

QNB FİNANSBANK ANONİM ŞİRKETİ

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

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

INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of QNB Finansbank Anonim Şirketi:

Report on the Audit of Consolidated Financial Statements

Qualified Opinion

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

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

Basis for Qualified Opinion

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

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

Key Audit Matters

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

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

Responsibilities of Management and Directors for the consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

Damla Harman, SMMM
Partner

2 February 2018
İstanbul, Türkiye

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

The Parent Bank's;

Address of the Head Office : Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli - İSTANBUL
Phone number : (0212) 318 50 00
Facsimile number : (0212) 318 56 48
Web page : www.qnbfinansbank.com
E-mail address : investor.relations@qnbfinansbank.com

The consolidated financial report for the year ended December 31, 2017, 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 PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES OF THE PARENT BANK
- INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- FOOTNOTES AND EXPLANATIONS ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDIT REPORT

Within the context of this financial report for the year ended, the consolidated subsidiaries, entities under common control and structured entities are as follows. There are no associates included in the consolidation.

Subsidiaries

1. Finans Finansal Kiralama Anonim Şirketi
2. Finans Yatırım Menkul Değerler Anonim Şirketi
3. Finans Portföy Yönetimi Anonim Şirketi
4. Finans Faktoring Anonim Şirketi
5. Hemenal Finansman Anonim Şirketi

Entities Under Common Control (Joint Ventures)

1. Cigna Finans Emeklilik ve Hayat Anonim Şirketi

Structured Entities

1. Bosphorus Financial Services Limited
2. Istanbul Bond Company S.A.

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

Ömer A. Aras
Chairman of
the Board of Directors

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

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

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

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

Temel 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 statements can be communicated:

Name - Surname/Title : Ercan Sakarya / Director of Financial, Statutory Reporting and Treasury Control
Phone Number : (0 212) 318 52 92
Facsimile Number : (0 212) 318 55 78

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

**QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

I. Explanatory Note on the Establishment Date, Nature of Activities and History of the Parent Bank

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

II. Information About the Parent Bank's Shareholding Structure, Shareholders Who Individually or Jointly Have the 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 Parent Bank

A share sales agreement has been concluded between National Bank of Greece S.A. (NBG), principal shareholder of the Bank in previous periods, and Qatar National Bank ("QNB") regarding the direct or indirect sales of NBG's shares, owned by affiliates and current associations of the Bank, at the rate of 99,81% to QNB at a price of EUR 2.750 million as of December 21, 2015. On April 7, 2016, BRSA permitted to transfer shares at ratios of 82,23%, 7,90%, 9,68% owned by National Bank of Greece S.A., NBGI Holdings B.V. and NBG Finance (Dollar) PLC respectively in the capital of the Bank to Qatar National Bank S.A.Q. in the framework of paragraph 1 of article 18 of Banking Law and dropping direct share of National Bank of Greece S.A. to 0% through the aforementioned share transfer. Necessary permissions related to share transfer have been completed on May 4, 2016 before the Competition Authority while permission transactions regarding direct/indirect share ownership which shall realize in related affiliates of the Bank (Finans Yatırım Menkul Değerler A.Ş., Finans Portföy Yönetimi A.Ş., Finans Finansal Kiralama A.Ş. and Cigna Finans Emeklilik ve Hayat A.Ş.) before the related official bodies on May 12, 2016 and share transfer of the Bank has been completed on June 15, 2016.

The 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 and the new logo of the Parent Bank has started to be used as "QNB FİNANSBANK" as of October 20, 2016.

According to the decision dated January 17, 2018 which was taken by the General Assembly "The 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 Parent Bank are controlled by Qatar National Bank as of December 31, 2017 and remaining 0,12% of related shares are public shares.

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

**(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND
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QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

III. Information About the Chairman and Members of Board of Directors, Members of Audit Committee, Managing Director and Executive Vice Presidents; Any Changes, and the Information About the Parent 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	April 16, 2010	Masters
Ali Teoman Kerman	Board Member and Head of Audit Committee	April 16, 2013	Masters
Ramzi Talat A.Mari	Board Member and Member of the Audit Committee	June 16, 2016	Masters
Fatma Abdulla S.S. Al- Suwaidi	Board Member and Member of the Audit Committee	June 23, 2016	Masters
Durmuş Ali Kuzu	Board Member and Member of the Audit Committee	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
Associate Prof. Osman Reha Yolalan	Board Member	June 21, 2016	Phd
Ali Rashid A.S.Al-Mohannadi	Board Member	June 16, 2016	Graduate
Noor Mohd J. A. Al-Naimi	Board Member	June 22, 2017	Graduate
Adnan Menderes Yayla	Executive Vice President	May 20, 2008	Masters
Murat Şakar	Executive Vice President	August 1, 2008	Graduate
Köksal Çoban	Executive Vice President	August 19, 2008	Masters
Dr. Mehmet Kürşad Demirkol	Executive Vice President	October 8, 2010	Phd
Özlem Cinemre	Executive Vice President	July 9, 1997	Graduate
Hakan Alp	Executive Vice President	July 7, 2010	Graduate
Erkin Aydın	Executive Vice President	May 16, 2011	Masters
Ömür Tan	Executive Vice President	October 28, 2011	Graduate
Halim Ersun Bilgici	Executive Vice President	March 15, 2013	Masters
Enis Kurtoglu	Executive Vice President	May 14, 2015	Masters
Murat Koraş	Executive Vice President	May 14, 2015	Masters
Emel Yılmaz Özbay	Executive Vice President	February 12, 2016	Graduate
Engin Turhan	Executive Vice President	June 14, 2016	Masters
Ahmet Erzengin	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 Parent Bank.

IV. Information About the Persons and Institutions That Have Qualified Shares on the Parent Bank

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	-
Diğer	4.108	0,12%	4.108	-

V. Explanations on the Parent Bank's Services and Activities

The Parent Bank's activities include trade finance and corporate banking, private and retail banking, SME banking, currency, money markets, securities operations and credit card operations. In addition, the Parent Bank carries out insurance agency activities on behalf of insurance companies through its branches. As of December 31, 2017, the Parent Bank operates through 578 domestic (December 31, 2016 - 628), 1 foreign (December 31, 2016 - 1) and 1 Atatürk Airport Free Trade Zone (December 31, 2016 - 1) branches. As of December 31 2017, the Group has 13.095 employees (December 31, 2016 - 13.557 employees).

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

VI. Information on Application Differences Between Consolidation Practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and the Turkish Accounting Standards, and Entities Subject to Full or Proportional Consolidation or Deducted from Equity or not Subject to any of These Three Methods

Parent 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 joint ventures are not consolidated to accompanying 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 Parent Bank does not have material control and presence over it.

All other subsidiaries are fully consolidated.

Bosphorus Financial Services Limited and İstanbul Bond Company S.A., which are not subsidiaries of the Bank, but over which the Bank has 100% controlling power due to the reason that these companies are "Structured Entities", have been included in the scope of consolidation.

VII. Current or Likely Actual or Legal Barriers to Immediate Transfer of Shareholders' Equity or Repayment of Debts between the Parent Bank and Its Subsidiaries

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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- III. Consolidated Income Statement (Statement of Income / Loss)
- IV. Consolidated Statement of Profit and Loss Accounted for
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- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Cash Flows Statement
- VII. Consolidated Profit Appropriation Statement

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

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

I. CONSOLIDATED BALANCE SHEET – ASSETS

		Audited 31.12.2017			Audited 31.12.2016			
		Section 5 Part I	TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(1)	2.130.940	13.751.332	15.882.272	1.929.861	11.174.023	13.103.884
	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS							
II.	(Net)	(2)	2.349.894	254.216	2.604.110	2.637.196	210.497	2.847.693
2.1	Financial assets held for trading		2.339.315	254.216	2.593.531	2.614.225	210.497	2.824.722
2.1.1	Public sector debt securities		45.343	8.355	53.698	22.528	11.486	34.014
2.1.2	Equity securities		-	-	-	-	-	-
2.1.3	Assets on trading derivatives		2.258.281	245.861	2.504.142	2.574.900	199.011	2.773.911
2.1.4	Other securities		35.691	-	35.691	16.797	-	16.797
2.2	Financial assets at fair value through profit and loss		10.579	-	10.579	22.971	-	22.971
2.2.1	Public sector debt securities		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Loans		10.579	-	10.579	22.971	-	22.971
2.2.4	Other securities		-	-	-	-	-	-
III.	BANKS	(3)	17.657	1.282.115	1.299.772	48.150	263.916	312.066
IV.	MONEY MARKET PLACEMENTS		241.859	-	241.859	1.667.618	-	1.667.618
4.1	Interbank money market placements		1.029	-	1.029	-	-	-
4.2	Istanbul Stock Exchange money market placements		240.830	-	240.830	367.013	-	367.013
4.3	Receivables from reverse repurchase agreements	(4)	-	-	-	1.300.605	-	1.300.605
V.	INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)	(5)	5.120.273	3.229.602	8.349.875	4.152.070	2.880.043	7.032.113
5.1	Equity securities		4.779	70.891	75.670	4.092	44.961	49.053
5.2	Public sector debt securities		5.115.196	3.143.191	8.258.387	4.147.680	2.796.651	6.944.331
5.3	Other securities		298	15.520	15.818	298	38.431	38.729
VI.	LOANS AND RECEIVABLES	(6)	63.275.332	19.153.024	82.428.356	49.855.478	12.758.615	62.614.093
6.1	Loans and receivables		62.471.877	19.153.024	81.624.901	49.233.093	12.758.615	61.991.708
6.1.1	Loans to risk group of the Bank		98	48	146	7	1.245	1.252
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		62.471.779	19.152.976	81.624.755	49.233.086	12.757.370	61.990.456
6.2	Non-performing loans		4.344.169	-	4.344.169	3.874.148	-	3.874.148
6.3	Specific provisions (-)		3.540.714	-	3.540.714	3.251.763	-	3.251.763
VII.	FACTORING RECEIVABLES	(7)	1.285.314	95.688	1.381.002	698.479	52.491	750.970
VIII.	INVESTMENT SECURITIES HELD TO MATURITY (Net)	(8)	3.740.199	3.428.465	7.168.664	3.383.952	2.516.555	5.900.507
8.1	Public sector debt securities		3.740.199	2.826.843	6.567.042	3.383.952	1.915.594	5.299.546
8.2	Other securities		-	601.622	601.622	-	600.961	600.961
IX.	INVESTMENT IN ASSOCIATES (Net)	(9)	3.766	-	3.766	3.766	-	3.766
9.1	Equity method associates		-	-	-	-	-	-
9.2	Unconsolidated		3.766	-	3.766	3.766	-	3.766
9.2.1	Financial Investments		-	-	-	-	-	-
9.2.2	Non-financial Investments		3.766	-	3.766	3.766	-	3.766
X.	INVESTMENT IN SUBSIDIARIES (Net)	(10)	18.054	-	18.054	18.054	-	18.054
10.1	Unconsolidated financial investments		-	-	-	-	-	-
10.2	Unconsolidated non-financial investments		18.054	-	18.054	18.054	-	18.054
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)	(11)	123.208	-	123.208	94.271	-	94.271
11.1	Equity method entities under common control		120.408	-	120.408	91.471	-	91.471
11.2	Unconsolidated		2.800	-	2.800	2.800	-	2.800
11.2.1	Financial investments		-	-	-	-	-	-
11.2.2	Non-financial Investments		2.800	-	2.800	2.800	-	2.800
XII.	LEASE RECEIVABLES (Net)	(12)	1.355.800	3.110.263	4.466.063	1.107.500	1.578.777	2.686.277
12.1	Financial lease receivables		1.750.747	3.484.684	5.235.431	1.408.190	1.742.271	3.150.461
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		394.947	374.421	769.368	300.690	163.494	464.184
XIII.	DERIVATIVE FINANCIAL ASSETS HEDGING PURPOSES	(13)	2.875.719	62.407	2.938.126	3.409.777	33.561	3.443.338
13.1	Fair value hedge		1.964.761	28.732	1.993.493	2.346.595	18.509	2.365.104
13.2	Cash flow hedge		910.958	33.675	944.633	1.063.182	15.052	1.078.234
13.3	Hedging of a net investment in foreign subsidiaries		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	(14)	1.942.750	43	1.942.793	1.838.260	48	1.838.308
XV.	INTANGIBLE ASSETS (Net)	(15)	338.761	-	338.761	288.218	-	288.218
15.1	Goodwill		-	-	-	-	-	-
15.2	Others		338.761	-	338.761	288.218	-	288.218
XVI.	INVESTMENT PROPERTIES (Net)	(16)	-	-	-	-	-	-
XVII.	TAX ASSETS	(17)	47.075	-	47.075	71.704	-	71.704
17.1	Current tax assets		12.181	-	12.181	4.737	-	4.737
17.2	Deferred tax assets		34.894	-	34.894	66.967	-	66.967
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(18)	-	-	-	-	-	-
18.1	Held for sale		-	-	-	-	-	-
18.2	Discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(19)	1.543.255	417.654	1.960.909	1.248.446	404.508	1.652.954
	TOTAL ASSETS		86.409.856	44.784.809	131.194.665	72.452.800	31.873.034	104.325.834

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

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

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

I. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY

		Audited 31.12.2017			Audited 31.12.2016			
		Section 5 Part II	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(1)	34.571.346	32.972.029	67.543.375	31.497.058	22.368.191	53.865.249
1.1	Deposits from risk group of the Bank		608.766	31.874	640.640	158.972	36.446	195.418
1.2	Other		33.962.580	32.940.155	66.902.735	31.338.086	22.331.745	53.669.831
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	1.871.882	198.362	2.070.244	2.387.019	214.697	2.601.716
III.	FUNDS BORROWED	(3)	1.454.981	16.557.045	18.012.026	545.452	10.618.093	11.163.545
IV.	MONEY MARKET BORROWINGS		2.368.511	4.631.256	6.999.767	3.100.124	3.519.709	6.619.833
4.1	Interbank money markets takings		-	-	-	1.500.708	-	1.500.708
4.2	Istanbul Stock Exchange money markets takings		509.609	-	509.609	97.382	-	97.382
4.3	Funds provided under repurchase agreements	(4)	1.858.902	4.631.256	6.490.158	1.502.034	3.519.709	5.021.743
V.	SECURITIES ISSUED (Net)	(5)	4.403.345	5.994.680	10.398.025	1.861.266	4.470.311	6.331.577
5.1	Bills		4.208.176	57.156	4.265.332	1.749.202	53.683	1.802.885
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		195.169	5.937.524	6.132.693	112.064	4.416.628	4.528.692
VI.	FUNDS		-	-	-	-	-	-
6.1	Borrower funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	SUNDRY CREDITORS		2.679.544	3.535.867	6.215.411	2.243.338	4.477.548	6.720.886
VIII.	OTHER LIABILITIES	(6)	602.663	316.609	919.272	875.297	188.581	1.063.878
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES (Net)	(7)	-	-	-	-	-	-
10.1	Financial lease payables		-	-	-	-	-	-
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred financial lease expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(8)	296.819	239.255	536.074	196.239	230.489	426.728
11.1	Fair value hedge		16.615	204.528	221.143	-	190.559	190.559
11.2	Cash flow hedge		280.204	34.727	314.931	196.239	39.930	236.169
11.3	Hedge of net investments in foreign subsidiaries		-	-	-	-	-	-
XII.	PROVISIONS	(9)	2.092.983	-	2.092.983	1.794.752	-	1.794.752
12.1	General provisions		1.397.267	-	1.397.267	1.288.412	-	1.288.412
12.2	Restructuring provisions		-	-	-	-	-	-
12.3	Reserve for employee benefits		379.810	-	379.810	295.428	-	295.428
12.4	Insurance technical provisions (Net)		-	-	-	-	-	-
12.5	Other provisions		315.906	-	315.906	210.912	-	210.912
XIII.	TAX LIABILITY	(10)	468.310	-	468.310	198.098	-	198.098
13.1	Current tax liability		419.559	-	419.559	198.098	-	198.098
13.2	Deferred tax liability		48.751	-	48.751	-	-	-
XIV.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(11)	-	-	-	-	-	-
14.1	Held for sale		-	-	-	-	-	-
14.2	Discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	(12)	-	3.510.837	3.510.837	-	3.235.793	3.235.793
XVI.	SHAREHOLDERS' EQUITY		12.581.490	(153.149)	12.428.341	10.677.148	(373.369)	10.303.779
16.1	Paid-in capital	(13)	3.350.000	-	3.350.000	3.150.000	-	3.150.000
16.2	Capital reserves		87.823	(153.149)	(65.326)	(44.173)	(373.369)	(417.542)
16.2.1	Share premium	(14)	714	-	714	714	-	714
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Securities value increase fund	(15)	(53.163)	(176.412)	(229.575)	(40.675)	(379.478)	(420.153)
16.2.4	Revaluation fund on tangible assets		-	-	-	-	-	-
16.2.5	Revaluation fund on intangible assets		-	-	-	-	-	-
16.2.6	Investment property revaluation differences		-	-	-	-	-	-
16.2.7	Bonus shares obtained from associates, subsidiaries and entities under common control (joint ventures)		-	-	-	-	-	-
16.2.8	Hedging funds (effective portion)		208.584	23.263	231.847	39.442	6.109	45.551
16.2.9	Accumulated valuation differences from assets held for sale and discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		(68.312)	-	(68.312)	(43.654)	-	(43.654)
16.3	Profit reserves		7.365.587	-	7.365.587	6.329.182	-	6.329.182
16.3.1	Legal reserves		550.059	-	550.059	487.422	-	487.422
16.3.2	Status reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		6.815.528	-	6.815.528	5.841.760	-	5.841.760
16.3.4	Other profit reserves		-	-	-	-	-	-
16.4	Profit or loss		1.771.786	-	1.771.786	1.236.405	-	1.236.405
16.4.1	Prior years' income/ (losses)		-	-	-	-	-	-
16.4.2	Current period income/ (loss)		1.771.786	-	1.771.786	1.236.405	-	1.236.405
16.5	Minority shares		6.294	-	6.294	5.734	-	5.734
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY			63.391.874	67.802.791	131.194.665	55.375.791	48.950.043	104.325.83
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The accompanying notes are an integral part of these consolidated financial statements.

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

QNB FİNANSBANK ANONİM ŞİRKETİ

**CONSOLIDATED OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES FOR YEAR ENDED
DECEMBER 31, 2017**

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

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES

		Audited 31.12.2017			Audited 31.12.2016		
	Section 5 Part III	TL	FC	TOTAL	TL	FC	TOTAL
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)		133.957.021	134.110.696	268.067.717	107.898.237	100.663.461	208.561.698
I. GUARANTEES	(1),(2),(3),(4)	8.839.416	10.475.633	19.315.049	7.171.006	6.013.004	13.184.010
1.1. Letters of guarantee		8.818.479	5.700.387	14.518.866	7.158.585	3.648.130	10.806.715
1.1.1. Guarantees subject to State Tender Law		426.846	30.598	457.444	310.573	36.451	347.024
1.1.2. Guarantees given for foreign trade operations		4.699.770	5.669.789	10.369.559	3.527.000	3.611.679	7.138.679
1.1.3. Other letters of guarantee		3.691.863	-	3.691.863	3.321.012	-	3.321.012
1.2. Bank loans		19.991	2.992.901	3.012.892	7.421	1.248.056	1.255.477
1.2.1. Import letter of acceptance		19.991	2.992.901	3.012.892	7.421	1.248.056	1.255.477
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		946	1.782.345	1.783.291	5.000	1.116.818	1.121.818
1.3.1. Documentary letters of credit		946	1.713.499	1.714.445	5.000	1.084.124	1.089.124
1.3.2. Other letters of credit		-	68.846	68.846	-	32.694	32.694
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Factoring guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	-	-	-	-	-
1.9. Other collaterals		-	-	-	-	-	-
II. COMMITMENTS		51.328.750	3.053.424	54.382.174	39.756.441	2.310.737	42.067.178
2.1. Irrevocable commitments	(1)	31.191.593	2.360.737	33.552.330	39.371.199	1.954.418	41.325.617
2.1.1. Forward asset purchase commitments		954.489	1.835.755	2.790.244	355.574	860.966	1.216.540
2.1.2. Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	30.000	-	30.000
2.1.4. Loan granting commitments		9.774.194	381	9.774.575	19.364.771	353	19.365.124
2.1.5. Securities underwriting commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Payment commitment for checks		2.754.045	-	2.754.045	2.707.388	-	2.707.388
2.1.8. Tax and fund liabilities from export commitments		15.358	-	15.358	10.267	-	10.267
2.1.9. Commitments for credit card expenditure limits		17.115.833	-	17.115.833	16.396.189	-	16.396.189
2.1.10. Commitments for promotions related with credit cards and banking activities		45.880	-	45.880	19.721	-	19.721
2.1.11. Receivables from short sale commitments		-	-	-	-	-	-
2.1.12. Payables for short sale commitments		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		531.794	524.601	1.056.395	487.289	1.093.099	1.580.388
2.2. Revocable commitments		20.137.157	692.687	20.829.844	385.242	356.319	741.561
2.2.1. Revocable loan granting commitments		20.014.047	-	20.014.047	240.800	-	240.800
2.2.2. Other revocable commitments		123.110	692.687	815.797	144.442	356.319	500.761
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5), (6)	73.788.855	120.581.639	194.370.494	60.970.790	92.339.720	153.310.510
3.1. Derivative financial instruments for hedging purposes		22.268.172	32.261.118	54.529.290	16.730.698	21.068.526	37.799.224
3.1.1. Fair value hedge		5.431.066	13.715.948	19.147.014	3.456.411	11.638.573	15.094.984
3.1.2. Cash flow hedge		16.837.106	18.545.170	35.382.276	13.274.287	9.429.953	22.704.240
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		51.520.683	88.320.521	139.841.204	44.240.092	71.271.194	115.511.286
3.2.1. Forward foreign currency buy/sell transactions		4.523.196	6.139.645	10.662.841	4.118.082	6.261.366	10.379.448
3.2.1.1. Forward foreign currency transactions-buy		1.583.405	3.700.991	5.284.396	2.683.949	2.467.023	5.150.972
3.2.1.2. Forward foreign currency transactions-sell		2.939.791	2.438.654	5.378.445	1.434.133	3.794.343	5.228.476
3.2.2. Swap transactions related to foreign currency and interest rates		43.347.695	77.340.514	120.688.209	35.619.409	58.965.219	94.584.628
3.2.2.1. Foreign currency swap-buy		20.571.584	30.250.673	50.822.257	15.510.246	23.802.355	39.312.601
3.2.2.2. Foreign currency swap-sell		22.776.111	26.809.173	49.585.284	18.569.163	20.441.802	39.010.965
3.2.2.3. Interest rate swaps-buy		-	10.140.334	10.140.334	770.000	7.360.531	8.130.531
3.2.2.4. Interest rate swaps-sell		-	10.140.334	10.140.334	770.000	7.360.531	8.130.531
3.2.3. Foreign currency, interest rate and securities options		3.626.434	4.025.073	7.651.507	4.502.601	5.087.199	9.589.800
3.2.3.1. Foreign currency options-buy		1.485.641	2.325.582	3.811.223	2.355.495	2.402.267	4.757.762
3.2.3.2. Foreign currency options-sell		2.140.793	1.699.491	3.840.284	2.147.106	2.684.932	4.832.038
3.2.3.3. Interest rate options-buy		-	-	-	-	-	-
3.2.3.4. Interest rate options-sell		-	-	-	-	-	-
3.2.3.5. Securities options-buy		-	-	-	-	-	-
3.2.3.6. Securities options-sell		-	-	-	-	-	-
3.2.4. Foreign currency futures		23.358	186.573	209.931	-	74.460	74.460
3.2.4.1. Foreign currency futures-buy		23.358	81.855	105.213	-	37.230	37.230
3.2.4.2. Foreign currency futures-sell		-	104.718	104.718	-	37.230	37.230
3.2.5. Interest rate futures		-	-	-	-	-	-
3.2.5.1. Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2. Interest rate futures-sell		-	-	-	-	-	-
3.2.6. Other		-	628.716	628.716	-	882.950	882.950
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		662.053.285	112.343.143	774.396.428	552.759.553	90.204.038	642.963.591
IV. ITEMS HELD IN CUSTODY		56.509.094	3.646.425	60.155.519	43.231.414	3.728.678	46.960.092
4.1. Assets under management		3.489.199	2.550	3.491.749	4.935.464	2.218	4.937.682
4.2. Investment securities held in custody		23.911.288	637.461	24.548.749	18.642.053	1.348.273	19.990.326
4.3. Checks received for collection		5.005.477	482.806	5.488.283	3.452.693	463.821	3.916.514
4.4. Commercial notes received for collection		1.228.379	220.269	1.448.648	938.785	213.474	1.152.259
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		22.874.751	2.303.339	25.178.090	15.262.419	1.700.892	16.963.311
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		369.611.511	64.199.119	433.810.630	319.890.014	47.175.906	367.065.920
5.1. Marketable securities		1.750.774	6.076.387	7.827.161	819.315	3.186.362	4.005.677
5.2. Guarantee notes		338.396	110.531	448.927	201.294	76.487	277.781
5.3. Commodity		58.875	-	58.875	61.743	-	61.743
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		85.341.634	36.591.013	121.932.647	78.296.557	25.750.041	104.046.598
5.6. Other pledged items		282.121.832	21.421.188	303.543.020	240.511.105	18.163.016	258.674.121
5.7. Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		235.932.680	44.497.599	280.430.279	189.638.125	39.299.454	228.937.579
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		796.010.306	246.453.839	1.042.464.145	660.657.790	190.867.499	851.525.289

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ

**CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2017 (STATEMENT
OF INCOME/LOSS)**

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

III. CONSOLIDATED INCOME STATEMENT

	Section 5 Part IV	Audited 01.01 - 31.12.2017	Audited 01.01 - 31.12.2016
I. INTEREST INCOME	(1)	11.404.451	9.034.828
1.1 Interest on loans		9.312.291	7.722.630
1.2 Interest received from reserve deposits		113.120	52.930
1.3 Interest received from banks		202.038	11.429
1.4 Interest received from money market placements		55.716	75.509
1.5 Interest received from marketable securities portfolio		1.241.311	843.682
1.5.1 Held-for-trading financial assets		5.344	4.442
1.5.2 Financial assets at fair value through profit and loss		1.898	4.450
1.5.3 Available-for-sale financial assets		617.790	483.872
1.5.4 Investments held-to-maturity		616.279	350.918
1.6 Finance lease income		312.474	217.169
1.7 Other interest income		167.501	111.479
II. INTEREST EXPENSE	(2)	5.588.804	4.356.208
2.1 Interest on deposits		4.064.811	3.284.048
2.2 Interest on funds borrowed		771.896	423.734
2.3 Interest on money market borrowings		186.345	293.348
2.4 Interest on securities issued		544.570	341.639
2.5 Other interest expense		21.182	13.439
III. NET INTEREST INCOME (I - II)		5.815.647	4.678.620
IV. NET FEES AND COMMISSIONS INCOME		1.782.588	1.444.877
4.1 Fees and commissions received		2.148.614	1.767.919
4.1.1 Non-cash loans		84.629	69.602
4.1.2 Other		2.063.985	1.698.317
4.2 Fees and commissions paid		366.026	323.042
4.2.1 Non-cash loans		1.481	1.702
4.2.2 Other		364.545	321.340
V. DIVIDEND INCOME	(3)	1.454	170
VI. NET TRADING INCOME	(4)	(1.142.488)	(661.533)
6.1 Securities trading gains/ (losses)		9.307	17.121
6.2 Gains / (losses) Financial derivative transactions		(1.178.370)	(713.295)
6.3 Foreign exchange gains/ (losses)		26.575	34.641
VII. OTHER OPERATING INCOME	(5)	140.407	411.137
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		6.597.608	5.873.271
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	1.268.992	1.390.423
X. OTHER OPERATING EXPENSES (-)	(7)	3.125.770	2.938.079
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		2.202.846	1.544.769
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. GAIN / (LOSS) ON EQUITY METHOD		38.531	(11.755)
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	(8)	2.241.377	1.533.014
XVI. TAX CHARGE FOR CONTINUED OPERATIONS (±)	(9)	(469.026)	(294.714)
16.1 Current income tax charge		(475.297)	(208.293)
16.2 Deferred tax charge / benefit		6.271	(86.421)
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(10)	1.772.351	1.238.300
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)	1.772.351	1.238.300
23.1 Group's profit/loss		1.771.786	1.236.405
23.2 Minority shares		565	1.895
Earnings per share		0,05289	0,03691

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

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

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

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

	Audited 01.01 – 31.12.2017	Audited 01.01 – 31.12.2016
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	232.673	(219.938)
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)	239.627	(44.530)
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	(32.989)	2.525
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(87.095)	52.445
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	352.216	(209.498)
XI. PROFIT/LOSS	1.772.351	1.238.300
11.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	5.073	15.452
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes recycled to Income Statement	(1.327)	18.624
11.3 Transfer of hedge of net investments in foreign operations recycled to Income Statement	-	-
11.4 Other	1.768.605	1.204.224
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (X±XI)	2.124.567	1.028.802

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(*) Includes The Group's share in Finans Finansal Kiralama A.S has increased from 69,00% to 99,40% in the prior period.

