negative impact on companies with high foreign currency debts, while top exporting companies and sectors with a high foreign currency income (e.g. tourism industry) take advantage of this currency depreciation.

The global growth trend has slowed down to a certain extent, as a result of concerns regarding tightening financial conditions and trade wars across the global economy. However, the growth of the US economy is expected to sustain a strong curve, and FED is expected to maintain gradual interest increases and balance sheet reduction program. As for the European Union, the bond-buying program is expected to be terminated this year, despite the decelerated growth trend. The pressure on the markets of developing countries is expected to continue as a result of this disruption in global liquidity conditions. Implementation of policies driven by economic stability will be important for our country to overcome this period with the least damage possible.

At QNB Finansbank, we have sustained our growth in the first 9 months of the year. As of 30 September 2018, the Bank’s total assets grew by 44 percent compared to year-end results, reaching TRY 180 billion 876 million; performing loans by 25 percent reaching TRY 101 billion 955 million; and customer deposits by 33 percent reaching TRY 86 billion 575 million. Our bank’s net profit for the 9-month period was realized as TRY 1 billion 749 million.

As of 30 September 2018, QNB Finansbank’s total equity increased by 15 percent compared to the end of the previous year and amounted to TRY 14 billion 6 million, and, the Bank’s capital adequacy ratio reached 16.01 percent.

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On the deposits side, our funding sources continued to diversify and grow. Accordingly, we increasingly continue to contribute to the industry with the Bank’s robust capital structure and the strength of QNB Finansbank’s main shareholder Qatar National Bank Q.P.S.C. (QNB), as the international shareholder bank with the highest ratings among the Turkish peers.

Driven by our strong capital structure, we are sustaining our corporate social responsibility projects at full speed. Without slowing down, we continue to launch critical projects with our voluntary financiers under the roof of our “Small Hands Big Dreams” corporate social responsibility platform that we initiated to prepare our children for the future.

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

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

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Message by the General Manager

Dear Shareholders and Board Members,

QNB Finansbank continued to contribute to Turkish economy through corporate loans, project finance and SME loans in the first 9 months of 2018.

As of 30 September 2018, the Bank's total assets grew by 44 percent compared to year-end results, reaching TRY 180 billion 876 million; performing loans by 25 percent reaching TRY 101 billion 955 million; and net customer deposits by 33 percent reaching TRY 86 billion 575 million. On the other hand, net profit for the 9-month period realized as TRY 1 billion 749 million.

The net interest income for the first nine months of 2018 increased by 30 percent compared to the same period of the previous year and reached TRY 5 billion 414 million, the net fee and commission income increased by 20 percent and reached TRY 1 billion 491 million. Compared to the end of the previous year, total equities increased by 15 percent and amounted to TRY 14 billion 6 million, and as of September 30, 2018, our capital adequacy ratio realized as 16.01 percent.

In the first 9 months of 2018, we diversified our funding resources on the deposits' side and reached strong investor segments in each sector.

In 2018, with our financiers we continue to work with the goal of transforming this success that we have achieved in the banking sector into social contribution. This year, we will again continue to contribute to children in many areas with our "Little Hands Big Dreams" corporate social responsibility platform. Together with our volunteering financiers, we will execute new projects that support children's and youth's creativity and analytical thinking in the upcoming period. Our "Little Fingers Programming the Future" project, which is run in collaboration with Microsoft Turkey and Habitat Foundation, is ongoing at full speed, where we provide children with coding courses. Our aim is to reach 20 thousand children.

We are initiating yet another project that supports analytical thinking. We will convey a crucial service to our children, enabling them to learn math by experiencing it, with "QNB Finansbank's TALES Math Museum and Traveling Truck". The Truck will tour across Anatolia with a total of 34 modules and five different workshops, where students will rediscover this area of science with math and geometry workshops.

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

Kind regards,

Temel Güzelöğlu
General Manager

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Summary Financial Belonging to the Period of September 30, 2018

Principal Financial Indicators (Million TL)	September 30, 2018	December 31, 2017
Total Loans	101.955	81.883
Securities	21.230	15.543
Total Assets	180.876	125.857
Customer Deposits	86.575	65.297
Equity	14.006	12.155
Principal Financial Indicators (Million TL)	September 30, 2018	September 30, 2017
Net interest income	5.414	4.158
Net fees and commission income	1.491	1.247
Provision loans and other Receivables(-)	(1.242)	(729)
Profit before tax	2.196	1.558
Tax Provision	(447)	(325)
Net profit for the period	1.749	1.233

As of September 30, 2018 total assets of Bank increased by 44% compared with the end of the year 2017 and realized as TL 180 billion and 876 million. When compared with the end of year 2017, total loans increased by 25% and reached TL 101 billion and 955 million while Customer Deposits increased by 33% and reached up to TL 86 billion and 575 million.

Net interest income increased by 30% and reached 5 billion and 414 million TL and net fees and commissions income increased by 20% and reached TL 1 billion and 491 million in the nine-month period of the year 2018 compared to same period of previous year. Unconsolidated profit of the Bank before tax reached TL 2 billion 196 million and the unconsolidated net profit for the third quarter of 2018 realized as TL 749 million.

When compared with the end of year 2017, total unconsolidated shareholders' equity increased by 15% and reached up to TL 14 billion 6 million. As of September 30, 2018 capital adequacy ratio of the Bank was 16,01%.

As of September 30, 2018 QNB Finansbank has 12.079 personnel and 542 branch.

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

Assets:

The Bank maintained its customer-oriented activities during year 2018 and continued to grow mainly in corporate and commercial loans. While total performing loans were realized as 101 billion 955 million TL with a rise of 25% in the third quarter of the year, total assets increased by 44% and reached 180 billion 876 million TL. In 2018, the Bank continued to grow corporate credits (Corporate, Commercial, SME and Working Capital Loans), which strategically emphasized, and realized a 31% increase in corporate loans compared to the end of 2017.

Liabilities:

Total customer deposits of the Bank increased by 33% and reached TL 86 billion and 575 million and shareholders' equity increased by 15% and reached TL 14 billion and 6 million.

Profitability:

Net interest income increased by 30% and reached TL 5 billion and 414 million and net fees and commission income amounts has increased by 20% as 1 billion and 491 million. Profit before tax of the Bank amounts to TL 2 billion 196 million and the net profit for the period is TL 1 billion 749 million.

Solvency:

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

General Grants realized during the Period:

General grants realized as of September 30, 2018 was TL 214.