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

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

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Section 5 Part V	Paid-in Capital	Effect of inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share 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 Attributable to the Parent Shareholders	Non- controlling interest	Total Shareholders' Equity
I. Current period – 01.01.-31.12.2017																			
Beginning Balance		3.150.000	-	714	-	487.422	-	5.841.760	(43.654)	-	1.236.405	(420.153)	-	-	45.551	-	10.298.045	5.734	10.303.779
Changes in period																			
II. Increase/decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities valuation differences	(1)	-	-	-	-	-	-	-	-	-	-	190.578	-	-	-	-	190.578	-	190.578
IV. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	186.296	-	186.296	-	186.296
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	186.296	-	186.296	-	186.296
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares obtained from associates, subsidiaries and entities under common control		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in associates' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase	(5)	200.000	-	-	-	-	-	(200.000)	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		200.000	-	-	-	-	-	(200.000)	-	-	-	-	-	-	-	-	-	-	-
XIII. Share premiums		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	(24.658)	-	-	-	-	-	-	-	(24.658)	(5)	(24.663)
XVII. Period net income/(loss)		-	-	-	-	-	-	-	-	1.771.786	-	-	-	-	-	-	1.771.786	565	1.772.351
XVIII. Profit distribution	(3)	-	-	-	-	62.637	-	1.173.768	-	-	(1.236.405)	-	-	-	-	-	-	-	-
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to reserves		-	-	-	-	62.637	-	1.173.768	-	-	(1.236.405)	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance																			
(I+II+III+.....+XVI+XVII+XVIII)		3.350.000	-	714	-	550.059	-	6.815.528	(68.312)	1.771.786	-	(229.575)	-	-	231.847	-	12.422.047	6.294	12.428.341

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

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

VI. CONSOLIDATED CASH FLOW STATEMENT

	Section 5 Part VI	Audited 01.01 – 31.12.2017	Audited 01.01 – 31.12.2016
A. CASH FLOWS FROM / (TO) BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities (+)		3.523.398	(2.711.324)
1.1.1 Interest received (+)		10.513.324	8.718.139
1.1.2 Interest paid (-)		(5.301.535)	(4.325.840)
1.1.3 Dividend received (+)		1.454	170
1.1.4 Fees and commissions received (+)		2.126.282	1.755.610
1.1.5 Other income (+)		126.554	377.089
1.1.6 Collections from previously written off loans (+)		82.189	925.679
1.1.7 Payments to personnel and service suppliers (-)		(2.399.794)	(2.155.486)
1.1.8 Taxes paid (-)		(340.138)	(146.235)
1.1.9 Other (+/-)	(1)	(1.284.938)	(7.860.450)
1.2 Changes in operating assets and liabilities		(5.658.659)	8.686.556
1.2.1 Net (increase) decrease in financial assets held for trading (+/-)		(36.175)	32.174
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss (+/-)		(3.218)	90.535
1.2.3 Net (increase) decrease in due from banks (+/-)		(2.184.513)	(2.509.676)
1.2.4 Net (increase) decrease in loans (+/-)		(16.901.269)	(4.161.234)
1.2.5 Net (increase) decrease in other assets (+/-)	(1)	(2.744.136)	(1.297.610)
1.2.6 Net increase (decrease) in bank deposits (+/-)		443.065	465.418
1.2.7 Net increase (decrease) in other deposits (+/-)		10.402.478	6.872.366
1.2.8 Net increase (decrease) in funds borrowed (+/-)		5.310.442	6.416.136
1.2.9 Net increase (decrease) in matured payables (+/-)		-	-
1.2.10 Net increase (decrease) in other liabilities (+/-)	(1)	54.667	2.778.447
I. Net cash provided from / (used in) banking operations (+/-)		(2.135.261)	5.975.232
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from / (used in) investing activities (+/-)		(1.788.630)	(2.987.599)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries (-)		-	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries (+)		-	-
2.3 Fixed assets purchases (-)		(163.544)	(179.507)
2.4 Fixed assets sales (+)		19.693	21.386
2.5 Cash paid for purchase of financial assets available for sale (-)		(2.498.676)	(2.337.471)
2.6 Cash obtained from sale of financial assets available for sale (+)		1.708.781	1.113.305
2.7 Cash paid for purchase of investment securities (-)		(829.915)	(1.478.607)
2.8 Cash obtained from sale of investment securities (+)		140.075	-
2.9 Other (+/-)	(1)	(165.044)	(126.705)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from / (used in) financing activities (+/-)		3.944.017	(873.748)
3.1 Cash obtained from funds borrowed and securities issued (+)		5.123.665	2.407.322
3.2 Cash used for repayment of funds borrowed and securities issued (-)		(1.149.648)	(3.032.992)
3.3 Capital increase (+)		-	-
3.4 Dividends paid (-)		-	-
3.5 Payments for finance leases (-)		-	-
3.6 Other (+/-)		(30.000)	(248.078)
IV. Effect of change in foreign exchange rate on cash and cash equivalents (+/-)		157.301	64.523
V. Net increase / (decrease) in cash and cash equivalents (I+II+III+IV)	(2)	177.427	2.178.408
VI. Cash and cash equivalents at the beginning of the period (+)	(3)	5.909.944	3.731.536
VII. Cash and cash equivalents at end of the period (V+VI)		6.087.371	5.909.944

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
CONSOLIDATED PROFIT APPROPRIATION STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

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

VII. CONSOLIDATED PROFIT APPROPRIATION STATEMENT (*)

	Audited Current Year 31.12.2017^(**)	Audited Prior Period 31.12.2016
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	2.048.965	1.483.821
1.2 TAXES AND DUTIES PAYABLE	445.524	280.411
1.2.1 CORPORATE TAX (INCOME TAX)	446.266	182.485
1.2.2 INCOME WITHHOLDING TAX	-	-
1.2.3 OTHER TAXES AND DUTIES	(742)	97.926
A. NET INCOME FOR THE YEAR (1.1-1.2)	1.603.441	1.203.410
1.3 PRIOR YEAR LOSSES(-)	-	-
1.4 FIRST LEGAL RESERVES(-)	-	60.171
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	1.603.441	1.143.239
1.6 FIRST DIVIDEND TO SHAREHOLDERS(-)	-	157.500
1.6.1 TO OWNERS OF ORDINARY SHARES	-	157.500 ^(***)
1.6.2 TO OWNERS OF PRIVILEGED SHARES	-	-
1.6.3 TO OWNERS OF PREFERRED SHARES	-	-
1.6.4 TO PROFIT SHARING BONDS	-	-
1.6.5 TO HOLDERS OF PROFIT AND (LOSS) SHARING CERTIFICATES	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS(-)	-	-
1.9.1 TO OWNERS OF ORDINARY SHARES	-	-
1.9.2 TO OWNERS OF PRIVILEGED SHARES	-	-
1.9.3 TO OWNERS OF PREFERRED SHARES	-	-
1.9.4 TO PROFIT SHARING BONDS	-	-
1.9.5 TO HOLDERS OF PROFIT AND (LOSS) SHARING CERTIFICATES	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES(-)	-	-
1.12 EXTRAORDINARY RESERVES	-	985.739
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS(-)	-	-
2.3.1 TO OWNERS OF ORDINARY SHARES	-	-
2.3.2 TO OWNERS OF PRIVILEGED SHARES	-	-
2.3.3 TO OWNERS OF PREFERRED SHARES	-	-
2.3.4 TO PROFIT SHARING BONDS	-	-
2.3.5 TO HOLDERS OF PROFIT AND (LOSS) SHARING CERTIFICATES	-	-
2.4 DIVIDENDS TO PERSONNEL(-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS(-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	0,04786	0,03820
3.2 TO OWNERS OF ORDINARY SHARES(%)	%4,79	%3,82
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES(%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Profit Appropriation Statement has been prepared according to unconsolidated financial statements of the Parent Bank.

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

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

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

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

SECTION THREE
ACCOUNTING POLICIES

I. Basis of Presentation

1. Preparation of the consolidated 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 Parent Bank and its consolidated subsidiaries (Group) maintain their books of account in conformity with the Banking Law No. 5411, which was published in the Official Gazette dated 1 November 2005 and numbered 25983. The financial statements in the Consolidated Financial Statements are prepared in accordance with the provisions of the "Regulation on Procedures and Principles for the Accounting of Banks and the Preservation of Documents" published in the Official Gazette dated November 1, 2006 and numbered 26333 and the provisions of the Banking Regulation and Supervision Agency ("BRSA" the accounting and financial reporting principles other decrees relating to, notification, explanation and Public Oversight circulars and issues not regulated by them, Accounting and Auditing Standards Board ("UPS"), which was provided by the force Turkey Accounting Standards ("IAS") and Turkey financial reporting Standards ("BRSA Accounting Publications and Financial Reporting Legislation"). The format and contents of the financial statements and their explanations and footnotes are stated in the Communiqué on Financial Statements to be disclosed to the Public and the Communiqués Regarding the Explanations to be made to the Public on the Risk Management of the Banks and Communiqués annexed to these Communiqués It was prepared.

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

Explanation for Convenience Translation to English

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

2. Classifications

None.

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

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made by BRSA, the requirements of TAS and are consistent with the accounting policies applied in the annual financial statements of the year ended December 31, 2016. The amendments of TAS and TFRS, effective as of January 1, 2017, have no material impact on the Group accounting policies, financial position and performance. The aforementioned accounting policies and valuation principles are explained in Notes II to XXVI below.

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value, which are financial assets designated at fair value through profit or loss, available for sale financial assets, subsidiaries, entities under common control, trading derivative financial assets, and hedging derivative financial assets and liabilities. In addition, carrying value of assets subject to fair value hedge but are carried at historical cost is adjusted to reflect fair value changes related to risks being hedged.

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

QNB FİNANSBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The preparation of unconsolidated financial statements in conformity with TAS requires the use of certain critical accounting estimates by The Parent Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent matters as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

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

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

Classification of Financial Assets

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

Impairment

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

Hedge Accounting

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

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

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

1. Strategy for the use of financial instruments

The major funding sources of the Parent 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 accordance with their 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 repriced at an average period of 3-6 months. The Parent Bank diverts its placements to assets with high return, sufficient collaterals. The Parent 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 Parent 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 Parent Bank converts the foreign currency liquidity obtained from the international markets to TL liquidity using long term swap transactions (fixed TL interest rate and floating FC interest rate). Thus, the Parent Bank generates TL denominated resources for funding long term loans with fixed interest rates.

The Parent Bank has determined securities portfolio limits based on the market risk limitations for money, capital and commodity markets. Products included in the securities portfolio are subject to position and risk limits. Position limits restrict the maximum nominal position based on the product. Risk limits are expressed in terms of “Value at Risk (VAR)” by taking the risk tolerance as a cap. The maximum VAR amounts are determined for the three main 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 Group foreign currency available-for-sale debt securities are explained in foreign currency risk section and the applications regarding the 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 Group 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 Parent Bank for the year end and the resulting exchange differences are recorded as foreign exchange gains and losses. Foreign currency nonmonetary items measured at fair value are converted with currency exchange rates at the time of fair value measurement. The Bank’s foreign currency exchange rates for the related year ends are as follows:

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

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2.2. Total exchange rate differences that are included in net profit or loss for the year

The net exchange gain for the period that ended at December 31, 2017 is TL 26.575 TL (December 31, 2016- 34.641 TL net exchange gains).

2.3. Foreign Associates

None.

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

The accompanying consolidated financial statements are prepared in accordance with TFRS 10 “Turkish Financial Reporting Standard in regards to Consolidated Financial Statements” and BRSA’s “Regulation on Preparation of Consolidated Financial Statements of Banks” published on the Official Gazette numbered 26340 and dated November 8, 2006.

The corporations included in consolidation and their places of incorporation, nature of activities and shareholding percentages are as follows:

	Consolidation Method	Place of Establishment	Subject of Operations	Effective Share of the Group (%)	
				December 31, 2017	December 31, 2016
1. Finans Yatırım Menkul Değerler A.Ş. (Finans Yatırım)	Full consolidation	Turkey	Securities Intermediary Services	100,00	100,00
2. Finans Portföy Yönetimi A.Ş. (Finans Portföy)	Full consolidation	Turkey	Portfolio Management	100,00	100,00
3. Hemenal Finansman A.Ş. (Tüketici Finansman)	Full consolidation	Turkey	Consumer Financing	100,00	100,00
4. Finans Finansal Kiralama A.Ş. (Finans Leasing)	Full consolidation	Turkey	Financial Leasing	99,40	99,40
5. Finans Faktoring A.Ş. (Finans Faktoring)	Full consolidation	Turkey	Factoring Services	100,00	100,00
6. Cigna Finans Emeklilik ve Hayat A.Ş. (Cigna Finans Emeklilik)	Equity Method	Turkey	Private Pension and Insurance	49,00	49,00

Subsidiaries maintain their books of accounts and prepare their financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the accounting standards promulgated by the Turkish Commercial Code, Financial Leasing Law and Turkish Capital Markets Board (“CMB”) regulations. Certain adjustments and reclassifications were made on the financial statements of the subsidiaries for the purpose of fair presentation in accordance with the prevailing regulations and accounting standards according to 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, in accordance with Turkish Accounting Standards (“TMS”) and Turkish Reporting Standards (“TFRS”) and related additions and interpretations published by Public Accounting and Auditing Oversight Authority (“KGK”).

Differences between the accounting policies of subsidiaries and entities under common control and those of the Parent Bank are adjusted, if material. The financial statements of the subsidiaries and entities under common control are prepared as of December 31, 2017.

1. Subsidiaries

Subsidiaries are the entities controlled directly or indirectly by the Parent Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Bank’s returns.

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Subsidiaries are consolidated using the full consolidation method based on the size of their asset equity, and result of operations. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Bank and are put out of consolidation's scope as soon as control is removed. Accounting policies applied by subsidiaries that are included in consolidated financial statements are not different from Parent Bank's accounting policies.

According to full consolidation method, 100% of subsidiaries' asset, liability, income, expense and off balance sheet items are consolidated with the Parent Bank's asset, liability, income, expense and off balance sheet items. Book value of the Group's investment in each subsidiary is netted off with Group's equity shares. Unrealized gains and losses and balances that arise due to transactions between subsidiaries within consolidation scope, have been net off. Non-controlling interests are shown separately from earnings per share on consolidated balance sheet and income statement.

2. Associates and entities under common control

The Parent Bank does not have any financial associates that are consolidated in the accompanying financial statements.

The joint venture is established locally, has its primary operations in private pension and insurance, is controlled jointly with another group with a partnership agreement, and is included in Parent Bank's capital. Subject joint venture is included in consolidated financial statements by using equity method.

Equity method is a method of accounting whereby the book value of the investor's share capital in the subsidiary or the joint venture is either added to or subtracted in proportion with investor's share from the change in the subsidiary's or joint venture's equity within the period. The method also foresees that profit will be deducted from the subsidiaries or joint venture's accordingly recalculated value.

IV. Explanations on Forwards, Option Contracts and Derivative Instruments

The Group 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 Group also carries out currency and interest options and credit default swap and futures agreements.

Besides customer deposits, the Parent 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 Parent Bank converts the foreign currency liquidity obtained from 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.

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 instruments presented on the balance sheet, represent the fair value differences based on the valuation.

Fair values of forward foreign currency purchase and sales contracts, currency and interest rate swap transactions are calculated by using internal pricing models based on market data. Unrealized gains and losses are reflected in the income statement in the current period.

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

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

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

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

In cash flow hedge accounting:

The Bank applies cash flow hedge accounting using interest swap transactions to hedge its TL and FC customer deposits with short term cyclical basis and subordinated loans which have floating interest payment. The Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity “Hedging Funds”, whereas the amount concerning ineffective parts is associated with income statement.

In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized.

In fair value hedge accounting:

The Parent 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 Parent Bank applies fair value hedge accounting using FX swaps to hedge long term, fixed rate, foreign currency Eurobonds in available for sale financial assets 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 available for sale financial assets portfolio using swap transactions as hedging instruments.

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

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

Finans Finansal Kiralama AŞ., the subsidiary of the bank, applies fair value hedge accounting to hedge itself against changes in interest rates related to fixed rate TL securities issued.

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

Finans Finansal Kiralama AŞ., the subsidiary of the bank, applies fair value hedge accounting through interest rate swaps to hedge itself against changes in interest rates related to TL borrowings.

At each balance sheet date the Parent Bank and Finans Finansal Kiralama AŞ., the subsidiary of the bank, apply 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

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and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

V. Explanations on Interest Income and Expenses

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

VI. Explanations on Fees and Commission Income and Expenses

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

VII. Explanations and Disclosures on Financial Assets

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

1. Financial assets at fair value through profit or loss

1.1. Trading securities

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

1.2. Financial assets at fair value through profit or loss

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

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

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

2. Investment securities available for sale

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

Premiums and discounts on investment securities available-for-sale are considered during the computation of the internal rate of return and are included in interest income in the income statement. Accrued interest income on investment securities available for sale is recognized in the income statement whereas gains and losses arising from the change in the fair values of such securities are reflected in equity under “Securities value increase

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fund". 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 Parent Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity portfolios. CPI government bonds that are constant throughout their lives and their real principal amounts are preserved from inflation. These marketable securities are valued and accounted by using effective interest rate method by considering the real coupon rates and reference inflation index at the issue date together with the index calculated by considering the estimated inflation rate as disclosed by the Turkish Treasury. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the real payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary.

Some portion of the Eurobond portfolio which has been recognized as available for sale securities are designated as fair value hedged items, hedged against interest rate fluctuations, starting from March and April 2009 and some portion of the TL government bond portfolio 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 hedge 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, fair value differences, previously reflected to the income statement, are amortized through the equity until the maturity of related hedged securities. The fair value differences of related portfolio securities sold prior to maturity are immediately recognized in the income statement.

3. Investments 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.

The Parent Bank does not have any financial assets previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the contradiction of classification principles.

4. Specific provisions for loans and receivables

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

As mentioned in note "Note IV- Section III on Forward, Option Contracts and Derivative Instruments", the Group 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 Parent Bank accounted for the hedged part of the loan portfolio at fair value, together with the swap transactions used as the hedging instrument and the related net gain or loss was included in 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. 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 might be doubtful and amount is charged in the current period income statement.

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In the case where there is an evidence for the possibility of uncollectability of loans, the Parent 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 “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”. 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 Parent Bank provides general provisions in accordance with the Communiqué dated November 1, 2006, published on the Official Gazette No: 28789 “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” and accounts such provision at the liability side of the balance sheet under general loan loss provision.

The Parent Bank also provides specific provisions for the closely monitored loans as a result of risk assessment. These provisions accounted for in liabilities under other provisions.

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

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 Losses and Other Receivables” in the income statement. The principal collections made related to the loans that were written-off and standard and closely monitored loans are recorded under “Other Operating Income” and interest collections are recorded under the “Interest on Loans” account.

VIII. Explanations on Impairment of Financial Assets

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

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

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

An explanation about the impairment of loans and receivables is given in Note VII.4 of Section III

IX. Explanations on Netting of Financial Instruments and Derecognition of Financial Assets

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when the Group has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

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

Securities sold under repurchase agreements are recorded on the balance sheet 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 Group Management’s future intentions, either at market prices or using discounting method with internal rate of return.

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

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Securities that are subject to repurchase agreements as at the balance sheet date amounted to TL 7.631.184 (December 31, 2016 - TL 5.837.963).

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

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

XI. Explanations on Assets Held for Sale and Discontinued Operations

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

A discontinued operation is a part of the Parent 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 Parent Bank has no discounting operations.

The Parent Bank classifies tangible assets that were acquired due to non-performing receivables as other assets.

XII. Explanations on Goodwill and Other Intangible Assets

The Group has intangible assets consist of software, intangible rights and goodwill.

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. Software’s have been classified as other intangible fixed assets. The useful life of software’s 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.

XIII. Explanations on Tangible Assets

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:

Properties	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 the 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.

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

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

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

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

There are no changes in the accounting estimates in regards to amortization duration, which 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 is no purchase commitments related to the fixed assets.

XIV. Explanations on Leasing Transactions

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

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

The gross lease receivables including interest and principal amounts regarding the Group financial leasing activities as “Lessor” are stated under the “Finance Lease Receivables”. The difference between the total of rental payments and the cost of the related fixed assets is reflected to the “unearned income” account. The interest income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

The provisions for lease receivables are set as per BRSA communiqué numbered 28861 and dated December 24, 2013 “Communique on Accounting Principles and Financial Statements of Leasing, Factoring and Financing Companies”. Those provisions are accounted under “Lease Receivables” at the accompanying financial statements.

XV. Explanations on Factoring Receivables

Factoring receivables are carried at amortized cost by using the effective interest rate method after unearned interest income is deducted and specific provisions for impairments are provided, if any. These provisions are accounted for under “Factoring Receivables” at the accompanying financial statements. The provisions for lease receivables are set as per BRSA communiqué numbered 28861 and dated December 24, 2013 “Communique on Accounting Principles and Financial Statements of Leasing, Factoring and Financing Companies”. Those provisions are accounted for under “Factoring Receivables” at the accompanying financial statements.

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.

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XVII. Explanations on Obligations of the Group for Employees Benefits

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

In accordance with the existing social legislation in Turkey, the Group 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 Group 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 Group.

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

The Group 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 trusts or similar associations of which the Group employees are members.

XVIII. Explanations on Taxation

1. Corporate Tax

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

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

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

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

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

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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

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

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

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

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

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.

As discussed under subject Communique'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. Additional Explanations on Borrowings

The Parent Bank and consolidated Group companies generate 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.

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XX. Explanation on Share Issues

The Parent Bank's paid in capital has been increased by TL 200.000 provided from first dividend share in the current period (January 1- December 31, 2016 the Parent Bank's paid in capital has been increased by TL 150.000 provided from first dividend share as 150.000).

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 December 31, 2017, the Group does not have any governmental incentives or support (As of December 31, 2016 – None).

XXIII. Explanation on Segment Reporting

In addition to corporate banking, retail banking and commercial banking services, the Group also provides private banking, SME banking, treasury operations and credit card services through branches and alternative channels. The Group serves its retail banking clients with time, demand deposits, also overdraft services, automatic account services, consumer loans, vehicle loans, housing loans and investment fund services. The Group provides services including deposit and loans, foreign trade financing, forward and option agreements to its corporate clients. Other than those mentioned above, the Group also serves in trading financial instruments, treasury operations, and performs insurance, factoring, and domestic and abroad finance lease operations.

The calculations based on the income statement for retail banking (consumer banking and plastic cards), corporate and commercial banking that 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 Parent Bank's senior management and which are updated periodically. In this pricing method, general market conditions and the Parent 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 instalments, 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 Parent Bank and interest and foreign currency risks resulting from market conditions. This segment is in close relation with corporate, commercial, retail, SME and private banking units in order to increase the number of customers and the volume of transactions in treasury products of the Parent Bank.

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Current Period (January 1 –December 31, 2017)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	1.834.670	1.937.668	2.043.309	5.815.647
Net Fees and Commissions Income	1.137.582	619.957	25.049	1.782.588
Other Operating Income and Net Trading Income	88.035	131.618	(1.221.734)	(1.002.081)
Dividend Income	-	-	1.454	1.454
Operating Income	3.060.287	2.689.243	848.078	6.597.608
Other Operating Expenses	1.625.224	1.195.497	305.049	3.125.770
Provision for Loan Losses and Other Receivables	551.721	679.289	37.982	1.268.992
Gain / Loss on joint venture accounted for at equity method	-	-	38.531	38.531
Gain/ Loss Before Taxes	883.342	814.457	543.578	2.241.377
Provision for Tax	-	-	-	(469.026)
Net Profit/Loss	-	-	-	1.772.351
Total Assets	26.591.405	61.694.595	37.462.051	131.194.665
Segment Assets	26.591.405	61.694.595	37.462.051	125.748.051
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	145.028
Undistributed Assets	-	-	-	5.301.586
Total Liabilities	40.773.968	24.423.671	43.872.709	131.194.665
Segment Liabilities	40.773.968	24.423.671	43.872.709	109.070.348
Undistributed Liabilities	-	-	-	9.695.976
Equity	-	-	-	12.428.341
Other Segment Accounts	261.180	177.829	50.268	489.277
Capital Expenditures	121.139	82.480	29.943	233.562
Depreciation and Amortization	140.041	95.349	20.325	255.715
Value Decrease/ (Increase)	-	-	-	-

Prior Period (January 1 – December 31,2016)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Net Interest Income	1.636.457	1.697.404	1.344.759	4.678.620
Net Fees and Commissions Income	950.210	448.156	46.511	1.444.877
Other Operating Income and Net Trading Income	177.031	60.179	(487.606)	(250.396)
Dividend Income	-	-	170	170
Operating Income	2.763.698	2.205.739	903.834	5.873.271
Other Operating Expenses	1.585.963	1.033.439	318.677	2.938.079
Loans and Other Provisions	656.335	893.291	(159.203)	1.390.423
Equity Method Profit / Loss from Affiliated Companies	-	-	(11.755)	(11.755)
Profit Before Taxes	521.400	279.009	732.605	1.533.014
Provision for Tax	-	-	-	(294.714)
Net Profit/Loss	-	-	-	1.238.300
Other Segment Accounts	345.581	210.252	63.407	619.240
Capital Investment	201.012	122.296	40.572	363.880
Amortization	144.569	87.956	22.835	255.360
Value Decrease/ (Increase)	-	-	-	-

Prior Period (December 31,2016)	Retail Banking	Corporate and Commercial Banking	Treasury and Head Office	Total Operations of the Group
Total Assets	23.735.540	42.338.771	33.220.193	104.325.834
Segment Assets	23.735.540	42.338.771	33.220.193	99.294.504
Associates, Subsidiaries and Entities Under Common Control (Joint Ventures)	-	-	-	116.091
Undistributed Assets	-	-	-	4.915.239
Total Liabilities	35.177.287	16.714.270	32.352.884	104.325.834
Segment Liabilities	35.177.287	16.714.270	32.352.884	84.244.441
Undistributed Liabilities	-	-	-	9.777.614
Equity	-	-	-	10.303.779

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XXIV. Profit Reserves and Profit Distribution

The Ordinary General Assembly Meeting of the Parent Bank was held on March 30, 2017. It was decided net income from 2016 operations to be distributed as follows,

Statement of Profit Distribution, 2016

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

^(*) It has been decided for TL 150.000 reserved as the First Profit shares to be distributed to be added to Shareholder's Equity.

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
Group's Net Profit for the Period	1.771.786	1.236.405
Weighted Average Amount of Shares Issued (Thousands)	33.500.000	33.500.000
Earnings per Share	0,05289	0,03691

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 new amount of shares.

Amount of issued bonus shared in 2017 is 2.000.000.000 (Amount of issued bonus shared in 2016 is 1.500.000.000).

XXVI. Explanations on Other Matters

None.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Explanations on Consolidated Equity:

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks.” As of December 31, 2017 Group’s total capital has been calculated as TL 14.465.489 (December 31, 2016: TL 11.441.004), capital adequacy ratio is 14,49% (December 31, 2016: 14,27%) calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

Components of consolidated shareholders’ equity items:

	Current Period December 31, 2017	Amounts subject to treatment before 1/1/2014(*)
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	7.365.587	
Gains recognized in equity as per TAS	21.551	
Profit	1.771.786	
Current Period Profit	1.771.786	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Minorities’ Share	6.294	
Common Equity Tier 1 Capital Before Deductions	12.515.932	
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	319.438	
Improvement costs for operating leasing	70.025	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	244.471	305.589
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	633.934	
Total Common Equity Tier 1 Capital	11.881.998	

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	Current Period December 31, 2017	Amounts subject to treatment before 1/1/2014⁽¹⁾
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)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
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 (-)	61.118	-
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)	11.820.880	
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	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	1.107.532	
Tier II Capital Before Deductions	2.675.956	
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	2.675.956	
Total Capital (The sum of Tier I Capital and Tier II Capital) (Before deduction)	14.496.836	
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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	Current Period December 31, 2017	Amounts subject to treatment before 1/1/2014(*)
TOTAL CAPITAL		
Total Capital	14.465.489	
Total risk weighted amounts	99.844.574	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	11,90%	
Tier 1 Capital Adequacy Ratio	11,84%	
Capital Adequacy Ratio	14,49%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	1,75%	
a) Capital conservation buffer requirement	1,25%	
b) Bank specific counter-cyclical buffer requirement	-	
c) Systemic significant bank buffer ratio	0,50%	
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	5,90%	
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	120.408	
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	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	34.894	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1.397.267	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1.107.532	
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 represent 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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Components of consolidated shareholders' equity items:

	Prior Period December 31, 2016 (*)	Amounts subject to treatment before 1/1/2014(*)
COMMON EQUITY		
Paid-in capital following all debts in terms of claim in liquidation of the Bank's	3.150.000	
Share issue premiums	714	
Reserves	6.329.182	
Gains recognized in equity as per TAS	372	
Profit	1.236.405	
Current Period Profit	1.236.405	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Minority shares	5.734	
Common Equity Before Deductions	10.722.407	
Common Equity Tier I Capital Before Deductions		
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	464.179	
Improvement costs for operating leasing	77.709	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	155.065	258.441
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 I Capital	696.953	
Total Common Equity Tier I Capital	10.025.454	

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	Prior Period December 31, 2016	Amounts subject to treatment before 1/1/2014(*)
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)	-	
Third parties' share in the Additional Tier I capital	-	
Third parties' share in the Additional Tier I capital (Temporary Article 3)	-	
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 (-)	103.376	
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)	9.922.078	
TIER II CAPITAL		
Debt instruments and premiums deemed suitable by the BRSA	-	
Debt instruments and premiums deemed suitable by BRSA (Temporary Article 4)	693.264	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	889.344	
Tier II Capital Before Deductions	1.582.608	
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	1.582.608	
Total Capital (The sum of Tier I Capital and Tier II Capital) (Before deduction)	11.504.686	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	12.669	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	19.013	
Other items to be defined by the BRSA (-)	32.000	
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, 2016	Amounts subject to treatment before 1/1/2014^(*)
TOTAL CAPITAL		
Total Capital	11.441.004	
Total risk weighted amounts	80.174.960	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	12,50%	
Tier I Capital Adequacy Ratio	12,38%	
Capital Adequacy Ratio	14,27%	
BUFFERS		
Bank specific total common equity tier 1 capital ratio	5,38%	
Capital conservation buffer requirement	0,63%	
Bank specific counter-cyclical buffer requirement	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	6,50%	
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	91.471	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	66.967	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1.288.412	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	889.344	
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	693.264	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	2.520.674	

(*) Amounts in this column represent 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	Yes	Yes	Yes	No
Eligible at stand-alone / consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated	Stand alone - Consolidated
Instrument type (types to be specified by each jurisdiction)	Loan	Loan	Loan	Loan
Amount recognized in regulatory capital (Currency in million, as of most recent reporting date)	289	178	111	990
Par value of instrument (Currency in million)	1.238	762	476	990
Accounting classification	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost	Liability – Subordinated Loans-amortized cost
Original date of issuance	April 24, 2008	October 06, 2009	December 28, 2009	May 22, 2017
Perpetual or dated	Dated	Dated	Dated	Dated
Original maturity date	12 years	12 years	12 years	10 years
Issuer call subject to prior BRSA approval	Yes	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends	6 months	6 months	6 months	6 months
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating
Coupon rate and any related index	LIBOR +4,50%	LIBOR + 4,34%	LIBOR + 4,34%	LIBOR + 3,88%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-

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	1	2	3	4
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	None	None	None	Yes
If convertible, conversion trigger (s)	-	-	-	Article number 7-2-i of "Own fund regulation"
If convertible, fully or partially	-	-	-	All of the remaining capital
If convertible, conversion rate	-	-	-	(*)
If convertible, mandatory or optional conversion	-	-	-	Discretionary
If convertible, specify instrument type convertible into	-	-	-	Equity Share
If convertible, specify issuer of instrument it converts into	-	-	-	QNB Finansbank A.Ş.
Write-down feature	None	None	None	None
If write-down, write-down trigger(s)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After the senior creditors, before the TIER 1 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"	Yes	Yes	Yes	Article number 7&8 of "Own fund regulation"
Details of incompliances with article number 7 and 8 of "Own fund regulation"	8-2-ğ	8-2-ğ	8-2-ğ	Article number 7&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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1. Explanations on the reconciliation of shareholders' equity items and balance sheet amounts:

There are differences between amounts in the explanation on equity items and amounts on the balance sheet. In this context, part of the general loan loss provision up to 1,25% of amount subject to credit risk have been taken into consideration as contribution capital, losses from cash flow hedges have not been taken into consideration in the information on the equity items and valuation adjustments calculated according to item (i) of the first paragraph of the ninth article of the "Regulation on Equity of Banks" have been taken into consideration in the explanations on equity items.

II. Explanations on Consolidated Credit Risk

2. Consolidated Credit Risk Explanations

Credit Risk Explanations Credit risk represents the risk arising due to the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally. Credit Risk Management Committee and Credit Department is responsible for managing credit risk.

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

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

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

Loan limits of the loan customers are revised periodically in line with the Group's loan limit revision procedures.

The Parent Bank analyses the credibility of the loans within the framework of its loan policies and obtains collaterals for loans.

The Parent Bank has control limits over the positions of forward transactions, options and other similar agreements.

The credit risk arising from these instruments are managed together with the risks resulting from market fluctuations.

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

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

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

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

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

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

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

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

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

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

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

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

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

The general loan loss provision related with the credit risk taken by the Group is TL 1.397.267 (December 31, 2016- TL 1.288.412).

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

Exposure Categories	Current Period Risk Amount(*)	Average Risk Amount(**)	Prior Period Risk Amount(*)	Average Risk Amount(**)
Conditional and unconditional receivables from central governments and Central Banks	31.074.212	27.533.656	25.551.209	23.615.856
Conditional and unconditional receivables from regional or local governments	5.346	8.990	12.947	8.169
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	73.564	57.062	51.720	37.505
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	14.663.737	13.722.546	13.299.260	9.722.024
Conditional and unconditional receivables from corporates	43.504.129	36.265.014	27.058.141	27.971.572
Conditional and unconditional receivables from retail portfolios	47.682.667	43.630.232	36.905.829	30.857.515
Conditional and unconditional receivables secured by mortgages	8.967.021	9.031.148	9.228.499	10.532.638
Past due receivables	857.390	667.622	653.487	806.427
Receivables defined in high risk category by BRSA	33.615	83.988	78.664	1.226.927
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment Funds	-	-	-	3
Investment in equities	977.304	141.307	47.411	51.153
Other receivables	3.714.448	4.492.888	4.210.520	4.417.787

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

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

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Profile of significant exposures in major regions

Exposure Categories ^(*)																		
				4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Current Period																		
1. Domestic	31.074.212	5.346	73.564	-	-	3.000.282	43.006.084	47.671.535	8.966.010	857.338	31.747	-	-	-	-	75.802	3.714.448	138.476.368
2. European Union Countries	-	-	-	-	-	9.049.853	280.878	913	367	-	1.868	-	-	-	-	-	-	9.333.879
3. OECD Countries ^(**)	-	-	-	-	-	68.205	12.624	6	-	-	-	-	-	-	-	-	-	80.835
4. Offshore Banking Areas	-	-	-	-	-	24.388	73.355	23	82	-	-	-	-	-	-	-	-	97.848
5. USA, Canada	-	-	-	-	-	474.340	9.517	215	105	-	-	-	-	-	-	-	-	484.177
6. Other Countries	-	-	-	-	-	2.046.669	121.671	9.975	457	52	-	-	-	-	-	-	-	2.178.824
7. Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	901.502	-	901.502
8.Unallocated Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	31.074.212	5.346	73.564	-	-	14.663.737	43.504.129	47.682.667	8.967.021	857.390	33.615	-	-	-	-	977.304	3.714.448	151.553.433
Exposure Categories ^(*)																		
				4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior Period																		
1. Domestic	25.551.209	12.947	51.720	-	-	3.417.292	26.720.420	36.893.701	9.227.450	653.432	52.095	-	-	-	-	-	4.094.429	106.674.695
2. European Union Countries	-	-	-	-	-	9.450.475	158.916	831	878	11	26.569	-	-	-	-	-	-	9.637.680
3. OECD Countries ^(**)	-	-	-	-	-	72.751	6.339	5	-	-	-	-	-	-	-	-	-	79.095
4. Offshore Banking Areas	-	-	-	-	-	20.235	52.982	29	171	-	-	-	-	-	-	-	-	73.417
5. USA, Canada	-	-	-	-	-	302.534	23.095	1.649	-	-	-	-	-	-	-	47.411	-	374.689
6. Other Countries	-	-	-	-	-	35.973	96.389	9.614	-	44	-	-	-	-	-	-	-	142.020
7. Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116.091	116.091
8.Unallocated Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	25.551.209	12.947	51.720	-	-	13.299.260	27.058.141	36.905.829	9.228.499	653.487	78.664	-	-	-	-	47.411	4.210.520	117.097.687

^(*) Exposure categories based on "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". Prior to the Credit Risk Reduction, the risk amounts after the credit conversion rate are given.

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

^(***) Includes assets and liability items that cannot be allocated on a consistent basis

- 1- Conditional and unconditional receivables from central governments and Central Banks
- 2- Conditional and unconditional receivables from regional or local governments
- 3- Conditional and unconditional receivables from administrative bodies and noncommercial enterprises
- 4- Conditional and unconditional receivables from multilateral development banks
- 5- Conditional and unconditional receivables from international organizations
- 6- Conditional and unconditional receivables from banks and brokerage houses
- 7- Conditional and unconditional receivables from corporates
- 8- Conditional and unconditional receivables from retail portfolios
- 9- Conditional and unconditional receivables secured by mortgages
- 10- Past due receivables
- 11- Receivables defined under high risk category by BRSA
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Risk Profile regarding Sectors or Counter Parties:

Current Period	Exposure Categories ^(*)																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TP	YP	Total
Agriculture	-	1	677	-	-	-	475.144	2.354.601	44.319	42.922	15	-	-	-	-	-	-	2.708.862	208.817	2.917.679
Farming and Raising Livestock	-	1	677	-	-	-	339.751	2.324.357	40.827	42.527	15	-	-	-	-	-	-	2.674.035	74.120	2.748.155
Forestry	-	-	-	-	-	-	-	7.402	-	146	-	-	-	-	-	-	-	7.548	-	7.548
Fishing	-	-	-	-	-	-	135.393	22.842	3.492	249	-	-	-	-	-	-	-	27.279	134.697	161.976
Industrial	-	5.283	7.503	-	-	-	15.702.899	4.769.205	734.639	122.416	14.161	-	-	-	-	-	-	8.458.604	12.897.502	21.356.106
Mining and Quarrying	-	-	-	-	-	-	274.981	112.272	3.234	1.547	1.641	-	-	-	-	-	-	272.326	121.349	393.675
Production	-	-	7.503	-	-	-	11.923.993	4.575.635	727.456	120.868	12.520	-	-	-	-	-	-	7.669.351	9.698.624	17.367.975
Electricity, Gas, Water	-	5.283	-	-	-	-	3.503.925	81.298	3.949	1	-	-	-	-	-	-	-	516.927	3.077.529	3.594.456
Construction	-	-	1	-	-	-	6.030.873	3.045.978	895.272	68.264	885	-	-	-	-	-	-	6.276.872	3.764.401	10.041.273
Services	16.626.612	37	17.986	-	-	14.220.516	18.891.929	11.983.150	1.960.150	328.057	6.681	-	-	-	-	-	-	26.575.728	37.459.390	64.035.118
Wholesale and Retail Trade	-	-	1.119	-	-	-	6.480.934	9.427.562	691.659	264.836	3.242	-	-	-	-	-	-	13.737.271	3.132.081	16.869.352
Hotel, Food and Beverage	-	-	-	-	-	-	1.275.521	230.890	158.529	19.904	87	-	-	-	-	-	-	486.405	1.198.526	1.684.931
Transportation and Communication	-	-	1	-	-	-	5.331.982	866.689	47.045	17.824	566	-	-	-	-	-	-	1.235.661	5.028.446	6.264.107
Financial Institutions	16.626.612	33	-	-	-	14.220.516	443.398	78.141	3.620	764	158	-	-	-	-	-	-	8.724.462	22.648.780	31.373.242
Real Estate and Rent Services	-	-	-	-	-	-	2.554.370	261.399	811.443	10.389	-	-	-	-	-	-	-	407.519	3.230.082	3.637.601
Self-Employment Services	-	-	16.579	-	-	-	786.850	587.195	113.890	9.073	512	-	-	-	-	-	-	795.831	718.268	1.514.099
Educational Services	-	-	200	-	-	-	174.570	166.523	26.798	1.855	-	-	-	-	-	-	-	333.720	36.226	369.946
Health and Social Services	-	4	87	-	-	-	1.844.304	364.751	107.166	3.412	2.116	-	-	-	-	-	-	854.859	1.466.981	2.321.840
Other	14.447.600	25	47.397	-	-	443.221	2.403.284	25.529.733	5.332.641	295.731	11.873	-	-	-	-	977.304	3.714.448	46.269.968	6.933.289	53.203.257
Total	31.074.212	5.346	73.564	-	-	14.663.737	43.504.129	47.682.667	8.967.021	857.390	33.615	-	-	-	-	977.304	3.714.448	90.290.034	61.263.399	151.553.433

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

- 1- Conditional and unconditional receivables from central governments and Central Banks
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Exposure Categories ^(*)																				
Prior Period	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TP	YP	Total	
Agriculture	-	-	739	-	-	-	318.836	1.697.268	36.979	11.648	929	-	-	-	-	-	1.952.091	114.308	2.066.399	
Farming and Raising Livestock	-	-	739	-	-	-	233.395	1.674.768	34.848	11.520	929	-	-	-	-	-	1.923.188	33.011	1.956.199	
Forestry	-	-	-	-	-	-	-	2.498	-	52	-	-	-	-	-	-	2.550	-	2.550	
Fishing	-	-	-	-	-	-	85.441	20.002	2.131	76	-	-	-	-	-	-	26.353	81.297	107.650	
Industrial	-	12.849	5.694	-	-	-	9.561.897	3.685.619	704.150	64.545	19.600	-	-	-	-	-	5.681.124	8.373.230	14.054.354	
Mining and Quarrying	-	-	-	-	-	-	181.189	82.295	23.109	949	981	-	-	-	-	-	157.872	130.651	288.523	
Production	-	-	5.694	-	-	-	6.867.368	3.583.688	676.726	63.450	18.619	-	-	-	-	-	5.372.292	5.843.253	11.215.545	
Electricity, Gas, Water	-	12.849	-	-	-	-	2.513.340	19.636	4.315	146	-	-	-	-	-	-	150.960	2.399.326	2.550.286	
Construction	-	-	1.227	-	-	-	2.910.112	2.323.268	780.218	25.337	8.203	-	-	-	-	-	4.575.515	1.472.850	6.048.365	
Services	13.502.751	36	12.165	-	-	12.751.060	13.010.256	8.942.847	2.662.484	150.880	14.966	-	-	-	-	-	23.072.578	27.974.867	51.047.445	
Wholesale and Retail Trade	-	-	1.021	-	-	-	5.116.286	7.020.863	856.396	126.341	11.478	-	-	-	-	-	10.251.618	2.880.767	13.132.385	
Hotel, Food and Beverage	-	-	-	-	-	-	897.069	182.857	288.631	6.036	-	-	-	-	-	-	322.185	1.052.408	1.374.593	
Transportation and Communication	-	-	1	-	-	-	3.310.562	667.100	55.828	7.773	1.148	-	-	-	-	-	975.308	3.067.104	4.042.412	
Financial Institutions	13.502.751	33	-	-	-	12.751.060	394.180	70.580	2.970	481	-	-	-	-	-	-	9.573.273	17.148.782	26.722.055	
Real Estate and Rent Services	-	-	-	-	-	-	1.512.679	190.712	1.141.097	1.523	-	-	-	-	-	-	310.758	2.535.253	2.846.011	
Self-Employment Services	-	-	9.573	-	-	-	429.499	414.500	131.800	5.202	574	-	-	-	-	-	601.434	389.714	991.148	
Educational Services	-	-	1.509	-	-	-	165.865	117.626	60.130	1.036	-	-	-	-	-	-	309.499	36.667	346.166	
Health and Social Services	-	3	61	-	-	-	1.184.116	278.609	125.632	2.488	1.766	-	-	-	-	-	728.503	864.172	1.592.675	
Other	12.048.458	62	31.895	-	-	548.200	1.257.040	20.256.827	5.044.668	401.077	34.966	-	-	-	-	47.411	4.210.520	38.356.778	5.524.346	43.881.124
Total	25.551.209	12.947	51.720	-	-	13.299.260	27.058.141	36.905.829	9.228.499	653.487	78.664	-	-	-	-	47.411	4.210.520	73.638.086	43.459.601	117.097.687

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

- 1- Conditional and unconditional receivables from central governments and Central Banks
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Analysis of maturity-bearing exposures according to remaining maturities (*):

Current Period Exposure Categories	Term To Maturity				
	Up to 1 month	1-3 month	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	2.355.527	224.773	62.526	136.923	13.423.209
Conditional and unconditional receivables from regional or local governments	13	-	-	5.272	-
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	3.615	41.268	1.752	6.953	8.755
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	4.028.323	1.724.850	515.137	995.201	2.070.616
Conditional and unconditional receivables from corporates	4.357.257	2.557.291	4.069.735	5.655.741	23.948.186
Conditional and unconditional receivables from retail portfolios	2.018.428	3.217.387	4.099.456	5.451.970	23.024.656
Conditional and unconditional receivables secured by mortgages	69.690	146.659	353.155	693.773	7.607.180
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	39	-	191	-	457
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-	-
Investment in equities	75.803	-	-	-	-
Other receivables	-	-	-	-	-
General Total	12.908.695	7.912.228	9.101.952	12.945.833	70.083.059

(*)Risk amounts prior to Loan Reduction, After the Loan conversion rates are given.

Prior Period Risk Classification	Term To Maturity				
	Up to 1 month	1-3 month	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments and Central Banks	1.754.475	51.417	71.066	362.871	11.271.551
Conditional and unconditional receivables from regional or local governments	159	-	40	417	12.273
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	3.362	16.480	4.272	11.439	5.578
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	4.083.290	1.284.922	428.901	711.095	1.826.318
Conditional and unconditional receivables from corporates	2.581.482	1.924.178	2.929.112	3.250.471	14.442.268
Conditional and unconditional receivables from retail portfolios	1.883.638	3.055.728	3.800.514	4.811.758	14.558.283
Conditional and unconditional receivables secured by mortgages	59.864	147.566	347.712	576.043	8.009.285
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	790	-	177	-	12.046
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment Funds	-	-	-	-	-
Investment in equities	-	-	-	-	-
Other receivables	-	-	-	-	-
General Total	10.367.060	6.480.291	7.581.794	9.724.094	50.137.602

(*)Risk amounts prior to Loan Reduction, After the Loan conversion rates are given.

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Exposures by risk weights:

Current Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from	Equity
1. Exposures Before Credit Risk Mitigation	26.493.021	-	4.996.716	-	7.945.946	54.049.661	58.034.475	33.615	-	-		440.133
2. Exposures After Credit Risk Mitigation	33.606.104	-	2.067.233	5.902.853	6.579.094	40.236.705	52.285.511	33.615	-	-		440.133

Prior Period

Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from	Equity
1. Exposures Before Credit Risk Mitigation												
Mitigation	11.287.303	-	4.622.151	-	24.349.741	43.118.264	33.641.563	78.665	-	-		399.832
2. Exposures After Credit Risk Mitigation	9.848.525	-	1.635.837	5.663.072	23.060.071	36.345.227	29.664.989	78.665	-	-		399.832

Information by major sectors and type of counterparties:

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

Current Period		Credit Risks^(*)			
Important Sectors /Other Parties		Impaired Loans	Past Due Loans	Value Adjustments	Provisions
1. Agriculture		127.878	155.252	3.505	78.826
1.1. Farming and Raising Livestock		121.501	151.236	3.352	77.308
1.2. Forestry		4.948	124	3	338
1.3. Fishing		1.429	3.892	150	1.180
2. Industrial		647.097	411.586	30.670	519.364
2.1. Mining and Quarrying		15.101	21.006	490	9.754
2.2. Production		631.378	388.240	30.130	509.115
2.3. Electricity, Gas, Water		618	2.340	50	495
3. Construction		347.719	264.867	13.975	264.346
4. Services		1.373.839	991.423	39.718	1.035.433
4.1. Wholesale and Retail Trade		1.044.379	557.942	27.219	790.129
4.2. Hotel, Food and Beverage Services		134.284	176.972	4.919	96.776
4.3. Transportation and Communication		69.799	74.245	1.732	51.196
4.4. Financial Institutions		18.755	10.253	246	14.944
4.5. Real Estate and Renting Services		14.790	3.587	88	7.395
4.6. Self-Employment Services		40.231	61.570	1.494	31.520
4.7. Educational Services		20.645	55.157	2.059	18.790
4.8. Health and Social Services		30.956	51.697	1.961	24.683
5. Other		2.068.658	589.221	31.834	1.779.436
6. Total		4.565.191	2.412.349	119.702	3.677.405

(*) Represents the distribution of cash loans.

Prior Period		Credit Risks^(*)			
Important Sectors/Other Parties		Impaired Loans	Past Due Loans	Value Adjustments	Provisions
1. Agriculture		74.637	72.212	2.413	59.429
1.1. Farming and Raising Livestock		72.915	71.631	2.379	57.799
1.2. Forestry		188	172	14	175
1.3. Fishing		1.534	409	20	1.455
2. Industrial		517.580	234.216	12.098	445.910
2.1. Mining and Quarrying		16.403	2.615	124	11.464
2.2. Production		498.215	231.228	11.966	431.681
2.3. Electricity, Gas, Water		2.962	373	8	2.765
3. Construction		340.940	117.269	5.487	291.724
4. Services		1.172.415	669.018	30.651	982.065
4.1. Wholesale and Retail Trade		893.606	440.016	21.580	749.955
4.2. Hotel, Food and Beverage Services		92.736	86.209	3.557	72.059
4.3. Transportation and Communication		66.067	70.973	2.578	56.257
4.4. Financial Institutions		14.762	10.986	439	13.275
4.5. Real Estate and Renting Services		5.710	5.420	190	4.832
4.6. Self-Employment Services		30.440	18.971	753	24.889
4.7. Educational Services		15.666	10.846	425	14.520
4.8. Health and Social Services		53.428	25.597	1.129	46.278
5. Other		1.979.452	896.888	81.241	1.615.083
6. Total		4.085.024	1.989.603	131.890	3.394.211

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(*)Represents the distribution of cash loans.

Movements in value adjustments and provisions

Current Period	Opening Balance	Provisions for Period	Provision Reversals	Other Adjustments^(*)	Closing Balance
1. Specific Provision	3.251.763	1.493.110	(449.574)	(754.585)	3.540.714
2. General Provisions	1.288.412	108.855	-	-	1.397.267

(*)Represents the provision of loans written-off.

Prior Period	Opening Balance	Provisions for Period	Provision Reversals	Other Adjustments^(*)	Closing Balance
1. Specific Provision	3.061.779	1.794.561	(400.979)	(1.203.598)	3.251.763
2. General Provisions	1.190.403	98.009	-	-	1.288.412

(*)Represents the provision of loans written-off.

Exposures subject to countercyclical capital buffer:

The exposures subject to countercyclical capital buffer table prepared in accordance with the communiqué “Regulation on Capital Conservation and Countercyclical Capital buffers of Banks” published in the Official Gazette no. 28812 dated 5 November 2013 is presented below:

Exposures subject to countercyclical capital buffer:

Current Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	79.243.196	49.570	79.292.766
Malta	273.819	-	273.819
Other	142.612	-	142.612
Total	79.659.627	49.570	79.709.197

Prior Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	61.517.840	135.455	61.653.295
Malta	149.739	-	149.739
Other	112.151	-	112.151
Total	61.779.730	135.455	61.915.185

Risk Management and General Disclosures regarding Risk Weighted Amounts

1) GBA – Risk Management Approach of the Group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d) Key elements and scope of Risk Measurement Systems

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

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

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

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

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

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

Monthly risk reports are submitted to the Board of Directors and Board Risk Committee. These executive reports include information related to capital adequacy, Market Risk, Credit Risk, Counterparty Credit Risk and Operation Risk. Credit Risk section of the report consists of three main sub sections such as general Outlook, business Loans and retail Loans, and include;

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

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

Reports are prepared daily and indicatively include the following:

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

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

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

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

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

Market Risk Management defines the stress test approaches as below

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

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

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

Forecasts related to effectiveness of credit risk mitigation methods and collection ability of the Group associated with miscellaneous collateral types are stated with consideration ratios on the basis of collaterals. The aforementioned ratios are determined based on long term historical observations of the Group and judgement of expert business units and most importantly with precautionary principle.

It is also possible to mention that a similar precautionary level is reflected to "Communique on Credit Risk Mitigation Techniques" over conditions and legal haircut ratios required to consider collaterals as risk mitigating element. However, the Group only considers cash and cash equivalent collaterals during the calculation of capital adequacy. Consideration types of cash and cash equivalent collaterals are relatively simple and values of such collaterals reflects current market prices as of reporting dates.

Operational requirements has been increased in order to consider such collaterals as well as Basel II with respect to risk weighted applications of credits secured with commercial and residential immovable property mortgage.

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2) Overview of RWA

	Risk Weighted Assets		Minimum Capital Requirements	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
1 Credit risk (excluding counterparty credit risk) (CCR)	86.699.271	69.631.556	6.935.942	5.570.524
2 Standardised approach (SA)	86.699.271	69.631.556	6.935.942	5.570.524
3 Internal rating-based (IRB) approach	-	-	-	-
4 Counterparty credit risk	1.903.324	1.515.928	152.266	121.274
5 Standardised approach for counterparty credit risk (SA-CCR)	1.903.324	1.515.928	152.266	121.274
6 Internal model method (IMM)	-	-	-	-
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 exposures in banking accounts	-	-	-	-
13 IRB ratings-based approach (RBA)	-	-	-	-
14 IRB Supervisory Formula Approach (SFA)	-	-	-	-
15 SA/simplified supervisory formula approach (SSFA)	-	-	-	-
16 Market risk	2.016.388	1.009.013	161.311	80.721
17 Standardised approach (SA)	2.016.388	1.009.013	161.311	80.721
18 Internal model approaches (IMM)	-	-	-	-
19 Operational risk	9.225.591	8.018.463	738.047	641.477
20 Basic Indicator Approach	9.225.591	8.018.463	738.047	641.477
21 Standardised Approach	-	-	-	-
22 Advanced Measurement Approach	-	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24 Floor adjustment	-	-	-	-
25 TOTAL (1+4+7+8+9+10+11+12+16+19+23+24)	99.844.574	80.174.960	7.987.566	6.413.996

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Linkages between financial statements and risk amounts

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

Current period

Assets	Carrying values in financial statements prepared as per TAS (*)	Carrying values of items in accordance with TAS	Carrying values of items in accordance with TAS				
			Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Cash and balances with the Central Bank	15.882.276	15.882.272	15.882.272	-	-	-	-
Trading Financial Assets	2.590.968	2.593.531	-	2.512.246	-	2.052.237	-
Financial Assets at Fair Value Through Profit or Loss	10.579	10.579	10.579	-	-	-	-
Banks	1.660.909	1.299.772	1.299.772	-	-	-	-
Money Market Placements	241.859	241.859	241.859	-	-	-	-
Financial Assets Available-for-Sale (net)	8.353.636	8.349.875	8.349.875	4.368.350	-	-	-
Loans and Receivables	82.102.918	82.428.356	82.397.009	-	-	-	31.347
Factoring Receivables	1.385.979	1.381.002	1.381.002	-	-	-	-
Held-to-maturity investments (net)	7.168.664	7.168.664	7.168.664	3.248.559	-	-	-
Investment in Associates (net)	-	3.766	3.766	-	-	-	-
Investment in Subsidiaries (net)	-	18.054	18.054	-	-	-	-
Investment in Joint ventures (net)	135.381	123.208	123.208	-	-	-	-
Lease Receivables	4.473.945	4.466.063	4.466.063	-	-	-	-
Derivative Financial Assets Held For Hedging	2.938.126	2.938.126	-	2.938.126	-	-	-
Property And Equipment (Net)	1.965.564	1.942.793	1.872.768	-	-	-	70.025
Intangible Assets (Net)	339.074	338.761	-	-	-	-	338.761
Investment Property (Net)	-	-	-	-	-	-	-
Tax Asset	35.326	47.075	47.075	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-	-
Other Assets	1.499.727	1.960.909	1.960.909	-	-	-	-
TOTAL ASSETS	130.784.931	131.194.665	125.222.875	13.067.281	-	2.052.237	440.113
Liabilities							
Deposits	70.527.115	67.543.375	-	-	-	-	70.527.115
Derivative Financial Liabilities Held for Trading	2.077.648	2.070.244	-	-	-	1.794.720	282.928
Funds Borrowed	18.234.216	18.012.026	-	-	-	-	18.234.216
Money Markets	6.912.860	6.999.767	-	6.504.096	-	-	408.764
Marketable Securities Issued	10.360.066	10.398.025	-	-	-	-	10.360.066
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	3.303.457	6.215.411	-	-	-	-	3.303.457
Other Liabilities	921.764	919.272	-	-	-	-	921.764
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	536.074	536.074	-	-	-	-	536.074
Provisions	337.095	2.092.983	-	-	-	-	337.095
Tax Liability	413.018	468.310	-	-	-	-	413.018
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Loans	3.510.837	3.510.837	-	-	-	-	3.510.837
Shareholder's Equity	13.650.780	12.428.341	-	-	-	-	13.650.780
TOTAL LIABILITIES	130.784.931	131.194.665	-	6.504.096	-	1.794.720	122.486.115

(1) Amounts valued in accordance with TAS (IFRS financial statements) reported in financial statements have not been subject to independent audit.

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Perior period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with TAS	Carrying values of items in accordance with TAS				
			Subject to credit risk	Subject to counterparty credit risk	Subject to the Securitization framework	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with the Central Bank	13.103.891	13.103.884	13.103.884	-	-	-	-
Trading Financial Assets	2.824.722	2.824.722	-	2.768.077	-	2.131.693	-
Financial Assets at Fair Value Through Profit or Loss	22.971	22.971	22.971	-	-	-	-
Banks	312.100	312.066	312.066	-	-	-	-
Money Market Placements	1.667.618	1.667.618	367.013	1.300.605	-	-	-
Financial Assets Available-for-Sale (net)	7.032.113	7.032.113	7.032.113	2.810.237	-	-	-
Loans and Receivables	62.349.863	62.614.093	62.569.424	-	-	-	44.669
Factoring Receivables	753.072	750.970	750.970	-	-	-	-
Held-to-maturity investments (net)	5.900.507	5.900.507	5.900.507	3.020.634	-	-	-
Investment in Associates (net)	3.766	3.766	3.766	-	-	-	-
Investment in Subsidiaries (net)	-	18.054	18.054	-	-	-	-
Investment in Joint ventures (net)	101.704	94.271	94.271	-	-	-	-
Lease Receivables	2.705.627	2.686.277	2.686.277	-	-	-	-
Derivative Financial Assets Held For Hedging	3.443.338	3.443.338	-	3.443.338	-	-	-
Property And Equipment (Net)	1.854.709	1.838.308	1.760.599	-	-	-	77.709
Intangible Assets (Net)	294.231	288.218	-	-	-	-	258.441
Investment Property (Net)	-	-	-	-	-	-	-
Tax Asset	70.988	71.704	-	-	-	-	-
Assets Held For Resale And Related To Discontinued Operations (Net)	-	-	-	-	-	-	-
Other Assets	1.625.178	1.652.954	1.583.046	-	-	-	19.013
TOTAL ASSETS	104.066.398	104.325.834	96.204.961	13.342.891	-	2.131.693	399.832
Liabilities							
Deposits	53.850.110	53.865.249	-	-	-	-	53.865.249
Derivative Financial Liabilities Held for Trading	2.601.716	2.601.716	-	-	-	2.042.040	559.676
Funds Borrowed	11.163.545	11.163.545	-	-	-	-	11.163.545
Money Markets	6.619.833	6.619.833	-	-	-	-	6.619.833
Marketable Securities Issued	6.331.577	6.331.577	-	-	-	-	6.331.577
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	6.720.886	6.720.886	-	-	-	-	6.720.886
Other Liabilities	1.058.255	1.063.878	-	-	-	-	1.063.878
Factoring Payables	-	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	426.728	426.728	-	-	-	-	426.728
Provisions	264.711	1.794.752	-	-	-	-	1.794.752
Tax Liability	196.962	198.098	-	-	-	-	198.098
Liabilities For Property And Equipment Held For Sale And Related To Discontinued Operations (net)	-	-	-	-	-	-	-
Subordinated Loans	3.235.793	3.235.793	-	-	-	-	3.235.793
Shareholder's Equity	11.596.282	10.303.779	-	-	-	-	10.303.779
TOTAL LIABILITIES	104.066.398	104.325.834	-	-	-	2.042.040	102.283.794

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2) Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
Current Period					
1 Asset carrying value amount under scope of regulatory consolidation	138.290.156	125.222.875	-	13.067.281	2.052.237
2 Liabilities carrying value amount under regulatory scope of consolidation	6.504.096	-	-	6.504.096	1.794.720
3 Total net amount under regulatory scope of consolidation	131.786.060	125.222.875	-	6.563.185	257.517
4 Off-Balance Sheet Amounts	73.652.209	13.651.997	-	-	-
5 Differences due to different netting rules (except 2)	1.758.871	-	-	-	1.758.871
6 Repo transactions	259.683	-	-	259.683	-
7 Decrease in counterparty credit risk as a result of netting	-	-	-	-	-
8 Potential credit risk amount calculated for the counterparty	-	-	-	1.276.386	-
9 Differences due to credit risk reduction	(6.263.013)	(1.704.036)	-	(4.558.977)	-
Risk Amounts	-	137.170.836	-	3.540.277	2.016.388

	Total	Subject To Credit Risk	Subject to the Securitization	Subject To Counterparty Credit Risk	Subject To Market Risk
Prior Period					
1 Asset carrying value amount under scope of regulatory consolidation	111.679.545	96.204.961	-	13.342.891	2.131.693
2 Liabilities carrying value amount under regulatory scope of consolidation	2.042.040	-	-	-	2.042.040
3 Total net amount under regulatory scope of consolidation	109.637.505	96.204.961	-	13.342.891	89.653
4 Off-Balance Sheet Amounts	55.251.188	8.845.488	-	-	-
5 Differences due to different netting rules (except 2)	919.360	-	-	-	919.360
6 Repo transactions	164.892	-	-	164.892	-
7 Decrease in counterparty credit risk as a result of netting	(2.332.790)	-	-	(2.332.790)	-
8 Potential credit risk amount calculated for the counterparty	827.576	-	-	827.576	-
9 Differences due to credit risk reduction	(10.756.633)	(1.357.294)	-	(9.399.339)	-
Risk Amounts	-	103.693.155	-	2.603.230	1.009.013

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

a) None.

b) There is no significant difference between amounts valued in accordance with TAS included in B2 and risk exposures except for “Available for Sale”. There is a significant difference between amounts valued according to TAS and risk exposures, since the securities which are subject to repurchase that include in Money Market Payables account item are subject to counter party risk.

c) Valuation methodologies regarding the disclosure related to use of Market Value and Model Value:

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

- Equity shares included in trading, investment fund participation documents, securities such as bonds and bills,
- Open foreign exchange position with respect to each foreign currency
- Derivative contracts (forwards) sensitive to interest changes and concluded for trading, future transactions, simple or complex options, swaps, credit derivatives
- Reverse repo transactions

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

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QNB Finansbank calculates its value at market risk with standard method in the framework of “Regulation on Measurement and Evaluation of Bank’s Capital Adequacy”. Accordingly, capital requirement is reached through multiplying of total of general market risk, commodity risk, settlement risk, option risk to 12.5.

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

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

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

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

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Definition of independent price approval processes:

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

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

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

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

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

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

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Credit Risk Disclosures

A) General Information on Credit Risk

1) CRD – General Qualitative Information on Credit Risk

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

The Group has forward-looking measurement and forecast instruments which are sensitive to risk and including appropriate information technology applications and management information systems in order to take expected or unexpected losses into account in all types of risk under both normal and also negative market conditions. The conversion of business model to components in risk profile is digitized through aforementioned instruments.

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

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

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

Risk Management Strategy is the main risk management policy document in which the risks of the Group are identified, and its risk appetite and managements principles are determined. Credit risk limits are annually reviewed in line with risk strategy.

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

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

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

Main responsibilities of Credit Risk Management Department are as follows:

- To establish risk management policies and strategies related to risks exposed by the Group and to submit those policies and strategies for the approval of Board of Directors Risk Committee,
- To ensure fulfilment of risk identification, measurement, analysis, monitoring, control and mitigation activities in accordance with risk management policies and processes approved by Board of Directors and to report all significant in balance and off balance risks which are undertaken at group level to senior management,

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- To make internal capital adequacy review covering all risks and to make forecasts related to course of capital adequacy ratio in the framework of long term business plans of the Group,
- To make periodic stress tests and scenario analysis and establish early warning systems,
- To support decision-making processes of the Group through providing reviews and risk point of view with respect to risk management,
- To develop application and behavior score cards which are used in order to manage credit portfolio and processes in a correct and effective manner and forming main source for DR models,
- To promote risk awareness and management culture at group level.

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

Risk governance model includes three lines of defense consisting of:

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

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

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

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

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

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

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2) CR1 Credit quality of assets

Current Period	Gross carrying values of as per TAS		Allowances/ impairments	Net value
	Defaulted exposures	Non-defaulted exposures		
1 Loans	4.344.169	81.635.480	3.540.714	82.438.935
2 Debt Securities	-	15.442.869	-	15.442.869
3 Off-balance sheet exposures	-	50.077.135	45.014	50.032.121
4 Total	4.344.169	147.155.484	3.585.728	147.913.925

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

Prior Period	Gross carrying values of as per TAS		Allowances/ impairments	Net value
	Defaulted exposures	Non-defaulted exposures		
1 Loans	3.874.148	62.014.679	3.251.763	62.637.064
2 Debt Securities	-	12.883.567	-	12.883.567
3 Off-balance sheet exposures	-	53.293.087	41.241	53.251.846
4 Total	3.874.148	128.191.333	3.293.004	128.772.477

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

	Current Period	Prior Period
1 Defaulted loans and debt securities at end of the previous reporting period	3.874.148	3.814.659
2 Loans and debt securities that have defaulted since the last reporting period	2.162.047	2.012.711
3 Returned to non-defaulted status	-	-
4 Amounts written off(*)	752.070 ^(*)	1.198.493
5 Other changes(**)	939.956	754.729
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	4.344.169	3.874.148

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

(**) Includes collections from credits in default.

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

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

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

(c) When specific provisions are determined, the minimum specific provision rates are used and the collaterals are not deducted from the risk bases in accordance with the “Regulation on the Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside”.

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

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(e) Exposures provisioned against by major regions, major sectors and remaining maturity

Exposures provisioned against by major regions:

Country	31.Ara.17	31.Ara.16
Domestic	81.194.085	61.738.671
European Union (EU) Countries	288.469	162.720
USA, Canada	9.352	20.304
OECD Countries	42	59
Off-Shore Banking		
Regions	30.608	32.872
Other Countries	112.924	60.053
Total	81.635.480	62.014.679

Exposures provisioned against by major sectors:

	December 31, 2017	December 31, 2016
1. Agricultural	2.556.845	1.880.523
1.1. Farming and raising livestock	2.413.925	1.777.853
1.2. Forestry	6.145	2.742
1.3. Fishing	136.775	99.928
2. Manufacturing	13.655.657	9.919.395
2.1. Mining and Quarrying	274.415	210.487
2.2. Production	10.584.536	7.630.448
2.3. Electricity, Gas, Water	2.796.706	2.078.460
3. Construction	7.484.389	4.173.284
4. Services	29.843.379	23.030.796
4.1 Wholesale and retail trade	14.308.792	11.150.757
4.2 Hotel, food and beverage services	2.632.932	2.135.018
4.3 Transportation and telecommunication	5.162.942	3.605.133
4.4 Financial institutions	3.964.670	3.082.435
4.5 Real estate and leasing services	350.288	381.882
4.6 Self-employment services	1.285.693	819.582
4.7 Education services	358.867	339.226
4.8 Health and social services	1.779.195	1.516.763
4. Services	28.095.210	23.010.681
6. Total	81.635.480	62.014.679

Breakdown of Exposures according to remaining maturity:

Current Period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables	-	15.318.747	5.936.408	23.198.496	28.583.031	8.598.798	81.635.480
Prior Period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans and Receivables	-	12.253.471	6.120.563	18.890.533	18.324.065	6.426.047	62.014.679

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

Exposures provisioned against by major regions and loans written off during the period an uncollectible

Current Period	Loans subject to provision	Provision	Written-off from Assets
Turkey	4.323.588	3.520.138	752.070
EU Countries	19.887	19.882	-
USD, Canada	-	-	-
OECD Countries(*)	-	-	-
Off-shore Banking Regions	692	692	-
Other Countries	2	2	-
Total	4.344.169	3.540.714	752.070

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

Prior Period	Lans subject to provision	Provision	Written-off from Assets
Turkey	3.850.668	3.228.305	1.198.493
EU Countries	22.692	22.674	-
USD, Canada	1	1	-
OECD Countries(*)	-	-	-
Off-shore Banking Regions	776	776	-
Other Countries	11	7	-
Total	3.874.148	3.251.763	1.198.493

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

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

	December 31, 2017			December 31, 2016		
	Loans subject to provision	Provision	Written-off from Assets	Loans subject to provision	Provision	Written-off from Assets
1. Agriculture	116.510	74.754	13.427	62.127	50.516	4.733
1.1. Farming and Raising Livestock	114.832	73.471	12.924	60.460	48.941	4.370
1.2. Forestry	249	103	41	133	120	139
1.3. Fishing	1.429	1.180	462	1.534	1.455	224
2. Industrial	590.448	483.006	114.994	478.265	416.772	41.700
2.1. Mining and Quarrying	6.482	5.664	1852	8.915	8.681	141
2.2. Production	583.664	477.041	111.937	466.650	405.572	41.494
2.3. Electricity, Gas, Water	302	301	1205	2.700	2.519	65
3. Construction	276.981	220.869	66.954	266.896	248.182	7.974
4. Services	1.340.142	1.011.352	198.291	1.120.965	940.057	155.822
4.1. Wholesale and Retail Trade	1.024.853	775.398	183.318	876.397	735.824	117.815
4.2. Hotel, Food and Beverage Services	132.312	95.247	4.075	92.204	71.827	18.670
4.3. Transportation and Communication	65.326	47.973	6.106	59.774	51.521	9.181
4.4. Financial Institutions	18.750	14.939	503	14.758	13.271	2.242
4.5. Real Estate and Renting Services	14.732	7.348	100	5.656	4.786	1.208
4.6. Self-Employment Services	40.161	31.450	3.284	30.351	24.835	3.616
4.7. Educational Services	20.643	18.788	53	15.664	14.519	1.053
4.8. Health and Social Services	23.365	20.209	852	26.161	23.474	2.037
5. Other	2.020.088	1.750.733	358.404	1.945.895	1.596.236	988.264
6. Total	4.344.169	3.540.714	752.070	3.874.148	3.251.763	1.198.493

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g) Aging Analysis

Overdue days	31.12.2017	31.12.2016
0-30	79.862.234	60.127.533
31-60	1.011.133	959.588
61-90	762.113	927.558
90+	4.344.169	3.874.148
Total	85.979.649	65.888.827

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

Current Period	Standard Loans	Loans Under Close Monitoring	Non- Performing Loan
Loans subject to provision	-	-	60.081
Non- reserved Loans (*)	1.919.035	1.727.638	-
Total	1.919.035	1.727.638	60.081

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

Prior Period	Standard Loans	Loans Under Close Monitoring	Non- Performing Loan
Loans subject to provision	-	-	73.703
Non- reserved Loans (*)	1.302.740	1.703.818	-
Total	1.302.740	1.703.818	73.703

B) Credit Risk Mitigation

1) CRM - Qualitative disclosure on credit risk mitigation techniques

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

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

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

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

Insurance policies of the collaterals should be obtained.

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

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

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2) CR3 – Credit risk mitigation techniques – Overview

Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1 Loans	79.721.675	2.717.260	1.451.720	-	-	-	-
2 Debt securities	15.442.869	-	-	-	-	-	-
3 Total	95.164.544	2.717.260	1.451.720	-	-	-	-
4 Of which defaulted	794.037	9.438	290	-	-	-	-

Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1 Loans	60.562.016	2.075.048	1.235.606	-	-	-	-
2 Debt securities	12.883.567	-	-	-	-	-	-
3 Total	73.445.583	2.075.048	1.235.606	-	-	-	-
4 Of which defaulted	620.142	2.243	247	-	-	-	-

C) Credit risk when standard approach is used

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

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

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2) CR4 – Standardised approach - Credit risk exposure and credit risk mitigation (CRM) effects:

Current Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Exposure Categories							
1	Exposures to central governments or central banks	29.318.853	-	38.133.718	-	5.592.205	15%
2	Exposures to regional governments or local authorities	5.284	211	5.284	29	2.657	50%
3	Exposures to public sector entities	18.002	134.296	17.552	55.345	72.897	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	3.502.408	942.602	3.584.864	493.829	2.754.083	68%
7	Exposures to corporates	33.097.280	22.058.543	30.167.561	9.932.131	40.099.692	100%
8	Retail exposures	44.755.363	49.750.216	37.463.861	2.767.632	30.173.620	75%
9	Exposures secured by residential property	5.867.529	533.143	5.867.529	35.324	2.065.999	35%
10	Exposures secured by commercial real estate	2.948.009	229.006	2.948.008	116.160	1.532.084	50%
11	Past-due loans	857.390	-	857.100	-	675.564	79%
12	Higher-risk categories by the Agency Board	32.928	4.192	32.927	230	49.736	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	3.842.525	-	3.714.448	-	2.703.430	73%
17	Investments in equities	977.304	-	977.304	-	977.304	100%
18	Total	125.222.875	73.652.209	123.770.156	13.400.680	86.699.271	63%

Prior Period		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Exposure Categories							
1	Exposures to central governments or central banks	24.088.287	-	24.088.287	-	7.663.203	32%
2	Exposures to regional governments or local authorities	12.888	198	12.888	27	6.457	50%
3	Exposures to public sector entities	15.817	94.286	15.817	34.545	50.362	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	2.641.934	696.048	2.634.526	457.102	1.202.693	39%
7	Exposures to corporates	21.048.997	13.980.397	20.239.217	5.658.222	25.897.439	100%
8	Retail exposures	34.309.408	39.914.526	33.935.906	2.398.711	27.250.963	75%
9	Exposures secured by residential property	5.636.165	333.580	5.636.165	26.905	1.982.075	35%
10	Exposures secured by commercial real estate	3.474.396	183.132	3.474.396	91.030	1.782.713	50%
11	Past-due loans	653.487	-	653.240	-	482.861	74%
12	Higher-risk categories by the Agency Board	65.651	49.021	65.651	12.589	117.360	150%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	4.210.520	-	4.210.520	-	3.148.019	75%
17	Investments in equities	47.411	-	47.411	-	47.411	100%
18	Total	96.204.961	55.251.188	95.014.024	8.679.131	69.631.556	67%

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3) CR5 – Standardised approach – exposures by asset classes and risk weights:

Current Period											Total Credit Risk Exposure Amount ^(*)
	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	
1	Exposures to central governments or central banks	32.541.513	-	-	-	-	-	5.592.205	-	-	38.133.718
2	Exposures to regional governments or local authorities	-	-	-	-	5.313	-	-	-	-	5.313
3	Exposures to public sector entities	-	-	-	-	-	-	72.897	-	-	72.897
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1.026.830	-	1.006.293	-	2.045.570	-	-	4.078.693
7	Exposures to corporates	-	-	-	-	-	-	40.099.692	-	-	40.099.692
8	Retail exposures	-	-	-	-	-	40.231.493	-	-	-	40.231.493
9	Exposures secured by residential property	-	-	-	5.902.853	-	-	-	-	-	5.902.853
10	Exposures secured by commercial real estate	-	-	-	-	3.064.168	-	-	-	-	3.064.168
11	Past-due loans	-	-	-	-	363.072	-	494.028	-	-	857.100
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	33.157	-	33.157
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	977.304	-	-	977.304
17	Other Assetd	1.011.014	-	5	-	-	-	2.703.429	-	-	3.714.448
18	Total	33.552.527	-	1.026.835	5.902.853	4.438.846	40.231.493	51.985.125	33.157	-	137.170.836

Prior Period											Total Credit Risk Exposure Amount ^(*)
	Exposure Categories/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	
1	Exposures to central governments or central banks	8.761.880	-	-	-	15.326.407	-	-	-	-	24.088.287
2	Exposures to regional governments or local authorities	-	-	-	-	12.915	-	-	-	-	12.915
3	Exposures to public sector entities	-	-	-	-	-	-	50.363	-	-	50.363
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1.156.427	-	1.927.586	-	7.614	-	-	3.091.627
7	Exposures to corporates	-	-	-	-	-	-	25.897.437	-	-	25.897.437
8	Retail exposures	-	-	-	-	-	36.334.617	-	-	-	36.334.617
9	Exposures secured by residential property	-	-	-	5.663.071	-	-	-	-	-	5.663.071
10	Exposures secured by commercial real estate	-	-	-	-	3.565.426	-	-	-	-	3.565.426
11	Past-due loans	-	-	-	-	340.758	-	312.482	-	-	653.240
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	78.241	-	78.241
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	47.411	-	-	47.411
17	Other Assetd	1.062.501	-	-	-	-	-	3.148.019	-	-	4.210.520
18	Total	9.824.381	-	1.156.427	5.663.071	21.173.092	36.334.617	29.463.326	78.241	-	103.693.155

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1. Disclosures regarding counterparty credit risk

A) Qualitative disclosures regarding DCCR – CCR table:

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

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

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

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

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

b) A clear definition of risk appetite and its approval by Board of Directors is the precondition to establish a consistent risk limit system. The Bank has determined the following limit structure in order to limit the risk carried over derivative transactions. Those limits are determined in Market Risk Policy and approved by Board of Directors.

- Limits on option sensitivity indexes basis: Maximum risk which can be taken in delta, gama and vega positions is limited.
- Option nominal position limit: Maximum nominal position which can be taken on option type basis is limited.
- Interest sensitivity limit of forward exchanges included in trading accounts: Interest risk which can be carried by swap and forward exchanges made for the purposes of trading.

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

c) CCR is being tried to be reduced with various techniques. The Bank uses daily exchange limits in addition to credit support and global repo agreements in order to reduce exchange risk. Limits, defined for financial institutions, are allocated according to creditability of counterparty and monitored as real time and online. Parties, having over the counter transactions with the Bank, are financial institutions which are well known and having a long term of business relationship.

d) Countertrend risk states that probability of default of counterparty has a positive correlation with general market risk factors. Parent Bank monitors impacts of market risk factors such as interest and exchange on customer credit risk. Especially, in periods having sharp financial movements, required actions are taken in line with analysis performed.

e) If there is a decline in credit rating grade, there is no additional collateral amount which must be provided by the Bank.

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B) CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach

Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standard approach - CCR (for derivatives)	3.535.584	1.276.386	-	1,4	2.153.506	1.161.313
2 Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3 The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4 Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	1.386.771	421.868
5 Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6 Total	-	-	-	-	-	1.583.181

Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1 Standard approach - CCR (for derivatives)	3.878.625	827.576	-	1,4	1.607.363	900.037
2 Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	-	-
3 The simple method used to mitigate credit risk - repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions.	-	-	-	-	-	-
4 Comprehensive method for reducing credit risk - (for repo transactions, securities or commodity lending or borrowing transactions, long transactions and credit securities transactions)	-	-	-	-	995.867	349.591
5 Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions with risk exposure value for credit securities transactions	-	-	-	-	-	-
6 Total	-	-	-	-	-	1.249.628

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

	Exposure (After credit risk mitigation methods)		Risk Weighted Amounts	
	Current Period	Prior Period	Current Period	Prior Period
Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1 (i) Value at risk component (3*multiplier included)	-	-	-	-
2 (ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3 Total portfolio value with simplified approach CVA capital adequacy	2.153.506	1.607.363	320.142	266.300
4 Total amount of CVA capital adequacy	2.153.506	1.607.363	320.142	266.300

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

Current Period										Total Credit Risk
Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others		
1 Exposures from central governments or central banks	53.577	-	-	-	-	-	-	-	-	53.577
2 Exposures from regional or local governments	-	-	-	-	-	-	-	-	-	-
3 Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	1	-	-	-	1
4 Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Exposures from international organizations	-	-	-	-	-	-	-	-	-	-
6 Exposures from banks and brokerage houses	-	-	1.040.399	2.140.246	-	32.977	-	-	-	3.213.622
7 Exposures from corporates	-	-	-	-	-	267.407	-	-	-	267.407
8 Retail receivables	-	-	-	-	5.212	-	-	-	-	5.212
9 Mortgage receivables	-	-	-	-	-	-	-	-	-	-
10 Non performing receivables	-	-	-	-	-	-	-	-	-	-
11 High risk defined receivables	-	-	-	-	-	-	458	-	-	458
12 Mortgage backed securities	-	-	-	-	-	-	-	-	-	-
13 Securitization Positions	-	-	-	-	-	-	-	-	-	-
14 Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-	-
15 Collective investment undertaking investments	-	-	-	-	-	-	-	-	-	-
16 Equity Investments	-	-	-	-	-	-	-	-	-	-
17 Other Receivables	-	-	-	-	-	-	-	-	-	-
18 Other Assets	-	-	-	-	-	-	-	-	-	-
19 Total	53.577	-	1.040.399	2.140.246	5.212	300.385	458	-	-	3.540.277

Prior Period										Total Credit Risk
Exposure Categories/ Risk Weight	0%	10%	20%	50%	75%	100%	150%	Others		
1 Exposures from central governments or central banks	24.144	-	-	-	-	-	-	-	-	24.144
2 Exposures from regional or local governments	-	-	-	-	-	-	-	-	-	-
3 Exposures from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-	-
4 Exposures from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5 Exposures from international organizations	-	-	-	-	-	-	-	-	-	-
6 Exposures from banks and brokerage houses	-	-	479.410	1.886.979	-	-	-	-	-	2.366.389
7 Exposures from corporates	-	-	-	-	-	201.663	-	-	-	201.663
8 Retail receivables	-	-	-	-	10.610	-	-	-	-	10.610
9 Mortgage receivables	-	-	-	-	-	-	-	-	-	-
10 Non performing receivables	-	-	-	-	-	-	-	-	-	-
11 High risk defined receivables	-	-	-	-	-	-	424	-	-	424
12 Mortgage backed securities	-	-	-	-	-	-	-	-	-	-
13 Securitization Positions	-	-	-	-	-	-	-	-	-	-
14 Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-	-
15 Collective investment undertaking investments	-	-	-	-	-	-	-	-	-	-
16 Equity Investments	-	-	-	-	-	-	-	-	-	-
17 Other Receivables	-	-	-	-	-	-	-	-	-	-
18 Other Assets	-	-	-	-	-	-	-	-	-	-
19 Total	24.144	-	479.410	1.886.979	10.610	201.663	424	-	-	2.603.230

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

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

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F) CCR5 – Composition of collateral for CCR exposure:

Current Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-Local Currency	-	-	-	-	1.822.840	-
Cash - Foreign Currency	-	2.917.839	-	378.497	4.656.982	-
Government bond-domestic	-	-	-	-	-	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	2.917.839	-	378.497	6.479.822	-

Prior Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-Local Currency	-	-	-	-	1.495.044	-
Cash - Foreign Currency	-	3.272.578	-	377.338	3.525.142	-
Government bond-domestic	-	-	-	-	-	-
Government bond-other	-	-	-	-	-	-
Public institution bonds	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Equity share	-	-	-	-	-	-
Other collaterals	-	-	-	-	-	-
Total	-	3.272.578	-	377.338	5.020.186	-

G) CCR6 –Credit Derivatives

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

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

Related table is not presented due to standard method is used for calculation of capital adequacy.

I) CCR8 – Exposures to central counterparties

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

5. Securitization exposures:

The Parent Bank has no securitization transactions.

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6. Disclosures regarding Market Risk

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

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

The Bank has established a structure to effectively define, monitor and manage the risk sourcing from changes in market prices including interest rates, stocks, bond prices, exchange rates and uncertainty of aforementioned prices in their volatility levels. The aforementioned structure is determined in Market Risk Policy of the Bank which is approved by the Board of Directors. This policy determines principles, measurement methods, processes and limits covering all transactions of the Bank sourcing from market risk. Market risk is calculated and reported on a monthly basis with standard method for capital adequacy calculation in line with regulation on Measurement and Evaluation of Bank's Capital Adequacy published by BRSA.

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

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

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

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

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

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B) MR1- Market risk under standardised approach

		RWA ^(**)	
		Current Period	Prior Period
	Outright products (*)	1.993.488	998.313
1	Interest rate risk (general and specific)	1.549.350	639.388
2	Equity risk (general and specific)	61.037	13.050
3	Foreign exchange risk	380.688	343.113
4	Commodity risk	2.413	2.762
	Options	22.900	10.700
5	Simplified approach	-	-
6	Delta-plus method	22.900	10.700
7	Scenario approach	-	-
8	Securitization	-	-
9	Total	2.016.388	1.009.013

(*) Outright products refer to position in products that are not optional.

(**) The market Risk represents the capital requirement multiplied by 12,5 times Risk Weighted Amount

7. Explanations on Operational Risk

The Bank calculates the amount subject to operational risk based on “Basic Indicator Method” by using 2016, 2015 and 2014 year-end gross income balances of the Bank, in accordance with Section 3 of the “Regulation Regarding Measurement and Evaluation of Banks’ Capital Adequacy Ratio”, published in the Official Gazette No. 28337 dated June 28, 2012, namely “The Calculation of the Amount Subject to Operational Risk. As of December 31, 2016, the total amount subject to operational risk is TL 9.225.592 (December 31, 2016 – TL 8.018.463).

			Total / Total number of years for which gross income is positive		Rate (%)	Total
Current Period	2 Prior Period Value	1 Prior Period Value	Current Period value			
Gross Income	4.508.589	4.775.557	5.476.801	4.920.316	15	738.047
Amount subject to operational risk (Total*12,5)						9.225.592

			Total / Total number of years for which gross income is positive		Rate (%)	Total
Prior Period	2 Prior Period Value	1 Prior Period Value	Current Period value			
Gross Income	3.995.793	4.322.420	4.511.319	4.276.511	15	641.477
Amount subject to operational risk (Total*12,5)						8.018.463

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

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

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III. Explanations on Consolidated Foreign Exchange Risk

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

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

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

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

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

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

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

US Dollars purchase rate in the balance sheet date	3,8104 TL
Euro purchase rate in the balance sheet date	3,5478 TL

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

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

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

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5. Information on the consolidated foreign exchange risk of the Group (Thousands of TL)

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⁾	3.509.095	8.430.826	1.811.411	13.751.332
Due From Banks	106.293	1.163.743	12.079	1.282.115
Financial Assets at Fair Value through Profit/Loss ⁽²⁾	83.999	116.207	416	200.622
Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	406.228	2.823.374	-	3.229.602
Loans and Receivables ⁽³⁾	13.131.631	9.258.352	145.930	22.535.913
Investments in Assoc., Subsidiaries and Entities under Common Control	-	-	-	-
Investment Securities Held-to-Maturity	19.755	3.408.710	-	3.428.465
Derivative Financial Assets Hedging Purposes	6.315	56.092	-	62.407
Tangible Assets	-	-	43	43
Intangible Assets	-	-	-	-
Other Assets ⁽⁴⁾	2.432.192	1.194.928	41.529	3.668.649
Total Assets	19.695.508	26.452.232	2.011.408	48.159.148
Liabilities				
Bank Deposits	306.935	1.810.122	102.836	2.219.893
Foreign Currency Deposits ⁽⁵⁾	7.718.062	21.347.608	1.686.466	30.752.136
Money Market Borrowings	220.431	4.410.825	-	4.631.256
Funds Provided from Other Financial Institutions	6.340.185	11.451.087	2.276.610	20.067.882
Securities Issued ⁽⁶⁾	177.687	5.816.993	-	5.994.680
Sundry Creditors ⁽⁷⁾	2.700.551	826.561	8.755	3.535.867
Derivative Fin. Liabilities Hedging Purposes	59.202	180.053	-	239.255
Other Liabilities ⁽⁸⁾	164.747	325.487	1.907	492.141
Total Liabilities	17.687.800	46.168.736	4.076.574	67.933.110
Net Balance Sheet Position	2.007.708	(19.716.504)	(2.065.166)	(19.773.962)
Net Off-Balance Sheet Position	(2.135.608)	17.986.103	2.111.085	17.961.580
Financial Derivative Assets	8.736.674	57.616.453	2.286.793	68.639.920
Financial Derivative Liabilities	10.872.282	39.630.350	175.708	50.678.340
Non-Cash Loans ⁽⁹⁾	4.724.545	5.457.980	293.108	10.475.633
Prior Period				
Total Assets	12.375.388	21.706.843	1.644.362	35.726.593
Total Liabilities	12.760.272	33.755.504	2.765.686	49.281.462
Net Balance Sheet Position	(384.884)	(12.048.661)	(1.121.324)	(13.554.869)
Net Off-Balance Sheet Position	448.647	10.341.525	1.119.800	11.909.972
Financial Derivative Assets	5.950.109	43.105.601	1.221.052	50.276.762
Financial Derivative Liabilities	5.501.462	32.764.076	101.252	38.366.790
Non-Cash Loans ⁽⁸⁾	2.203.845	3.737.029	72.130	6.013.004

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

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

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

(4) Does not include FC prepaid expenses amounting to TL 9.192 (December 31 2016 – TL 3.375) as per BRSA's Communique published in Official Gazette no 26085 on February 19, 2006. Does not include repealed financial leasing receivables amounting to TL 6.737 (December 31 2016 – TL 5.416) accounted as FC in balance sheet. Includes FC indexed factoring receivables amounting to TL 60.973 (December 31 2016 – TL 41.327) accounted as TL in balance sheet.

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

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

(7) Sundry Creditors do not include the Foreign Exchange Loan Factoring payables amounting to TL 526.

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

(9) Does not have an effect on Net Off-balance Sheet Position.

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As of December 31, 2017, the net foreign currency exposure of the Group is TL 19.773.962 short position (December 31, 2016 – TL – 13.554.869 short) resulting from on balance sheet short position amounting to TL 17.961.580 (December 31, 2016 – TL 11.909.972 short) and long off balance sheet position amounting to TL 1.812.382 (December 31, 2016 – TL 1.644.897 long). As it is stated Five, net foreign currency short position of the Group is TL 364.430 following the fair value hedge accounting since the debt instrument at amount of USD 380 million (TL 1.447.952) included in issued securities recorded as foreign currency in balance sheet in order to ensure currency hedging of immovable which has recorded in TL in accordance with TAS but whose fair value forms in foreign currency in market.

6. Sensitivity to Foreign Exchange Risk

The Bank is subject to exchange rate risk mainly from Euro and USD. The table below shows the Bank's sensitivity to a 10% change in Euro and USD currencies. It is assumed that all other variables are constant.

	% change in the Foreign currency	Effect on Gain/Loss (After Tax)	Net Effect on Shareholders Equity (*)	Effect on Gain/Loss (After Tax)	Net Effect on Shareholders Equity (*)
		Current Period	Current Period	Prior Period	Prior Period
USD	10% gain	(8.248)	(22.596)	(147)	(29.204)
	10% loss	8.248	22.596	147	29.204
EURO	10% gain	(10.467)	(10.232)	6.402	5.101
	10% loss	10.467	10.232	(6.402)	(5.101)

(*)Effect on Shareholders Equity include the effect of the change of exchange rates on the income statement.

IV. Explanations on Consolidated Interest Rate Risk

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

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

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

Parent Bank's asset and liabilities carry positive interest rate income and are repriced approximately in six months. Therefore the Bank holds limited amount of interest rate risk.

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

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

(Based on repricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non Interest Bearing ^(*)	Total
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	929.337	4.089	8.189	-	-	358.157	1.299.772
Financial Assets at Fair Value Through Profit/Loss ^(**)	13.237	9.733	21.887	20.704	14.445	5.462.230	5.542.236
Money Market Placements	241.859	-	-	-	-	-	241.859
Inv. Securities Available for Sale	1.072.716	966.372	2.722.928	1.032.698	2.418.309	136.852	8.349.875
Loans and Receivables	17.215.456	8.691.744	26.622.376	24.352.841	3.415.159	2.130.780	82.428.356
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	774.280	529.771	1.357.725	2.565.528	257.525	4.796.802	10.281.631
Total Assets	29.514.749	11.589.301	32.821.342	28.971.500	8.391.772	19.906.001	131.194.665
Liabilities							
Bank Deposits	1.855.973	205.422	149.449	-	-	134.035	2.344.879
Other Deposits	40.604.471	8.605.660	2.957.289	24.121	-	13.006.955	65.198.496
Money Market Borrowings	4.131.754	1.699.207	1.120.451	-	30.148	18.207	6.999.767
Sundry Creditors	3.257.730	-	-	-	-	2.957.681	6.215.411
Securities Issued	1.816.983	3.280.211	515.647	4.741.620	-	43.564	10.398.025
Funds Borrowed	3.510.963	3.059.173	12.070.952	954.129	1.799.190	128.456	21.522.863
Other Liabilities ^(***)	261	537	8.531	5.392	-	18.500.503	18.515.224
Total Liabilities	55.178.135	16.850.210	16.822.319	5.725.262	1.829.338	34.789.401	131.194.665
On Balance Sheet Long Position	-	-	15.999.023	23.246.238	6.562.434	-	45.807.695
On Balance Sheet Short Position	(25.663.386)	(5.260.909)	-	-	-	(14.883.400)	(45.807.695)
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	(19.396.408)	10.461.516	16.553.507	7.079.815	3.498.674	(14.883.400)	3.313.704

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

^(**) Financial Assets at Fair Value Through Profit/Loss include TL 2.938.126 derivative financial assets used for hedging purposes.

^(***) Other Liabilities include derivative financial liabilities used for hedging purposes amounting to TL 536.074.

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Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items
(Based on repricing dates)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non Interest Bearing ^(*)	Total
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the T.R. Central Bank	7.541.319	-	-	-	-	5.562.565	13.103.884
Due from Banks	75.512	-	12.182	-	-	224.372	312.066
Financial Assets at Fair Value Through Profit/Loss ^(**)	762	8.370	2.147	12.766	31.198	6.235.788	6.291.031
Money Market Placements	1.667.618	-	-	-	-	-	1.667.618
Inv. Securities Available for Sale	1.540.616	403.471	1.609.451	847.566	2.787.198	(156.189)	7.032.113
Loans and Receivables	13.430.498	7.611.418	21.746.543	15.606.797	2.672.475	1.546.362	62.614.093
Inv. Securities Held to Maturity	178.373	1.181.254	1.626.021	1.301.498	1.516.723	96.638	5.900.507
Other Assets	542.660	287.328	860.692	1.528.411	86.391	4.099.040	7.404.522
Total Assets	24.977.358	9.491.841	25.857.036	19.297.038	7.093.985	17.608.576	104.325.834
Liabilities							
Bank Deposits	1.193.196	572.973	67.578	-	-	139.238	1.972.985
Other Deposits	30.613.782	9.899.613	1.874.874	47.910	-	9.456.085	51.892.264
Money Market Borrowings	4.842.526	914.488	824.886	-	27.944	9.989	6.619.833
Sundry Creditors	4.389.726	-	-	-	-	2.331.160	6.720.886
Securities Issued	708.413	2.280.490	1.551.647	1.750.319	-	40.708	6.331.577
Funds Borrowed	2.295.865	2.471.838	9.333.096	231.261	351	66.927	14.399.338
Other Liabilities ^(***)	4.200	-	-	-	-	16.384.751	16.388.951
Total Liabilities	44.047.708	16.139.402	13.652.081	2.029.490	28.295	28.428.858	104.325.834
On Balance Sheet Long Position	-	-	12.204.955	17.267.548	7.065.690	-	36.538.193
On Balance Sheet Short Position	(19.070.350)	(6.647.561)	-	-	-	(10.820.282)	(36.538.193)
Off-Balance Sheet Long Position	5.138.216	11.756.849	-	-	-	-	16.895.065
Off-Balance Sheet Short Position	-	-	(1.342.029)	(9.351.397)	(2.379.841)	-	(13.073.267)
Total Position	(13.932.134)	5.109.288	10.862.926	7.916.151	4.685.849	(10.820.282)	3.821.798

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

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

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

Average interest rates applied to monetary financial instruments

	EUR %	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	-	1,25	-	4,00
Due from Banks	0,56	1,40	-	13,14
Financial Assets at Fair Value Through Profit/Loss	2,11	5,04	-	11,17
Money Market Placements	-	-	-	13,65
Investment Securities Available for Sale	3,47	4,83	-	12,46
Loans and Receivables	4,35	4,89	2,67	15,70
Investment Securities Held for Trading	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	-	14,86
Funds Borrowed	2,35	3,24	-	12,76

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Average interest rates applied to monetary financial instruments

Prior Period	EUR	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the T.R. Central Bank	-	0,49	-	3,81
Due from Banks	0,10	0,56	-	11,61
Financial Assets at Fair Value Through Profit/Loss	1,94	4,57	-	9,14
Money Market Placements	-	-	-	-
Investment Securities Available for Sale	3,68	4,96	-	9,93
Loans and Receivables	4,23	4,57	3,65	14,42
Investment Securities Held to Maturity	2,96	5,22	-	10,01
Liabilities				
Bank Deposits	0,87	0,97	-	11,33
Other Deposits	1,62	2,13	0,25	11,78
Money Market Borrowings	0,45	0,92	-	8,03
Sundry Creditors	1,82	1,76	-	6,12
Securities Issued	-	5,89	-	11,90
Funds Borrowed	1,88	3,28	-	9,83

Interest rate risk on banking book

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

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

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

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

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

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

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

V. Explanations on consolidated equity securities position risk

Equity Securities (shares)	Comparison		
	Carrying Value	Fair Value	Market Value
1. Equity Investments Group A	35.691	-	35.691
Quoted Securities	35.691	-	35.691
2. Equity Investments Group B	-	-	-
Quoted Securities	-	-	-
3. Equity Investments Group C	-	-	-
Quoted Securities	-	-	-
4. Equity Investments Group Other	145.028	151.971	-

(*) Associates and subsidiaries not quoted to BIST and not classified as investment in shares by CMB.

(**) Refers to entity under common control accounted at fair value but not traded at the quoted markets.

Portfolio	Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
		Total	Amount under Core Capital	Total	Amount under Core Capital	Amount under Supplementary Capital
1. Private Equity Investments	-	-	-	-	-	-
2. Quoted Shares	32	-	-	1.168	-	526
3. Other Shares	-	-	-	-	-	-
4. Total	32	-	-	1.168	-	526

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VI. Explanations on Consolidated Liquidity Risk Management and Consolidated Liquidity Coverage Ratio

Liquidity Risk of Parent 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 Parent 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 Parent Bank in order to monitor related limits. Senior management of Parent Bank is informed periodically regarding current liquidity risk amount exposed in order to ensure being under the approved limits of Bank's liquidity risk profile. Assets and Liabilities Committee (ALC) meetings, which ensure the necessary monitoring for liquidity risk, are held monthly. Risk Committee reviews the liquidity risk of the Bank monthly in addition to aforementioned meetings and informs Board of Directors. The Bank reviews its liquidity position daily. Internal and legal reports related to liquidity positions are examined in ALC meetings monthly with the participation of senior management. Several decisions are taken related to management of short and long term liquidity in this scope. Internal metrics such as reserve liquidity and deposit concentration are monitored daily besides liquidity coverage rate related to measurement of liquidity coverage. Internal limit and warning level are periodically monitored and reported to related parties by the Board of Directors.

QNB Finansbank has no liquidity management center and each entity, which is under control of the Bank, performs its liquidity management separately from the Bank by an authority responsible for liquidity management. Each partnership subject to consolidation manages its own liquidity position separately from the Parent Bank. 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 Parent Bank. When developing this strategy, it is aimed to provide funding from long-term and stable sources as much as possible.

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 FX swap and FX 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 Parent Bank can meet its cumulative cash outflows without providing a fund from the market. Liquidity life cycle is calculated according to various scenarios and simulated in line with possible scenarios in crisis situation and the results are reported to Risk Committee and Board of Directors.

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

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Liquidity Coverage Ratio

CURRENT PERIOD - December 31, 2017	Unweighted Amounts^(*)		Weighted Amounts^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS			22.268.483	13.315.858
1. High Quality Liquid Assets	27.271.562	18.318.938	22.268.483	13.315.858
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	46.500.447	18.559.366	4.095.999	1.855.937
3. Stable deposits	11.080.916	-	554.046	-
4. Less stable deposits	35.419.531	18.559.366	3.541.953	1.855.937
5. Unsecured Funding other than Retail and Small Business Customers Deposits	24.394.094	13.737.957	16.382.113	9.303.309
6. Operational deposits	580.244	16.641	145.061	4.160
7. Non-Operational Deposits	17.161.290	10.299.880	10.219.012	5.877.713
8. Other Unsecured Funding	6.652.560	3.421.436	6.018.040	3.421.436
9. Secured funding	-	-	663.016	663.016
10. Other Cash Outflows	22.189.716	14.570.588	22.189.716	14.570.588
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	22.189.716	14.570.588	22.189.716	14.570.588
12. Debts related to the structured financial products	-	-	-	-
13. Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14. Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	18.318.041	-	915.902	-
15. Other irrevocable or conditionally revocable commitments	50.241.718	10.941.038	3.666.720	924.630
16. TOTAL CASH OUTFLOWS			47.913.466	27.317.480
CASH INFLOWS				
17. Secured Lending Transactions	-	-	-	-
18. Unsecured Lending Transactions	7.236.242	1.926.814	4.452.846	1.597.483
19. Other contractual cash inflows	20.807.534	15.116.858	20.807.534	15.116.858
20. TOTAL CASH INFLOWS	28.043.776	17.043.672	25.260.380	16.714.341
			Capped Amounts	
21. TOTAL HIGH QUALITY LIQUID ASSETS			22.268.483	13.315.858
22. TOTAL NET CASH OUTFLOWS			22.653.086	10.603.139
23. LIQUIDITY COVAREGE RATIO (%)			98,30%	125,58%

(*) Simple arithmetic average calculated for the last three months of values calculated by taking the monthly simple arithmetic average.

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Prior Period - December 31, 2016	Unweighted Amounts ^(*)		Weighted Amounts ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS			14.875.566	8.053.418
1. High Quality Liquid Assets	16.972.402	10.150.254	14.875.566	8.053.418
CASH OUTFLOWS				
2. Retail and Small Business Customers Deposits	37.412.200	14.015.648	3.329.691	1.401.565
3. Stable deposits	8.230.580	-	411.529	-
4. Less stable deposits	29.181.620	14.015.648	2.918.162	1.401.565
5. Unsecured Funding other than Retail and Small Business Customers Deposits	19.664.517	9.303.850	13.592.611	6.651.680
6. Operational deposits	727.093	20.408	181.773	5.101
7. Non-Operational Deposits	13.106.651	6.148.072	8.119.375	3.511.209
8. Other Unsecured Funding	5.830.773	3.135.370	5.291.463	3.135.370
9. Secured funding			744.683	744.683
10. Other Cash Outflows	15.940.082	9.989.012	15.940.082	9.989.012
11. Liquidity needs related to derivatives and market valuation changes on derivatives transactions	15.940.082	9.989.012	15.940.082	9.989.012
12. Debts related to the structured financial products	-	-	-	-
13. Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14. Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	234.867	-	11.743	-
15. Other irrevocable or conditionally revocable commitments	52.321.533	6.971.923	3.546.844	604.728
16. TOTAL CASH OUTFLOWS			37.165.654	19.391.668
CASH INFLOWS				
17. Secured Lending Transactions	542.994	-	-	-
18. Unsecured Lending Transactions	7.108.042	1.993.846	4.562.997	1.753.188
19. Other contractual cash inflows	14.464.815	9.621.128	14.464.815	9.621.128
20. TOTAL CASH INFLOWS	22.115.851	11.614.974	19.027.812	11.374.316
			Capped Amount	
21. TOTAL HIGH QUALITY LIQUID ASSETS			14.875.566	8.053.418
22. TOTAL NET CASH OUTFLOWS			18.137.842	8.017.352
23. LIQUIDITY COVERAGE RATIO (%)			82,01%	100,45%

(*) Simple arithmetic average calculated for the last three months of values calculated by taking the monthly simple arithmetic average.

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Minimum, maximum and average liquidity coverage ratios calculated in accordance with the “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette no. 28948, dated March 21, 2014 for the last three months of 2017 are explained in the table below.

	Maximum	Date	Minimum	Date	Average
TL+FC	101,34	30.11.2017	93,23	31.10.2017	98,37
FC	147,79	30.11.2017	99,64	31.10.2017	129,08

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 the Parent 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 Parent Bank mainly consist of deposits which constitute 51% of total liabilities of the Group (December 31, 2016 – 52%) and also include repo, secured loans, syndication, securitization, bond/security issuance and other instruments including subordinated debts.

The Parent 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 of repo and secured loan 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 Parent 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 Parent 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 Month	3-12 Month	1-5 Years	5 Years and Over	Un-Allocated⁽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	4.712.819	11.169.453	-	-	-	-	-	15.882.272
Due from Banks	358.157	929.338	4.089	8.188	-	-	-	1.299.772
Financial Assets at Fair Value Through Profit/Loss ⁽²⁾	-	463.583	586.727	1.512.116	2.812.247	167.563	-	5.542.236
Money Market Placements	-	241.859	-	-	-	-	-	241.859
Investment Securities Available for Sale	75.803	556.881	16.783	116.597	3.618.743	3.965.068	-	8.349.875
Loans and Receivables	-	15.318.696	5.936.334	23.197.851	28.575.632	8.596.388	803.455	82.428.356
Investment Securities Held to Maturity	-	-	203.577	373.895	2.597.488	3.993.704	-	7.168.664
Other Assets	6.469	1.917.334	547.112	1.371.163	3.148.868	264.676	3.026.009	10.281.631
Total Assets	5.153.248	30.597.144	7.294.622	26.579.810	40.752.978	16.987.399	3.829.464	131.194.665
Liabilities								
Bank Deposits	129.280	1.859.365	205.790	150.444	-	-	-	2.344.879
Other Deposits	12.595.256	40.856.124	8.674.721	3.047.235	25.160	-	-	65.198.496
Funds Borrowed	-	2.013.711	1.950.755	8.191.925	6.005.329	3.361.143	-	21.522.863
Money Market Borrowings	-	4.141.894	1.196.050	596.893	360.132	704.798	-	6.999.767
Securities Issued	-	1.742.060	2.105.800	995.169	5.503.635	51.361	-	10.398.025
Sundry Creditors	-	3.847.122	272.092	785.383	1.087.321	223.493	-	6.215.411
Other Liabilities ⁽³⁾	-	1.067.661	663.613	507.388	1.358.088	482.929	14.435.545	18.515.224
Total Liabilities	12.724.536	55.527.937	15.068.821	14.274.437	14.339.665	4.823.724	14.435.545	131.194.665
Liquidity Gap	(7.571.288)	(24.930.793)	(7.774.199)	12.305.373	26.413.313	12.163.675	(10.606.081)	-
Net Off- Balance Sheet Position ⁽⁴⁾	-	161.134	391.205	725.540	1.472.151	21.732	-	2.771.762
Receivables from financial derivative instruments	-	16.758.947	15.518.239	23.277.189	35.950.287	7.066.466	-	98.571.128
Liabilities from derivative financial instruments	-	16.597.813	15.127.034	22.551.649	34.478.136	7.044.734	-	95.799.366
Non Cash Loans ⁽⁵⁾	-	1.100.786	2.055.672	7.089.728	2.717.879	404.698	5.946.286	19.315.049
Prior period								
Total Assets	4.282.532	25.559.000	7.212.351	21.682.278	28.376.477	14.014.655	3.198.541	104.325.834
Total Liabilities	9.358.456	43.573.109	13.557.037	13.023.285	11.245.832	1.454.395	12.113.720	104.325.834
Liquidity Gap	(5.075.924)	(18.014.109)	(6.344.686)	8.658.993	17.130.645	12.560.260	(8.915.179)	-
Net Off- Balance Sheet Position ⁽⁴⁾	-	253.881	210.516	550.128	1.802.009	17.668	-	2.834.202
Receivables from financial derivative instruments	-	18.109.425	15.593.274	16.090.618	22.669.507	5.609.532	-	78.072.356
Liabilities from derivative financial instruments	-	17.855.544	15.382.758	15.540.490	20.867.498	5.591.864	-	75.238.154
Non Cash Loans ⁽⁵⁾	-	682.951	1.432.264	4.438.990	2.025.020	325.772	4.279.013	13.184.010

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

Unallocated other liabilities include shareholders' equity amounting to TL 12.428.341, unallocated provisions and deferred tax liability amounting to TL 2.092.983.

⁽²⁾ Financial Assets at Fair Value Through Profit/Loss include derivative financial assets held for hedging purposes amounting to TL 2.938.126.

⁽³⁾ Other Liabilities also include derivative financial liabilities held for hedging purposes amounting to TL 536.074.

⁽⁴⁾ Liquidity excess / (deficit) related to Derivative Financial Instruments constituting Net Off-Balance positions are included in Liquidity Excess / (deficit) through valuations of related transactions to balance sheet.

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

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Financial Liabilities according to the remaining maturities on the contract

The table below shows the maturity breakdown of the Bank's financial liabilities that are not classified as derivatives. These tables were prepared by taking the closest dates that the Bank will recognize its future cash flows. The interest payable through the said assets and liabilities are included in the tables below.

Current Period	Undated	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and longer	Total	Balance Sheet Value
Bank Deposits	129.280	1.860.557	206.425	152.348	-	-	2.348.610	2.344.879
Other Deposits	12.603.695	41.087.398	8.789.139	3.209.164	27.296	72	65.716.764	65.198.496
Payables to Money Market	-	4.152.024	1.210.377	609.277	405.281	797.801	7.174.760	6.999.767
Funds from other Financial Institutions	-	2.658.242	1.989.090	8.776.520	7.047.890	3.515.968	23.987.710	21.522.863
Securities Issued	-	1.828.626	2.128.560	1.321.125	6.140.493	52.462	11.471.266	10.443.986
Noncash Loans ^(*)	5.946.286	1.100.786	2.055.672	7.089.728	2.717.879	404.698	19.315.049	19.315.049

Prior Period	Undated	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Longer	Total	Balance Sheet Value
Bank Deposits	136.155	1.196.628	576.800	68.381	-	-	1.977.964	1.972.985
Other Deposits	9.222.301	30.842.183	9.983.773	2.032.934	54.711	-	52.135.902	51.892.264
Payables to Money Market	-	4.850.497	588.722	523.273	164.215	577.095	6.703.802	6.619.833
Funds from other Financial Institutions	-	1.590.349	973.076	8.092.202	4.739.947	501.544	15.897.118	14.399.338
Securities Issued	-	843.524	947.567	3.802.838	1.257.304	64.963	6.916.196	6.331.577
Noncash Loans ^(*)	4.279.013	682.951	1.432.264	4.438.990	2.025.020	325.772	13.184.010	13.184.010

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

The table below shows the remaining maturity breakdown of the Bank's derivative assets and liabilities.

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Longer	Total
Forward contracts buying ^(**)	3.376.800	1.322.808	1.232.445	750.734	-	6.682.787
Forward contracts selling ^(**)	(3.384.147)	(1.347.699)	(1.250.000)	(788.451)	-	(6.770.298)
Swap contracts buying ^(*)	12.921.261	13.367.291	20.802.988	35.200.346	7.066.467	89.358.353
Swap contracts selling ^(*)	(12.680.890)	(12.958.447)	(19.788.181)	(33.386.894)	(7.044.734)	(85.859.146)
Futures buying	-	24.500	80.713	-	-	105.213
Futures selling	-	(24.005)	(80.713)	-	-	(104.718)
Options buying	2.083.102	809.460	918.661	-	-	3.811.223
Options selling	(2.116.124)	(808.827)	(915.333)	-	-	(3.840.284)
Other	-	-	304.832	323.884	-	628.716
Total	200.001	385.083	1.305.411	2.099.619	21.733	4.011.847

(*) Derivative financial assets held for cash flow hedges are included .

(**) Includes the Dated, Asset Value Buying and Selling obligations that are in Obligations.

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Longer	Total
Forward contracts buying ^(**)	2.862.930	1.227.332	1.655.467	13.864	-	5.759.593
Forward contracts selling ^(**)	(2.925.301)	(1.224.732)	(1.672.828)	(13.534)	-	(5.836.395)
Swap contracts buying ^(*)	18.956.449	7.354.138	13.551.450	22.637.165	5.609.531	68.108.733
Swap contracts selling ^(*)	(18.594.212)	(7.115.960)	(12.702.683)	(20.270.400)	(5.591.864)	(64.275.119)
Futures buying	-	1.685	34.727	818	-	37.230
Futures selling	-	(1.685)	(34.727)	(818)	-	(37.230)
Options buying	1.238.728	2.669.901	849.133	-	-	4.757.762
Options selling	(1.257.010)	(2.727.322)	(847.706)	-	-	(4.832.038)
Other	-	-	282.544	600.406	-	882.950
Total	281.584	183.357	1.115.377	2.967.501	17.667	4.565.486

(*) Derivative financial assets held for cash flow hedges are included.

(**) Include the Dated, Asset Value Buying and Selling obligations that are in Obligations

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VII. Explanations on Consolidated Leverage Ratio

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

The Group's leverage ratio, calculated in accordance with the "Regulation on Measurement and Evaluation of Bank's Leverage Levels" is 6,17% (December 31, 2016: 6,28%). 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.

b) Summary comparative table for total asset and total risk amount in consolidated financial statements prepared in accordance with TFRS:

	Current Period^(**)	Prior Period^(**)
1 Total asset amount in consolidated financial statements prepared in accordance with TFRS (*)	129.733.795	101.293.023
2 Difference between total asset amount in consolidated financial statements prepared in accordance with TFRS and total asset amount in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements	522.744	381.390
3 Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of derivative financial instruments and credit derivatives	1.275.678	773.474
4 Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of investment securities or financial transaction that are commodity collateralized	-	-
5 Difference between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of off balance transactions	57.572.480	55.119.905
6 Other differences between risk amounts and amounts in consolidated financial statements prepared in accordance with the Communiqué on the Preparation of Consolidated Financial Statements	(394.938)	(335.210)
7 Total Risk Amount	188.709.759	157.232.582

^(*) Consolidated financial statements prepared in accordance with the 5th clause and 6th subclause of Communiqué on the Preparation of Consolidated Financial Statements.

^(**) Amounts presented above represent the arithmetic average of the last three months

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c) Leverage ratio public disclosure template:

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 derivatives, including guarantees)	124.173.604	96.302.179
(Assets deducted from capital stock)	394.938	335.210
Total risk amount related to Assets on Balance sheet	123.778.666	95.966.969
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	6.082.935	5.372.234
Potential credit risk amount of derivative financial instruments and credit derivatives	1.275.678	773.474
Total risk amount related to derivative financial instruments and credit derivatives	7.358.613	6.145.708
Financial transactions having security or commodity collateral		
Risk amount of financial transactions having security or commodity collateral	-	-
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	74.916.230	55.725.410
(Adjustment amount sourcing from multiplying to credit conversion rates)	(17.343.750)	605.505
Total risk amount related to off-balance sheet transactions	57.572.480	55.119.905
Capital and Total Risk		
Core Capital	11.665.362	9.867.630
Amount of total risk	188.709.759	157.232.582
Financial leverage ratio		
Financial leverage ratio	6,18%	6,28%

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

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

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

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

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

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

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

	Carrying value		Fair value	
	Current Period	Prior Period	Current period	Prior period
Financial Assets	105.335.591	80.963.644	104.256.561	80.660.652
Banks	1.299.772	312.066	1.299.772	312.066
Receivables from Money Market	241.859	1.667.618	241.859	1.667.618
Loans and Receivables	82.428.356	62.614.093	81.265.434	62.366.527
Factoring Receivables	1.381.002	750.970	1.381.002	750.970
Leasing Receivables	4.466.063	2.686.277	4.559.412	2.775.831
Available for Sale Financial Assets	8.349.875	7.032.113	8.349.875	7.032.113
Securities Held to Maturity	7.168.664	5.900.507	7.159.207	5.755.527
Financial Liabilities	112.679.441	87.936.883	112.626.047	88.043.806
Bank Deposits	2.344.879	1.972.985	2.344.927	1.973.153
Other Deposits	65.198.496	51.892.264	65.219.301	51.916.704
Funds from Other Financial Institutions	21.522.863	14.399.338	21.399.361	14.322.946
Payables to Money Market	6.999.767	6.619.833	6.999.767	6.619.833
Securities Issued	10.398.025	6.331.577	10.447.280	6.490.284
Other Debts	6.215.411	6.720.886	6.215.411	6.720.886

IFRS 13, "Fair Value Measurement", requires classification of line items at fair value presented at the financial statements according to the defined levels. These levels depend on the observability of data used for fair value calculations.

Classification for fair value is generated as followed below:

- Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets
- Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities
- Level 3: Assets and liabilities where no observable market data can be used for valuation

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According to these classification principles stated, the Group's classification of financial assets and liabilities carried at their fair value are as follows:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets	8.375.004	5.512.195	-	13.887.199
Financial Assets at Fair Value through Profit/Loss	89.389	-	-	89.389
Assets on Trading Derivatives	989	2.503.153	-	2.504.142
Investment Securities Available for Sale ^(*)	8.284.626	60.337	-	8.344.963
Loans and Receivables ^(**)	-	10.579	-	10.579
Hedging derivative financial assets	-	2.938.126	-	2.938.126
Financial Liabilities	378	2.605.940	-	2.606.318
Liabilities on Trading Derivatives	378	2.069.866	-	2.070.244
Derivative Financial Liabilities for Hedging Purposes	-	536.074	-	536.074

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

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

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets	6.999.467	6.319.452	-	13.318.919
Financial Assets at Fair Value through Profit/Loss	50.811	-	-	50.811
Assets on Trading Derivatives	3.781	2.770.130	-	2.773.911
Investment Securities Available for Sale	6.944.875	83.013	-	7.027.888
Loans and Receivables ^(*)	-	22.971	-	22.971
Hedging derivative financial assets	-	3.443.338	-	3.443.338
Financial Liabilities	502	3.027.942	-	3.028.444
Liabilities on Trading Derivatives	502	2.601.214	-	2.601.716
Derivative Financial Liabilities for Hedging Purposes	-	426.728	-	426.728

^(*) Loans and Receivables are presented in "Financial Assets at Fair Value through Profit/Loss".

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

	Current Period	Prior Period
Opening Balance	-	47.354
Change in total gain/loss	-	(11.166)
Accounted in income statement	-	(11.166)
Accounted in other comprehensive income	-	-
Purchases	-	-
Disposals	-	-
Matured Loans ^(*)	-	(13.217)
Sales from Level 3	-	(22.971)
Closing Balance	-	-

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

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations And Disclosures Related To Consolidated 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	644.333	340.629	685.252	376.428
T.R. Central Bank	1.461.242	13.408.983	1.244.513	10.795.316
Others	25.365	1.720	96	2.279
Total	2.130.940	13.751.332	1.929.861	11.174.023

b) Balances with the Central Bank of Turkey:

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

As of December 31, 2017, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 4% to 10,5% depending on the maturity of deposits (December 31, 2016 – 4% to 10,5%) and the compulsory rates for the foreign currency liabilities are within an interval from 4% to 24% depending on the maturity of deposits and other liabilities (December 31, 2016 – 4,5% and 24,5%). In accordance with the “Communiqué Regarding the Reserve Requirements no. 2013/15”, 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 (net amounts are expressed):

a) Information on Subject to repurchase agreements and given as Collateral /blocked Investment securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Given as Collateral / Blocked	28.219	1.113	23.752	2.831
Subject to repurchase agreement	14.275	-	7.092	-
Total	42.494	1.113	30.844	2.831

b) Positive differences on trading derivative instruments

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	43.711	-	106.629	-
Swap Transactions	2.213.686	184.096	2.464.878	144.158
Futures	-	105	-	388
Options	884	61.660	3.393	54.465
Other	-	-	-	-
Total	2.258.281	245.861	2.574.900	199.011

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3. a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	16.806	845.929	26.882	1.726
Foreign	851	436.186	21.268	262.190
Foreign Head Offices and Branches	-	-	-	-
Total	17.657	1.282.115	48.150	263.916

b) Information on foreign bank accounts

	Unrestricted Amount		Restricted Amount (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	69.846	141.028	17.419	12.409
USA and Canada	240.799	69.269	103.924	36.234
OECD Countries (*)	2.133	1.586	-	-
Off-shore Banking Regions	-	20.948	-	-
Other	2.916	1.984	-	-
Total	315.694	234.815	121.343	48.643

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

(**) Includes blocked placements amounting to TL 121.343 at foreign banks (December 31, 2016 - TL 48.643) for the funds borrowed from foreign banks.

4. Information on receivables from reverse repurchase agreements

	Current Period		Prior Period	
	TP	YP	TP	YP
Domestic Transactions	-	-	1.300.605	-
T.R. Central Bank	-	-	-	-
Banks	-	-	1.300.605	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Foreign Transactions	-	-	-	-
Central Banks	-	-	-	-
Banks	-	-	-	-
Intermediary Institutions	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
Total	-	-	1.300.605	-

5. Information on Investment securities available for sale:

a) Information on investment securities available for-sale that are subject to repurchase agreements and given as Collateral /blocked

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

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b) Investment securities available for sale:

	Current Period	Prior Period
Debt securities	8.372.633	7.250.707
Quoted on a stock exchange (*)	8.372.633	7.250.707
Unquoted on a stock exchange	-	-
Share certificates	76.072	49.457
Quoted on a stock exchange (**)	27	27
Unquoted on a stock exchange	76.045	49.430
Impairment provision (-)	(98.830)	(268.051)
Total	8.349.875	7.032.113

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

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

6. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	613	-	1.179	-
Corporate Shareholders	613	-	1.179	-
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees (*)	82.484	-	80.379	-
Total	83.097	-	81.558	-

(*) Includes advances given to the bank personnel.

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

Cash Loans ^(*)	Performing Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Non-specialized Loans	77.345.243	1.919.035	-	4.290.237	1.727.638	-
Discount Notes	798.677	-	-	31.331	-	-
Export Loans	1.699.768	-	-	71.063	-	-
Import Loans	30.845	-	-	-	-	-
Loans Given to Financial Sector	813.104	-	-	-	-	-
Retail Loans	17.086.108	504.876	-	800.440	201.047	-
Credit Cards	10.357.782	359.967	-	471.498	186.449	-
Other	46.558.959	1.054.192	-	2.915.905	1.340.142	-
Specialized Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	77.345.243	1.919.035	-	4.290.237	1.727.638	-

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

No. of Extensions	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
1 or 2 times	1.864.202	1.683.898
3, 4 or 5 times	49.948	37.656
Over 5 times	4.885	6.084
Total	1.919.035	1.727.638

Extension Periods	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
0 - 6 months	647.471	417.756
6 -12 months	119.568	78.570
1 - 2 years	212.230	390.084
2 - 5 years	517.341	481.940
5 years and over	422.425	359.288
Total	1.919.035	1.727.638

c) Loans according to their maturity structure

Cash Loans ^(*)	Performing Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans	27.587.272	359.967	472.265	186.449
Non-specialized Loans	27.587.272	359.967	472.265	186.449
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	49.757.971	1.559.068	3.817.972	1.541.189
Non-specialized Loans	49.757.971	1.559.068	3.817.972	1.541.189
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	77.345.243	1.919.035	4.290.237	1.727.638

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

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

	Short Term	Medium and Long Term	Total	Interest and Income Accruals
Consumer Loans-TL	601.418	15.664.128	16.265.546	192.449
Housing Loans	4.029	5.532.339	5.536.368	75.307
Automobile Loans	462	19.568	20.030	182
Personal Need Loans	596.927	10.112.221	10.709.148	116.960
Other	-	-	-	-
Consumer Loans-FC Indexed	-	4.944	4.944	8.791
Housing Loans	-	4.765	4.765	8.420
Automobile Loans	-	-	-	-
Personal Need Loans	-	179	179	371
Other	-	-	-	-
Consumer Loans-FC	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Individual Credit Cards-TL	8.186.002	359.721	8.545.723	83.591
Installment	3.087.489	359.721	3.447.210	33.739
Non- Installment	5.098.513	-	5.098.513	49.852
Individual Credit Cards-FC	4.103	-	4.103	23
Installment	-	-	-	-
Non- Installment	4.103	-	4.103	23
Personnel Loans-TL	5.253	43.482	48.735	344
Housing Loans	-	581	581	4
Automobile Loans	-	-	-	-
Personal Need Loans	5.253	42.901	48.154	340
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	30.425	-	30.425	42
Installment	12.550	-	12.550	-
Non-Installment	17.875	-	17.875	42
Personnel Credit Cards-FC	102	-	102	-
Installment	-	-	-	-
Non-Installment	102	-	102	-
Overdraft Accounts-TL (Real Persons)	1.289.283	-	1.289.283	76.456
Overdraft Accounts-FC (Real Persons)	-	-	-	-
Total	10.116.586	16.072.275	26.188.861	361.696

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

	Short Term	Medium and Long Term	Total	Interest and Income Accruals
Commercial Loans with Installment Facility – TL	580.961	16.512.550	17.093.511	446.001
Real Estate Loans	-	426.754	426.754	37.259
Automobile Loans	2.357	134.550	136.907	2.722
Personal Need Loans	578.604	15.951.246	16.529.850	406.020
Other	-	-	-	-
Commercial Loans with Installment Facility - FC Indexed	10.867	1.101.603	1.112.470	385.057
Real Estate Loans	-	20.131	20.131	9.444
Automobile Loans	-	61.100	61.100	19.537
Personal Need Loans	10.867	1.020.372	1.031.239	356.076
Other	-	-	-	-
Commercial Loans with Installment Facility - FC	-	-	-	-
Real Estate Loans	-	-	-	-
Automobile Loans	-	-	-	-
Personal Need Loans	-	-	-	-
Other	-	-	-	-
Corporate Credit Cards –TL	2.131.204	12.659	2.143.863	20.907
Installment	753.834	12.659	766.493	7.475
Non-Installment	1.377.370	-	1.377.370	13.432
Corporate Credit Cards –FC	498	-	498	3
Installment	-	-	-	-
Non-Installment	498	-	498	3
Overdraft Accounts-TL (Legal Entities)	936.786	-	936.786	8.901
Overdraft Accounts-FC (Legal Entities)	-	-	-	-
Total	3.660.316	17.626.812	21.287.128	860.869

f) Loans according to borrowers^(*):

	Current Period	Prior Period
Public	50.160	248.823
Private	81.585.320	61.765.856
Total	81.635.480	62.014.679

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

g) Domestic and foreign loans^(*)

	Current Period	Prior Period
Domestic Loans	81.118.403	61.732.410
Foreign Loans	517.077	282.269
Total	81.635.480	62.014.679

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

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h) Loans granted to subsidiaries and associates

There are no loans granted to subsidiaries and associates (December 31, 2016 - None).

i) Specific provisions for loans:

	Current Period	Prior Period
Specific Provisions		
Loans and Receivables with Limited Collectability	113.746	73.566
Loans and Receivables with Doubtful Collectability	348.575	328.113
Uncollectible Loans and Receivables	3.078.393	2.850.084
Total	3.540.714	3.251.763

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 receivables
Current Period			
(Gross Amounts Before the Specific Provisions)	-	2.481	57.600
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	-	2.481	57.600
Prior Period			
(Gross Amounts Before the Specific Provisions)	735	2.756	70.212
Restructured Loans and Other Receivables	-	-	-
Rescheduled Loans and Other Receivables	735	2.756	70.212

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period End Balance	367.839	656.224	2.850.085
Additions (+)	1.998.572	81.375	82.100
Transfers from Other Categories of Non-Performing Loans (+)	-	1.501.354	1.380.494
Transfers to Other Categories of Non-Performing Loans (-)	1.502.145	1.379.703	-
Collections (-)	295.419	160.795	483.742
Write-offs (-) (*)	221	1.305	750.544
Corporate and Commercial Loans	-	27	399.738
Consumer Loans	96	552	153.547
Credit Cards	125	726	197.259
Others	-	-	-
Current Period End Balance	568.626	697.150	3.078.393
Specific Provision (-)	113.746	348.575	3.078.393
Net Balances on Balance Sheet	454.880	348.575	-

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

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

None (December 31, 2016 – None).

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

	III. Group	IV. Group	V. Group
	Loans and	Loans and	
	receivables with	receivables with	Uncollectible
	limited	doubtful	loans and
	collectability	collectability	receivable
Current Period (Net)	454.880	348.575	-
Loans to Real Persons and Legal Entities (Gross)	568.626	697.150	3.051.189
Specific provision (-)	113.746	348.575	3.051.189
Loans to Real Persons and Legal Entities (Net)	454.880	348.575	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	27.204
Specific provision (-)	-	-	27.204
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	294.273	328.112	-
Loans to Real Persons and Legal Entities (Gross)	367.839	656.224	2.823.267
Specific provision (-)	73.566	328.112	2.823.267
Loans to Real Persons and Legal Entities (Net)	294.273	328.112	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	26.817
Specific provision (-)	-	-	26.817
Other Loans and Receivables (Net)	-	-	-

k) Liquidation policies for uncollectible loans and other receivables

For the unrecoverable non-performing loans under legal follow up, the loan quality, collateral quality, bona fide of the debtor and assessment of the emergency of legal follow up are considered, before applying the best practice for unrecoverable non-performing loans under legal follow up. The Parent Bank prefers to liquidate the risk through negotiations with the debtors. If this cannot be possible, then the Parent 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) Explanations on write-off policy:

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

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7. Information on factoring receivables

	Current Period		Prior Period	
	TL	FC	TL	FC
Short Term	1.250.546	95.688	669.607	52.491
Medium and Long Term	34.768	-	28.872	-
Total	1.285.314	95.688	698.479	52.491

As of December 31, 2017 and December 31, 2016, changes in provision for non-performing factoring receivables are as follows:

	Current Period	Prior Period
Prior Period End Balance	20.825	26.084
Provided Provision / (reversal), Net	14.186	11.854
Collections	(421)	(1.126)
Written off	-	(15.987)
Current Period End Balance	34.590	20.825

8. Information on investment securities held-to-maturity

a) Information on Subject to repurchase agreements and given as Collateral/blocked Investment securities available for sale

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bond	3.740.199	2.398.866	3.383.952	1.471.352
Treasury Bill	-	-	-	-
Other Public Sector Debt Securities	-	427.977	-	444.242
Total	3.740.199	2.826.843	3.383.952	1.915.594

c) Information on investment securities held-to-maturity

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

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d) Movement of held-to-maturity investments

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

9. Investments in associates (Net):

9.1. Investments in associates

Description	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
80.677	46.880	47.651	927	-	6.983	14.517	-

(*) Current period information is presented as of September 30, 2017 and prior period profit and loss amounts are based on financial statements prepared as of September 30, 2016.

9.2. Movements of investments in associates

	Current Period	Prior Period
Balance at the Beginning of Period	3.766	3.766
Movements During the Period	-	-
Acquisitions	-	-
Bonus Shares Received	-	-
Dividends From Current Year Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	-	-
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at the End of the Period	3.766	3.766
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

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9.3. Sectoral distribution and the related carrying amounts on associates

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

9.4. Quoted Associates

None (December 31, 2016 - None).

9.5. Valuation of investments in associates

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

9.6. Investments in associates sold during the current period

None (December 31, 2016 - None).

10. Investments in subsidiaries (Net)

a) Information on the Parent Bank's unconsolidated subsidiaries:

Subsidiaries below have not been consolidated since they are non financial investments, they are instead valued by cost method.

Title	Address (City/Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1. Ibtech Uluslararası Bilişim ve İletişim Teknolojileri Araştırma, Geliştirme, Danışmanlık, Destek San. Ve Tic. A.Ş.	Istanbul/Turkey	99,91%	99,99%
2. EFINANS Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	Istanbul/Turkey	51,00%	51,00%

(*)	Total Assets	Shareholder's Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1.	43.156	19.774	17.288	-	-	(2.808)	1.437	-
2.	11.853	2.805	5.795	396	-	(702)	(1.602)	-

(*) Current year information is based on December 31, 2017 financials. Prior year profit and loss amounts are based on December 31, 2016 financials.

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b) Information on the consolidated subsidiaries:

b.1) Information on the consolidated subsidiaries:

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

Information on subsidiaries in the order as 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.	382.352	149.861	3.735	22.755	2.698	25.680	36.216	127.321
2.	4.707.681	761.140	5.789	314.305	-	93.966	58.677	445.809
3.	106.792	51.198	3.606	6.656	-	(4.367)	(2.771)	-
4.	13.240	11.928	123	1.578	-	(451)	328	-
5.	1.412.957	81.525	1.470	145.027	-	15.991	7.080	93.350

(*) Fair values of publicly traded subsidiaries reflect their Borsa Istanbul (BIST) values as of the 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	647.572	324.954
Movements during the Period	77.349	322.618
Purchases ^(*)	30.000	248.078
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Disposals	-	-
Changes Due to Reclassification	-	-
Revaluation Difference	47.349	74.540
Impairment Provision	-	-
Balance at the End of the Period	724.921	647.572
Capital Commitments	-	-
Share Percentage at the end of the Period (%)	-	-

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

b.3) Sectoral distribution of the consolidated subsidiaries

	Current Period	Prior Period
Factoring Companies	93.350	64.358
Leasing Companies	445.809	478.959
Finance Companies	58.395	28.395
Other Subsidiaries	127.367	75.860
Total	724.921	647.572

The balances of the subsidiaries have been eliminated as part of the consolidation principles.

b.4) Quoted subsidiaries within the context of consolidation

	Current Period	Prior Period
Quoted on Domestic Stock Exchanges	445.809	478.959
Quoted on International Stock Exchanges	-	-
Total	445.809	478.959

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

None.

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11. Investments in entities under common control

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

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

12. Information on finance lease receivables (Net)

12.1. Maturity analysis of financial lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.643.065	1.345.976	1.156.685	958.274
Between 1-4 years	2.876.082	2.460.214	1.717.199	1.474.143
Over 4 years	716.284	659.873	276.577	253.860
Total	5.235.431	4.466.063	3.150.461	2.686.277

Finance lease receivables include non-performing finance lease receivables amounting to TL 164.253 (December 31, 2016 – TL 179.285) and specific provisions amounting to TL 97.562 (December 31, 2016 – TL 114.477).

Changes in non-performing finance lease receivables provision as of December 31, 2017 and December 31, 2016, are as follows:

	Current Period	Prior Period
End of prior period	114.477	74.316
Provided provision / (reversal), Net	41.596	41.733
Collections	(8.359)	(1.572)
Written off	(53.306)	-
Provision at the end of the period	94.408	114.477

12.2. Information on net investment on leases

	Current Period	Prior Period
Gross Finance Lease Investments	5.235.431	3.150.461
Unearned Finance Income (-)	769.368	464.184
Cancelled Leasing Agreements (-)	-	-
Net Investment on Leases	4.466.063	2.686.277

12.3. Information of finance lease contracts of the Parent Bank

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

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13. Information on hedging purpose derivatives:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge (*)	1.964.761	28.732	2.346.595	18.509
Cash Flow Hedge (**)	910.958	33.675	1.063.182	15.052
Net Investment Hedge	-	-	-	-
Total	2.875.719	62.407	3.409.777	33.561

(*) Derivative financial instruments designated for the fair value hedge purposes comprise of swaps. As of December 31, 2017, there is a corresponding amount of TL 13,675 (December 31, 2016- TL 14,060) of the securities, TL 808 (December 31, 2016 - TL 1.298) of the marketable securities and TL 14.249 represents lease receivables(December 31, 2016-None), TL 1.964.761 (December 31, 2016 - TL 2.346.595) represents the fair value of derivative financial instruments used in fair value hedge transactions. In the current period, there is no fair value of derivative financial instruments used in fair value hedging of issued securities (December 31, 2016-3.151 TL).

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

14. Explanations on tangible assets:

	Land and Buildings	Fixed Assets under Finance Lease		Other Fixed Assets	Total
		Lease	Vehicles		
Prior Period End					
Cost	1.435.265	264.186	1.954	1.299.766	3.001.171
Accumulated Depreciation(-)	37.771	243.105	1.466	880.521	1.162.863
Net Book Value	1.397.494	21.081	488	419.245	1.838.308
Current Period End					
Cost at the Beginning of the Period	1.435.265	264.186	1.954	1.299.766	3.001.171
Additions (*)	-	-	-	-	-
Transfer(-)	109.163	7.330	-	130.522	247.015
Disposals (-)	848	6	17	18.853	19.724
Impairment (-)/ (increase)	288	-	-	-	288
Current Period Cost	1.543.868	271.510	1.937	1.411.435	3.228.750
Accumulated Depreciation at the Beginning of the Period	37.771	243.105	1.466	880.521	1.162.863
Disposals (-)	-	-	-	-	-
Transfer (-)	12	-	18	18.082	18.112
Depreciation amount	11.639	2.006	310	127.251	141.206
Accumulated Depreciation at the End of the Period (-)	49.398	245.111	1.758	989.690	1.285.957
Net Book Value at the End of the Period	1.494.470	26.399	179	421.745	1.942.793

(*)As mentioned in Section 5 footnote 5.1.d, the fair value currency difference income of 102.128 TL (the amortized) that belongs to the real estate, subject to the accounting of protection from the fair value risk by the Bank, is shown in the "Entries" line of the Financial Fixed Assets movement table.

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

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

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

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

None (December 31, 2016- None).

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

None (December 31, 2016- None).

15. Explanations on Intangible Assets:

	Rights	Goodwill	Total
Prior Period End			
Cost	843.053	-	843.053
Accumulated Amortization(-)	554.835	-	554.835
Net Book Value	288.218	-	288.218
Current Period End			
Cost at the Beginning of the Period	843.053	-	843.053
Costs related to acquisition of subsidiary	-	-	-
Additions	165.057	-	165.057
Disposals (-)	5	-	5
Value Decrease (-)/ (increase)	-	-	-
Current Period Cost	1.008.105	-	1.008.105
Acc. Amort. At the Beginning of the Period	554.835	-	554.835
Accrued amortization related to acquisition of subsidiary	-	-	-
Disposals(-)	-	-	-
Amortization charge	114.509	-	114.509
Current Period Accumulated Amortization(-)	669.344	-	669.344
Net Book Value-End of the Period	338.761	-	338.761

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

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- i) **Information on book value of goodwill at the beginning of the period, end of the period and movement for the period:**

The details have been disclosed at explanations and disclosures related to asset section, at disclosure 15.

16. Explanations on investment property:

None (December 31, 2016- None).

17. Information on tax asset:

According to TAS 12, the deferred tax assets and liabilities of the consolidated subsidiaries are netted off separately in their financial statements.

Deferred tax asset is TL 34.894 (December 31, 2016 – TL 66.967) and deferred tax liability is TL 48.751 (December 31, 2016- None) after deferred tax asset and liability balances in the financial statements of the consolidated subsidiaries are netted off separately.

In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax assets amounting to TL 18.606 are netted under equity. (December 31, 2016 – TL 105.701 deferred tax assets).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Provision for Employee Rights	379.809	295.428	83.877	59.086
Difference Between the Book Value of Financial Assets and Tax Base	510.067	503.152	123.869	100.630
Other	871.924	798.914	189.024	159.783
Deferred Tax Assets			396.770	319.499
Difference Between the Book Value Financial Fixed Assets and Tax Base				
Difference Between the Book Value of Financial Assets and Tax Base	(234.253)	(205.128)	(847.422)	(41.026)
Other	(997.362)	(799.389)	(229.135)	(159.878)
Deferred Tax Liabilities	(630.430)	(258.139)	(134.070)	(51.628)
Deferred Tax Assets/(Liabilities), Net			(410.627)	(252.532)
			(13.857)	66.967

	Current Period	Prior Period
	01.01-31.12.2017	01.01-31.12.2016
Deferred Tax as of January 1 Asset/ (Liability)- Net	66.967	100.943
Deferred Tax (Loss) / Gain	6.271	(86.421)
Deferred Tax that is Realized Under Shareholder's Equity	(87.095)	52.445
December 31 Deferred Tax Asset/ (Liability) - Net	(13.857)	66.967

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18. Information on assets held for sale and discontinued operations:

As of December 31, 2017, the Bank's assets held for sale is nil (December 31, 2016: None).

19. Information on other assets:

19.1. Information on prepaid expense, tax and similar items

	Current Period	Prior Period
Other Prepaid Expenses	572.388	468.158
Collateral Given for Derivative Transactions	538.740	401.899
Assets Held for Resale (net)	361.684	367.420
Cheques Receivables from Other Banks	291.355	105.524
Miscellaneous Receivables	72.281	212.792
Prepaid rent expenses	34.454	34.200
Prepaid Agency Commissions	12.460	3.083
Advances Given	3.847	2.749
Other	73.700	57.129
Total	1.960.909	1.652.954

19.2 If other assets exceed 10% of total assets, excluding off balance sheet commitments, the names and the balances of these accounts, the name and the amount of the subaccounts which create at least 20% of them are:

Details of the other assets are described in note 19.1 section of disclosure.

20. Accrued interest and income

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Instruments Held for Hedging	2.875.719	62.407	3.409.777	33.561
Assets on Trading Derivatives	2.258.281	245.861	2.574.900	199.011
Loans	1.030.162	297.163	708.533	215.444
Investment securities held to maturity	167.886	46.918	68.347	28.291
Trading Securities	54.368	29.369	(23.660)	(181.297)
Central Bank	36.002	-	14.264	13
Lease Receivables	13.154	14.632	10.001	6.762
Banks	1.451	97	1.663	4
Investment Securities Available for Sale	2.563	36	583	(387)
Other Accruals	8.400	6.090	19.207	1.057
Total	6.447.986	702.573	6.783.615	302.459

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SECTION FIVE

II. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED 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	2.841.194	-	2.664.643	16.185.117	1.001.997	391.611	1.178.780	2.367	24.265.709
Foreign Currency Deposits	5.823.343	-	2.378.212	18.324.339	1.449.750	904.862	673.011	225	29.553.742
Residents in Turkey	5.689.894	-	2.349.762	17.934.971	1.393.954	876.098	502.143	213	28.747.035
Residents Abroad	133.449	-	28.450	389.368	55.796	28.764	170.868	12	806.707
Public Sector Deposits	112.977	-	2.509	13.989	97	8	119	-	129.699
Commercial Deposits	2.649.439	-	2.551.196	2.936.396	297.440	323.156	789.212	-	9.546.839
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	12.724.536	-	8.304.849	38.919.134	3.045.732	1.755.693	2.790.839	2.592	67.543.375

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	2.518.720	-	2.909.327	14.654.307	459.007	277.111	783.479	2.809	21.604.760
Foreign Currency Deposits	3.750.627	-	1.638.432	12.809.320	833.244	398.458	493.925	318	19.924.324
Residents in Turkey	3.661.310	-	1.619.555	12.519.859	801.770	377.844	443.721	290	19.424.349
Residents Abroad	89.317	-	18.877	289.461	31.474	20.614	50.204	28	499.975
Public Sector Deposits	76.394	-	6.906	42.448	551	6.229	167	-	132.695
Commercial Deposits	2.124.465	-	1.938.824	3.802.561	67.461	295.276	120.558	-	8.349.145
Other Ins. Deposits	34.809	-	153.418	496.379	15.849	385.758	16.699	-	1.102.912
Precious Metal Deposits	717.286	-	-	1.324	1.669	1.444	56.705	-	778.428
Bank Deposits	136.155	-	200.082	1.517.852	66.711	50.041	2.144	-	1.972.985
T.R. Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	9.005	-	15.734	242.252	-	2.146	2.144	-	271.281
Foreign Banks	17.936	-	184.348	1.275.600	66.711	47.895	-	-	1.592.490
Participation Banks	109.214	-	-	-	-	-	-	-	109.214
Other	-	-	-	-	-	-	-	-	-
Total	9.358.456	-	6.846.989	33.324.191	1.444.492	1.414.317	1.473.677	3.127	53.865.249

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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 the Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	12.342.514	11.407.962	11.921.850	10.196.172
Foreign Currency Savings Deposits	3.857.126	2.822.431	14.315.461	11.965.439
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	16.199.640	14.230.393	26.237.311	22.161.611

1.2. Savings deposits in Turkey are not covered under insurance in another country since the headquarter of the Group is not located abroad.

1.3. Savings deposits that are not covered under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Deposits and accounts in branches abroad	7.440	51.038
Deposits of ultimate shareholders and their close family members	-	-
Deposits of chairman and members of the Board of Directors and their close family members	15.440	41.646
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off-shore banking activities	-	-
Total	22.880	92.684

2. Information on trading purpose derivatives:

a) Negative value of trading purpose derivatives:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forwards	83.786	-	199.244	-
Swaps	1.787.821	175.993	2.187.607	163.987
Futures	-	103	-	334
Options	275	22.266	168	50.376
Other	-	-	-	-
Total	1.871.882	198.362	2.387.019	214.697

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3. Information on funds borrowed:

a) Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank Loans	-	-	-	-
Domestic Banks and Institutions	813.435	459.170	435.660	648.879
Foreign Banks, Institutions and Funds	641.546	16.097.875	109.792	9.969.214
Total	1.454.981	16.557.045	545.452	10.618.093

b) Maturity information on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	812.291	5.770.207	373.918	3.591.389
Medium and Long-Term	642.690	10.786.838	171.534	7.026.704
Total	1.454.981	16.557.045	545.452	10.618.093

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

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

As of December 31, 2017, the Group's liabilities comprise; 51% deposits (December 31, 2016 – 52%), 14% funds borrowed (December 31, 2016 – 11%), 8% issued bonds (December 31, 2016 – 6%) and 5% funds provided under repurchase agreements (December 31, 2016 – 5%).

4. Information on funds provided under repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	1.852.178	-	1.493.621	-
Financial institutions and organizations	1.790.023	-	1.465.707	-
Other institutions and organizations	15.494	-	10.315	-
Real persons	46.661	-	17.599	-
From foreign transactions	6.724	4.631.256	8.413	3.519.709
Financial institutions and organizations	-	4.631.256	-	3.519.709
Other institutions and organizations	6.724	-	8.413	-
Real persons	-	-	-	-
Total	1.858.902	4.631.256	1.502.034	3.519.709

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5. Information on securities issued (Net):

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	4.208.176	57.156	1.749.202	53.683
Bills	195.169	5.937.524	112.064	4.416.628
Total	4.403.345	5.994.680	1.861.266	4.470.311

As of December 31, 2017 The Parent Bank has government bond issue program (Global Medium Term Note Programme) amounting to USD 5 Billion.

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

Other liabilities does not exceed 10% of total liabilities excluding the off-balance sheet items (December 31, 2016 – Does not exceed 10%).

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 flows of the Group are the main criteria which are taken into consideration for the determination of payment plans in the leasing contracts.

7.1. Changes in agreements and further commitments arising

No changes have been made to the leasing agreements in the current period (December 31, 2016 – None).

7.2. Financial lease payables

The leasing balances between the Parent Bank and the subsidiaries have been eliminated as part of the consolidation principles.

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

8. Information on liabilities arising from hedging purpose derivatives

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge ^(*)	16.615	204.528	-	190.559
Cash Flow Hedge ^(**)	280.204	34.727	196.239	39.930
Net Investment Hedge	-	-	-	-
Total	296.819	239.255	196.239	230.489

^(*) Derivative financial instruments for hedging purposes include swaps. As of December 31, 2017, TL 41.598 (December 31, 2016 – TL 27.211) represents the fair value of derivatives which are the hedging instruments of hedged loan portfolio, TL 168.798 (December 31, 2016 – TL 163.348) represents security portfolio, TL 6.691 represents leasing transactions (31 December 2016 - None), and TL 4.056 (December 31, 2016 – TL 0) represent issued bonds (December 31, 2016 – TL 0).

^(**) Represents the fair values of derivatives which are the hedging instruments of deposits’ cash flow risk.

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9. Information on provisions

9.1. Information on general provisions

	Current Period	Prior Period
Provisions for Loans and Receivables in Group I	1.125.989	967.669
Provisions for Loans and Receivables in Group II	120.163	181.934
-Additional Provision for Loans and Receivables with Extended Maturities	91.845	99.685
Other	59.270	39.124
Total	1.397.267	1.288.412

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

	Current Period	Prior Period
Foreign Exchange Provision for Foreign Currency Indexed Loans (*)	3.573	438

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

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

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

9.4 Information on employee termination benefits and unused vacation accrual

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

As of December 31, 2017, TL 182.089 (December 31, 2016 - TL 144.405) reserve for employee termination benefits was provided in the accompanying financial statements.

As of December 31, 2017, the Group accrued TL 46.042 (December 31, 2016 - TL 42.565) for the unused vacations under reserve for employee benefits account in the accompanying financial statements.

As of December 31, 2017, TL 151.679 (December 31, 2016 – TL 108.458) 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
	01.01-31.12.2017	01.01-31.12.2016
As of January 1	144.405	130.051
Service cost	19.404	18.910
Interest Cost	15.957	13.906
Settlement / curtailment / termination loss	10.203	11.571
Actuarial Difference	32.989	(2.525)
<u>Paid during the period</u>	<u>(40.869)</u>	<u>(27.508)</u>
Total	182.089	144.405

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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
Provision for Closely Monitored Loans ^(*)	108.450	39.901
Provision for Promotion Expenses of Credit Cards	9.356	7.707
General Reserves for Possible Risks	-	-
Other Provisions	153.086	122.063
Total	270.892	169.671

^(*)As at December 31, 2017, the Parent Bank has made a provision for watch list loans amounting to TL 108.450 (December 2016 – 39.901) based on collection rates for subject loans.

10. Taxation

10.1. Current taxes

10.1.1. Current tax liability

As of December 31, 2017, the Group has current tax liability of TL 475.298 (December 31, 2016 - TL 208.292) and as of December 31, 2017, the Group has prepaid tax TL 55.739 (December 31, 2016 - TL 10.194).

The current tax liability and the prepaid taxes of the consolidated subsidiaries have been offset separately in their financial statements. As of December 31, 2017, after the offsetting, the current tax liability amounting to TL 419.559 (December 31, 2016 – TL 198.098) is disclosed with current tax receivable TL 12.181 (December 31, 2016– TL 4.737)

10.1.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	419.559	198.098
Taxation on Securities Income	56.775	42.253
Taxation on Real Estates Income	1.953	2.013
Banking and Insurance Transaction Tax (BITT)	65.519	52.974
VAT Payable	154	167
Other	25.771	28.119
Total	569.731	323.624

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

10.1.3 Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee Share	21.365	16.523
Social Security Premiums - Employer Share	18.871	17.711
Pension Fund Fee and Provisions – Employee Share	11	13
Pension Fund Fee and Provisions – Employer Share	37	42
Unemployment Insurance - Employee Share	1.245	1.164
Unemployment Insurance - Employer Share	2.486	2.320
Other	34	21
Total	44.049	37.794

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10.2 Information on Deferred Tax Liabilities

According to TAS 12, the deferred tax assets and liabilities of the consolidated subsidiaries are netted off separately in their financial statements. Deferred tax asset is TL 34.894 (December 31, 2016 – TL 66.967) and deferred tax liability is TL 48.751 (31 December 2016 – None). In cases whereby deferred tax differences arising from the differences between the carrying amounts and the taxable amounts of the assets subjected to deferred tax that are related with certain items under the shareholders' equity accounts, the deferred tax benefits/charges are netted under these accounts. The deferred tax assets amounting to TL 18.606 are netted under equity. (December, 31 2016– TL 105.701 deferred tax assets).

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Provision for Employee Rights	379.809	295.428	83.877	59.086
Difference Between the Book Value of Financial Assets and Tax Base	510.067	503.152	123.869	100.630
Other	871.924	798.914	189.024	159.783
Deferred Tax Assets			396.770	319.499
Difference Between the Book Value Financial Fixed Assets and Tax Base	(234.253)	(205.128)	(847.422)	(41.026)
Difference Between the Book Value of Financial Assets and Tax Base	(997.362)	(799.389)	(229.135)	(159.878)
Other	(630.430)	(258.139)	(134.070)	(51.628)
Deferred Tax Liabilities			(410.627)	(252.532)
Deferred Tax Assets/(Liabilities), Net			(13.857)	66.967

	Current Period 01.01-31.12.2017	Prior Period 01.01-31.12.2016
Deferred Tax as of January 1 Asset/ (Liability)- Net	66.967	100.943
Deferred Tax (Loss) / Gain	6.271	(86.421)
Deferred Tax that is Realized Under Shareholder's Equity	(87.095)	52.445
December 31 Deferred Tax Asset/ (Liability) - Net	(13.857)	66.967

11. Information on payables related to assets held for sale

None. (December 31, 2016- None)

12. Information on subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	3.510.837	-	3.235.793
From Other Foreign Institutions	-	-	-	-
Total	-	3.510.837	-	3.235.793

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

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13. Information on shareholder's equity

13.1. Paid-in capital

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

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

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

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

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

13.4. Information on share capital increases from revaluation funds

None (December 31, 2016 - None).

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

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

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

None (December 31, 2016 - None).

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

None (December 31, 2016 - None).

14. Common stock issue premiums, shares and equity instruments

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

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

15. Marketable securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Entities under Common Control	-	-	-	-
Valuation Differences	-	-	-	-
Foreign Exchange Rate Differences	-	-	-	-
Securities Available-for-Sale	(53.163)	(176.412)	(40.675)	(379.478)
Valuation Differences	(53.163)	(176.412)	(40.675)	(379.478)
Foreign Exchange Rate Differences	-	-	-	-
Total	(53.163)	(176.412)	(40.675)	(379.478)

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16. Accrued interest and expenses

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Deposits	358.719	57.098	207.471	29.298
Derivative Financial Liabilities Held for Trading	1.871.882	198.362	2.387.019	214.697
Funds Borrowed	21.436	127.421	5.337	80.606
Money Market Borrowings	1.900	16.306	1.293	8.699
Derivative Financial Liabilities Held for Hedging	296.819	239.255	196.239	230.489
Issued Securities	4.269	45.746	2.064	40.054
Other Accruals	120.130	407	94.879	125
Total	2.675.155	684.595	2.894.302	603.968

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SECTION FIVE

III. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ITEMS

1. Information related to consolidated off-balance sheet contingencies

1.1. Type and amount of irrevocable commitments

	Current Period	Prior Period
Credit Cards Limit Commitments	17.115.833	16.396.189
Commitment For Use Guaranteed Credit Allocation	9.774.575	19.365.124
Forward Asset Purchase Commitments	2.790.244	1.216.540
Payment Commitments for Cheques	2.754.045	2.707.388
Other Irrevocable Commitments	1.056.395	1.580.388
Commitments for promotions related with credit cards and banking activities	45.880	19.721
Tax and Fund Liabilities due to Export Commitments	15.358	10.267
Capital commitments of associates and subsidiaries	-	30.000
Total	33.552.330	41.325.617

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

Specific provision is provided for the non-cash loans amounting to TL 45.014 (December 31, 2016 – TL 41.241) followed in the off-balance sheet accounts that are not indemnified and not liquidated yet. Tax and Fund Liabilities due to Export Commitments.

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

	Current Period	Prior Period
Bank Loans	3.012.892	1.255.477
Letters of Credit	1.783.291	1.121.818
Other Guarantees	-	-
Total	4.796.183	2.377.295

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

	Current Period	Prior Period
Provisional Letters of Guarantee	920.541	719.081
Final Letters of Guarantee	6.387.607	5.179.891
Advance Letters of Guarantee	822.037	500.730
Letters of Guarantee Given to Customs Offices	457.444	347.024
Other Letters of Guarantee	5.931.237	4.059.989
Total	14.518.866	10.806.715

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Obtaining Cash Loans	2.315.378	1.116.069
Less Than or Equal to One Year with Original Maturity	681.540	256.881
More Than One Year with Original Maturity	1.633.838	859.188
Other Non-Cash Loans	16.999.671	12.067.941
Total	19.315.049	13.184.010

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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	44.952	0,51	2.855	0,03	34.061	0,47	6.774	0,11
Farming and Raising Livestock	40.054	0,45	-	-	32.713	0,46	265	-
Forestry	2.375	0,03	-	-	251	-	-	-
Fishing	2.523	0,03	2.855	0,03	1.097	0,01	6.509	0,11
Manufacturing	1.261.085	14,27	4.430.301	42,29	1.047.136	14,60	2.993.067	49,78
Mining and Quarrying	48.598	0,55	36.769	0,35	49.329	0,69	32.428	0,54
Production	990.927	11,21	3.888.686	37,12	836.199	11,66	2.381.804	39,61
Electricity, gas and water	221.560	2,51	504.846	4,82	161.608	2,25	578.835	9,63
Construction	2.769.132	31,33	782.143	7,47	2.243.853	31,29	807.527	13,43
Services	4.095.605	46,33	2.555.222	24,39	3.748.165	52,28	2.155.411	35,85
Wholesale and Retail Trade	2.475.606	28,01	954.016	9,11	2.186.915	30,50	876.553	14,58
Hotel, Food and Beverage Services	75.523	0,85	85.148	0,81	101.628	1,42	84.316	1,40
Transportation&Communication	193.455	2,19	280.352	2,67	182.535	2,55	212.038	3,53
Financial Institutions	773.612	8,75	838.847	8,01	753.766	10,51	726.130	12,07
Real Estate and Renting Services	8.232	0,09	611	0,01	3.484	0,05	2.114	0,04
Self Employment Services	274.603	3,11	36.769	0,35	257.428	3,59	46.888	0,78
Educational Services	6.262	0,07	-	-	5.747	0,08	-	-
Health and Social Services	288.312	3,26	359.479	3,43	256.662	3,58	207.372	3,45
Other	668.642	7,56	2.705.112	25,82	97.791	1,36	50.225	0,83
Total	8.839.416	100,00	10.475.633	100,00	7.171.006	100,00	6.013.004	100,00

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

	I. Group		II. Group	
Current Period ^(*)	TL	FC	TL	FC
Letters of Guarantee	8.586.488	5.472.032	196.238	219.094
Bill 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 provision is provided, but which are not indemnified and not liquidated yet.

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

(*) Does not include non-cash loans amounting to TL 41.241 for which provision is provided, but which are not indemnified and not liquidated yet.

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5. Information related to derivative financial instruments

	Current Period	Prior Period
Types of trading transactions		
Foreign Currency Related Derivative Transactions (I)	121.722.064	99.583.814
Forward transactions (*)	13.453.085	11.595.988
Swap transactions	100.407.541	78.323.566
Futures transactions	209.931	74.460
Option transactions	7.651.507	9.589.800
Interest Related Derivative Transactions (II)	20.280.668	16.261.062
Forward rate transactions	-	-
Interest rate swap transactions	20.280.668	16.261.062
Interest option transactions	-	-
Futures interest transactions	-	-
Security option transactions	-	-
Other trading derivative transactions (III)	628.716	882.950
A. Total Trading Derivative Transactions (I+II+III)	142.631.448	116.727.826
Types of hedging transactions		
Fair value hedges	19.147.014	15.094.984
Cash flow hedges	35.382.276	22.704.240
Net investment hedges	-	-
B. Total Hedging Related Derivatives	54.529.290	37.799.224
Total Derivative Transactions (A+B)	197.160.738	154.527.050

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

Breakdown of the Bank's foreign currency forward and swap and interest rate swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy (**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Current Period									
TL	1.987.217	3.490.468	25.837.696	39.778.171	1.485.641	2.140.793	23.358	-	-
USD	2.911.735	2.759.266	54.101.762	36.055.036	1.864.077	1.476.317	81.855	104.718	628.716
Euro	1.687.149	484.620	7.254.375	9.902.957	398.344	193.758	-	-	-
Other	96.686	35.944	2.164.520	122.982	63.161	29.416	-	-	-
Total	6.682.787	6.770.298	89.358.353	85.859.146	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.

	Forward Buy (**)	Forward Sell(**)	Swap Buy(*)	Swap Sell(*)	Option Buy	Option Sell	Futures Buy	Futures Sell	Other
Prior Period									
TL	2.830.861	1.642.795	21.550.376	30.799.731	2.355.495	2.147.106	-	-	-
USD	2.198.997	3.183.658	40.411.454	28.957.009	1.975.445	2.432.743	37.230	37.230	882.950
Euro	701.863	952.940	4.959.399	4.474.214	372.903	202.619	-	-	-
Other	27.872	57.002	1.187.504	44.165	53.919	49.570	-	-	-
Total	5.759.593	5.836.395	68.108.733	64.275.119	4.757.762	4.832.038	37.230	37.230	882.950

(*) 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 Parent Bank enters into swap transactions in order to hedge itself from the changes in the fair value due to the changes in market interest rates of a certain portion of its long-term loans and applies fair value hedge accounting as per TAS 39. As of balance sheet date; the mortgage loans amounting to TL 4.757.337 (December 31, 2016 – TL 3.532.426) were subject to hedge accounting by swaps with a nominal of TL 4.973.074 (December 31, 2016 – TL 3.456.411). On December 31, 2017 the net market valuation difference gain amounting to TL 34.461 due to the loss from the loans amounting to TL 5.235 (December 31, 2016 – TL 103.915 gain) loss, from swaps amounting to TL 36.696 (December 31, 2016 – TL 80.194 loss) loss is accounted for under “gain / (loss) from financial derivatives transactions” line in the accompanying financial statements.

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

When the fair value hedge accounting cannot be effectively continued as stated in TAS 39, the fair value hedge accounting is ceased. The fair value differences of the hedged loans are amortized through income statement until the maturity of the hedged loans. The Parent Bank has booked the valuation effect amounting to TL 9.606 (December 31, 2016 – TL 7.429) related to the loans that are ineffective for hedge accounting under “gain / (loss) from financial derivatives transactions” as loss during the current period.

b) Investment securities available for sale

The Parent 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 Parent Bank using swaps as hedging instruments. As at the balance sheet date; Eurobonds with a nominal of USD 371,7 million and EUR 75,4 million (December 31, 2016 – USD 378,7 million and EUR 75,8 million) were subject to hedge accounting by interest rate swaps with the same nominal value. On December 31, 2017, the net market valuation difference loss amounting to TL 945 due to gain from Eurobonds amounting to TL 4.794 (December 31, 2016 – TL 5.443 gain) and loss from swaps amounting to TL 5.739 (December 31, 2016 – TL 3.002 loss) is accounted for under “gain / (loss) from financial derivatives transactions” line in the accompanying financial statements.

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

c) Bonds issued

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

Finans Finansal Kiralama AŞ., the subsidiary of The Parent Bank, applies fair value hedge accounting to hedge itself against the changes in the interest rates related to the TL bonds issued using interest rate swaps as hedging instruments. As of the balance sheet date, bonds with nominal amount of TL 343.140 (December 31, 2016 – None) have been subject to hedge accounting with the same amount of swaps. As of December 31, 2017, TL 254 net fair valuation difference gain, net of TL 338 (December 31, 2016 – None) gain from issued bonds and TL 592 (December 31, 2016 – None) gain from swaps, has been recorded under “Gain / (loss) from financial derivatives transactions” on accompanying financial statements.

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d) Tangible Assets

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

e) Borrowings

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

Finans Finansal Kiralama AŞ., the subsidiary of The Parent Bank, implements fair value hedge accounting through interest swaps aiming to provide hedging from changes in interest rates related to fixed rate TL credits used. Credit at an amount of TL 149.988 (December 31, 2016 - None) is subjected to hedge accounting with a swap having same amount. A net mark to market difference loss at an amount of TL 365 (December 31, 2016 - TL None) sourcing from gain at an amount of TL 2.775 (December 31, 2016 – None) from aforementioned credit and loss at an amount of TL 3.140 (December 31, 2016 - None) from swaps are recognized under “Gain/loss from Derivative Financial Transactions.”

5.2 Cash flow hedge accounting

a) Deposit

The Parent 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 of 1 month, the Parent Bank implements cash flow hedge accounting with interest rate swaps. The Parent Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity “Hedging Funds”, whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to TL 5.210.000 are subject to hedge accounting as hedging instruments (December 31, 2016 – TL 5.270.130). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 106.616 are accounted for under equity during the current period (December 31, 2016 – TL 51.278 loss). The amounts for the ineffective portion of expenditures in the amount of TL 676 gain is associated with the income statement (December 31, 2016 – TL 2 gain)

As of the balance sheet date, swaps with a nominal amount of USD 2.753 million (December 31, 2016 – USD 1.737 Million) have been subject to hedge accounting with USD deposits and swaps with a nominal amount of EUR 319 million (December 31, 2016 – EUR 139 million) have been subject to hedge accounting with Euro deposits. As a result of above mentioned hedge accounting, fair value loss before taxes amounting to TL 121.387 are accounted under equity during the current period (December 31, 2016 – TL 6.746 gain). The loss amounting to TL 248 (December 31, 2016 – TL 636 loss) relating to the ineffective portion is accounted under 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 at periods when the expected cash flows subject to hedge accounting affect profit or loss (as in periods when interest income or expense is recognized). In the current period there is loss of TL 1.327 transferred amount from equity to income statement due to ineffectiveness or matured swaps. (December 31, 2016 – TL 18.624 gain).

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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 Parent Bank implements efficiency tests at the balance sheet dates for hedging purposes; the effective portions are accounted for under equity "Hedging Funds", whereas the ineffective portions are accounted for at income statement as defined in TAS 39. As at the balance sheet date, swaps amounting to USD 260 million are subject to hedge accounting as hedging instruments (December 31, 2016 – None). As a result of the mentioned hedge accounting, fair value gain before taxes amounting to TL 11.673 are accounted for under equity during the current period (December 31, 2016-None). Income of TL 688 related to the ineffective portion is associated with the income statement.

c) Borrowings

Subsidiary Finans Finansal Kiralama A.Ş. applies cash flow hedge accounting through interest rate swaps to hedge its interest rate fluctuations on floating rate foreign currency denominated loans. The Company applies efficiency tests for hedge accounting at each balance sheet date and the effective portions are accounted for under the "Interest Protection Funds" account item under equity under the financial statements as defined in TAS 39 and the amount related to the ineffective portion is associated with the income statement. As of the balance sheet date, swaps amounting to TL 48.227 (31 December 2016 - None) are subject to risk protection accounting as a hedge of risk. As a result of the related contingent hedge accounting, fair value gain (before December 31, 2016 - not available) of TL 58 before tax is recognized under equity in the current period. The expense amounting to TL 2 for the ineffective portion is associated with the income statement (31 December 2016 - None).

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

6. Credit derivatives and risk exposures on credit derivatives

As of December 31 2017, the Parent Bank has no commitments "Credit Linked Notes" (As of December 31, 2016 - None).

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

7. Information on contingent liabilities and assets

The Bank has recorded a provision of TL 44.781 (December 31, 2016 - TL 24.635) for litigation and has accounted for it in the accompanying financial statements under the "Other Provisions" account (Section Five, part II.9.5). Except for the claims where provisions are recorded, management considers as remote the probability of a negative result in ongoing litigations and therefore does not foresee cash outflow for such claims.

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

The Parent 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.

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

MOODY'S March 2017		FITCH March 2017		CI August 2017	
Long-Term Deposit Rating (FC)	Ba2	Long -Term Foreign Curr.	BBB-	Long-Term Foreign Curr.	BB+
Long-Term Deposit Rating (TL)	Ba1	Short-Term Foreign Curr.	F3	Short-Term Foreign Curr.	B
Short-Term Deposit Rating (FC)	NP	Long-Term TL	BBB-	FC Appearance	Negative
Short-Term Deposit Rating (TL)	NP	Short-Term TL	F3	Financial Strength Rating	BBB
Main Credit Evaluation	ba3	Long-Term National	AAA(tur)	Financial Strength Appearance	Negative
Appearance	Negative	Appearance	Stable	Support	2
Long Term Foreign Currency Borrowing	Ba1	Long Term Foreign Currency Borrowing	BBB-		
		Support	2		
		Financial Capacity Rating	bb+		

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SECTION FIVE

IV. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED INCOME STATEMENT

1. a) Information on interest income received from loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term Loans	3.430.512	61.137	3.458.346	42.704
Medium and Long-Term Loans	4.983.431	754.036	3.620.268	506.811
Non-Performing Loans	83.175	-	94.501	-
Resource Utilization Support Fund				
Premiums	-	-	-	-
Total	8.497.118	815.173	7.173.115	549.515

b) Information on interest income from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
T.R. Central Bank ^(*)	-	1	-	756
Domestic Banks	186.465	444	2.484	29
Foreign Banks	2.169	12.959	2.922	5.238
Foreign Headquarters and Branches	-	-	-	-
Total	188.634	13.404	5.406	6.023

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

c) Information on interest income from securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Held-for-Trading Financial Assets	4.848	496	4.442	-
Financial Assets at FVTPL	1.854	44	4.231	219
Investment Securities Available for Sale	470.587	147.203	362.729	121.143
Investment Securities Held to Maturity	454.891	161.388	278.755	72.163
Total	932.180	309.131	650.157	193.525

As stated in Section Three disclosure VII, the Bank has inflation indexed (CPI) government bonds in its available for sale and held-to-maturity portfolios. As disclosed in 'Inflation Indexed Bonds Manual' published by Turkish Treasury, reference index used for the actual payments is determined based on the inflation rates of two months before. The estimated inflation rate used is updated during the year when necessary. The estimated inflation rate used in the valuation of the related assets was updated according to the annual inflation rate of 11,90% as of 31 December 2017.

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

None (December 31, 2016 – None)

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	149.330	622.566	52.274	371.460
T.R. Central Bank	-	-	-	-
Domestic Banks	86.414	14.676	29.961	18.782
Foreign Banks	62.916	607.890	22.313	352.678
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	149.330	622.566	52.274	371.460

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

	Current Period	Prior Period
Interest Paid to Associates and Subsidiaries	61.609	915

c) Information on interest expense paid to securities issued

As of December 31, 2017 the interest amount paid to securities issued is TL 544.570 (December 31, 2016 – TL 341.639)

d) Information on maturity structure of interest expenses on deposits

Current Period		Time Deposits						Accumulated Deposit Account	Total
Account Name	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	-	49.209	3.115	-	-	-	-	-	52.324
Saving Deposits	1	224.056	1.808.348	119.927	51.389	116.413	-	-	2.320.134
Public Sector Deposits	-	402	3.160	211	18	13	-	-	3.804
Commercial Deposits	1	331.586	508.396	47.800	83.607	58.914	-	-	1.030.304
Other Deposits	-	5.929	43.732	9.728	28.138	469	-	-	87.996
7 Days Call Accounts	-	-	-	-	-	-	-	-	-
Total	2	611.182	2.366.751	177.666	163.152	175.809	-	-	3.494.562
Foreign Currency									
Deposits	-	28.875	413.183	36.454	18.873	12.579	-	-	509.964
Bank Deposits	300	49.365	5.573	1.418	2.743	-	-	-	59.399
7 Days Call Accounts	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	886	-	-	-	-	-	-	886
Total	300	79.126	418.756	37.872	21.616	12.579	-	-	570.249
Grand Total	302	690.308	2.785.507	215.538	184.768	188.388	-	-	4.064.811

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Prior Period								
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months
Turkish Lira								
Bank Deposits	-	18.523	6.312	237	427	-	-	25.499
Saving Deposits	-	224.697	1.586.095	66.009	33.551	92.527	-	2.002.879
Public Sector Deposits	-	288	6.707	159	241	12	-	7.407
Commercial Deposits	1	182.099	454.173	59.184	21.198	19.613	-	736.268
Other Deposits	-	3.685	70.692	28.024	44.211	1.693	-	148.305
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	1	429.292	2.123.979	153.613	99.628	113.845	-	2.920.358
Foreign Currency								
Deposits	-	28.802	277.304	19.137	5.452	9.424	-	340.119
Bank Deposits	98	16.191	5.655	968	-	-	-	22.912
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	659	-	-	-	-	-	659
Total	98	45.652	282.959	20.105	5.452	9.424	-	363.690
Grand Total	99	474.944	2.406.938	173.718	105.080	123.269	-	3.284.048

e) Information on interest expenses on repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expenses on Repurchase Agreements (*)	80.478	75.553	181.893	31.493

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

f) Information on finance lease expenses

None (December 31, 2016 – None).

g) Information on interest expenses on factoring payables

None (December 31, 2016 – None).

3. Information on dividend income

	Current Period	Prior Period
Financial Assets Held for Trading	308	113
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets Available for Sale	-	-
Other	1.146	57
Total	1.454	170

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4. Information on trading income/loss

	Current Period	Prior Period
Trading Gain	10.131.268	8.194.701
Gains on Capital Market Operations	40.460	42.851
Derivative Financial Instruments	5.918.663	4.062.259
Foreign Exchange Gains	4.172.145	4.089.591
Trading Loss (-)	11.273.756	8.856.234
Losses on Capital Market Operations	31.153	25.730
Derivative Financial Instruments	7.097.033	4.775.554
Foreign Exchange Losses	4.145.570	4.054.950
Net Trading Income/Loss	(1.142.488)	(661.533)

5. Information on other operating income

The Group recorded the current year collections from loans written off in the previous periods, portfolio management fees and expense accruals cancelations in “Other Operating Income” account.

6. Provision for losses on loans and other receivables

	Current Period	Prior Period
Specific Provisions For Loans and Other Receivables	1.094.464	1.452.743
Loans and Receivables in Group III	349.076	267.568
Loans and Receivables in Group IV	197.116	295.346
Loans and Receivables in Group V	548.272	889.829
Provision for Free Reserves on Possible Losses	68.549	(66.340)
General provisions	108.870	98.009
General reserves for possible risks	-	(100.000)
Impairment Losses on Securities	-	-
Financial assets at fair value through profit or loss	-	-
Investment Securities available for sale	-	-
Impairment Losses on Associates, Subsidiaries and Investment Securities Held-to-Maturity	-	-
Associates	-	-
Subsidiaries	-	-
Entities under common control	-	-
Investment securities held-to-maturity	-	-
Other	(2.891)	6.011
Total	1.268.992	1.390.423

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7. Information on other operating expenses

	Current Period	Prior Period
Personnel costs	1.340.693	1.218.027
Reserve for employee termination benefits	4.695	16.880
Provision for pension fund deficits	-	-
Impairment losses on tangible assets	-	-
Depreciation charge of tangible assets	141.206	140.670
Impairment losses on intangible assets	-	-
Impairment losses on goodwill	-	-
Amortization charge of intangible assets	114.509	108.526
Impairment losses on investments under equity method of accounting	-	-
Impairment losses on assets to be disposed of	-	-
Depreciation on assets to be disposed	-	6.164
Impairment charge of assets held for sale and discontinued operations	-	-
Other operating expenses	1.105.799	968.028
Operational lease related expenses	221.551	224.233
Repair and maintenance expenses	150.123	127.133
Advertisement expenses	94.197	81.290
Other expenses	639.928	535.372
Losses on sales of assets	376	2.726
Other	418.492	477.058
Total	3.125.770	2.938.079

(*) Comprising repayments amounting to TL 20.879 (December 31, 2016: TL 76.304) in respect of Consumer Arbitration Committee and courts' decision, which was fees and commissions recognized in previous year as income.

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

For the year ended December 31, 2017, net interest income of TL 5.815.647 (December 31, 2016 – TL 4.678.620), net fees and commission income of TL 1.782.588 (December 31, 2016 – TL 1.444.877) and other operating income of TL 140.407 (December 31, 2016 – TL 411.137) constitute an important part of the period income.

9. Explanations on tax provision for continued and discontinued operations

9.1. Current period taxation benefit or charge and deferred tax benefit or charge

As of December 31, 2017, the Group recorded current tax charge of TL 475.297 (December 31, 2016 - TL 208.293 current tax charge) and a deferred tax income of TL 6.271 (December 31, 2016 – TL 86.421 deferred tax loss).

	Current Period	Prior Period
Current Tax Provision	(475.297)	(208.293)
Correction in regards to Corporate Tax from Prior Period	-	-
Deferred Tax Income/Expense	6.271	(86.421)
Total	(469.026)	(294.714)

9.2. Explanations on operating profit/loss after taxes

None (December 31, 2016 – None).

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

Net profit of the Group from continued operations is TL 1.772.351 (December 31, 2016 – TL 1.238.300).

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 Group's performance for the period

None (December 31, 2016 – None).

11.2. There is no material effect of changes in accounting estimates by the Group on income statement for the current and, for subsequent periods.

None.

11.3. Profit or loss attributable to minority shares

	Current Period	Prior Period
Profit / Loss Attributable to Minority Shares	565	1.895

11.4. There is no change in the 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 Parent Bank.

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V. EXPLANATIONS AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

1. Changes resulting from valuation of available for sale securities

Net increase of TL 190.578 (December 31, 2016 – TL 175.894 net decrease) after tax effect resulting from valuation of available for sale securities at fair values is included in “Securities Value Increase Fund” account under shareholders equity.

2. Explanations on foreign exchange differences

None

3. Explanations on dividends

3.1 Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements

There is no dividend notified before the promulgation of financial statements. It was decided to distribute the year 2016 profit as stated below at the Ordinary General Assembly held on March 30, 2017

2016 profit distribution table:

Current Year Profit	1.203.410
A - I. Legal Reserve (Turkish Commercial Code 466/1) at 5%	(60.171)
B - The First Dividend for Shareholders(*)	(157.500)
C – Profit from Disposal of Associates	-
D- II. Legal Reserves	-
E- Gains on Real estate Sales Fund	-
F - Extraordinary Reserves	(985.739)

(*) Has been distributed as Bonus Shares

3.2 Dividends per share proposed subsequent to the balance sheet date

No decision is taken concerning the profit distribution by the General Assembly as of the balance sheet date (December 31, 2016- Profit distribution for 2016 is detailed in footnote 3.1).

3.3 Transfers to legal reserves

	Current Period	Prior Period
Amount Transferred to Reserved from Retained	62.637	35.443

4. Information on issuance of share certificates

4.1 The rights, priorities and restrictions regarding the share capital including distribution of income and repayment of the capital

None (December 31, 2016- None).

5. Information on the other capital increase items in the statement of changes in shareholders' equity

Capital increase amounting to in order of 200.00 and TL 150.000 presented in the Statement of Changes in Shareholder's Equity in 2017 and 2016 is entirely provided from extraordinary reserves.

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SECTION FIVE

VI. EXPLANATIONS AND DISCLOSURES RELATED TO CONSOLIDATED CASH FLOWS STATEMENT

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents

“Other items” amounting to TL 1.284.938 (December 31, 2016- TL 7.860.450) in “Operating profit before changes in operating assets and liabilities” consist of commissions paid amounting to TL 275.989 (December 31, 2016 – TL 255.422), net trading income/loss amounting to TL 16.137 (December 31, 2016 – TL 4.847.831 net trading income/loss) and other operating expenses amounting to TL 1.025.086 (December 31, 2016 – TL 2.757.197).

“Other items” in changes in operating assets amounting to TL 2.744.136 (December 31, 2016 – TL 1.297.610) consist of the increase in collaterals given amounting to TL 104.230 (December 31, 2016 - TL 280.995 decrease), the decrease in lease receivables amounting to TL 816.380 (December 31, 2016 – TL 763.477 increase), the decrease in factoring receivables amounting to TL 630.032 (December 31, 2016 – TL 179.244 increase) and the decrease in other assets amounting to TL 401.954 (December 31, 2016 - TL 635.884 increase).

“Other items” in changes in operating liabilities amounting to TL 54.667 (December 31, 2016 - TL 2.778.447) consist of the increase in money market borrowings by TL 371.720 (December 31, 2016 - TL 1.807.740 increase) and the increase in sundry debtors and other liabilities by TL 317.053 (December 31, 2016 - TL 970.707 increase).

“Other items” in changes in net cash provided from banking operations amounting to TL 165.044 (December 31, 2016 – TL 126.705) includes the increase in intangible assets by TL 114.509 (December 31, 2016 – TL 108.526).

Effect of change in foreign currency on cash and cash equivalents is calculated as the difference between monthly average balances converted to TL using the currency rate at the beginning and at the end of the period and is TL 157.301 (December 31, 2016 – TL 64.523) as of December 31, 2017.

2. Information regarding the balances of cash and cash equivalents at the beginning of the period

	Current Period	Prior Period
	January 1, 2017	January 1, 2016
Cash	1.064.055	955.907
Cash in TL	685.252	678.547
Cash in Foreign Currencies	376.428	274.822
Other	2.375	2.538
Cash Equivalents	4.845.889	2.775.629
Balances with the T.R. Central Bank	2.941.850	2.418.116
Banks and Other Financial Institutions	264.548	278.336
Money Market Placements	1.667.618	87.711
Less: Placements with Banks with Maturities Longer than 3 Months	(12.182)	-
Less: Accruals	(15.945)	(8.534)
Cash and Cash Equivalents	5.909.944	3.731.536

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

	Current Period	Prior Period
	December 31, 2017	December 31, 2016
Cash	1.012.047	1.064.055
Cash in TL	644.333	685.252
Cash in Foreign Currencies	340.629	376.428
Other	27.085	2.375
Cash Equivalents	5.075.324	4.845.889
Balances with the T.R. Central Bank	3.700.772	2.941.850
Banks and Other Financial Institutions	1.178.431	264.548
Money Market Placements	241.859	1.667.618
Less: Placements with Banks with Maturities Longer than 3 Months	(37.550)	(12.182)
Less: Accruals	(8.188)	(15.945)
Cash and Cash Equivalents	6.087.371	5.909.944

4. Restricted cash and cash equivalents due to legal requirements or other reasons

A portion of foreign bank accounts amounting to TL 121.343 (December 31, 2016- TL 48.643) includes blocked cash for foreign money and capital market transactions and for borrowings from foreign markets.

5. Additional information

5.1. Restrictions on the potential borrowings that can be used for banking operations or capital commitment

None.

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SECTION FIVE

VII. EXPLANATIONS AND DISCLOSURES RELATED TO THE PARENT BANK'S RISK GROUP

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

- 1.1.** As of December 31, 2017, the Parent Bank's risk group has deposits amounting to TL 640.640 (December 31, 2016 – TL 195.418), cash loans amounting to TL 146 (December 31, 2016 – None) and non-cash loans amounting to TL 12.254 (December 31, 2016- TL 1.252).

Current Period

Parent 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	-	5.896	1.179	-	1.252	1.586
Balance at the End of the Period	-	10.384	613	-	146	1.870
Interest and Commission Income	-	112	-	26	73	29

Prior Period

Parent 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	-	11.315	-	21.651	-	964
Balance at the End of the Period	-	5.896	1.179	-	1.252	1.586
Interest and Commission Income(**)	-	152	-	3	23	19

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

(**) Represents the balances of December 31, 2016.

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

Parent 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	15.700	11.345	-	-	179.718	258.905
Balance at the End of the Period	470.334	15.700	-	-	170.306	179.718
Interest on deposits(**)	61.609	915	-	-	15.903	15.743

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

(**) Previous period's balances represent 31 December 2016 balances.

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1.3. Information on forward and option agreements and similar agreements made with the Parent Bank's risk group

Parent 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	-	-	-	168.641	-	74.646
End of the Period	-	-	1.046	-	-	-
Total Income/Loss (**)	-	-	(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.

(**) Previous period's balances represent 31 December 2016 balances.

1.4. Information on benefits provided for top management

As of December 31, 2017, the total amount of remuneration and bonuses paid to top management of the Group is TL 94.806 (December 31, 2016- TL 74.883).

2. Disclosures of transactions with the Parent Bank's risk group

2.1. Relations with entities in the risk group of / or controlled by the Parent 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 matters

As of December 31, 2017, the rate of cash loans of the risk group divided by to total loans is 0%; (December 31, 2016 – 0%); the deposits represented 0,9% (December 31, 2016 – 0,4%) The ratio of total derivative transactions with derivatives is 0%. (December 31, 2016 – None)

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 Parent Bank enters into finance lease agreements with Finans Finansal Kiralama A.Ş.

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

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

Information in regards to subordinate loans the Bank received from Parent's Bank is explained in Section 5 Note II. 12.

The Parent Bank offers agency services to Cigna Finans Emeklilik and Hayat A.Ş. that is 49,00% jointly controlled for its insurance services.

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VIII. EXPLANATIONS ON THE PARENT BANK’S DOMESTIC, FOREIGN AND OFF-SHORE BANKING BRANCHES AND FOREIGN REPRESENTATIVES OF THE GROUP

1. Information relating to the Parent Bank’s domestic and foreign branch and representatives

	Number	Employees			
Domestic Branch	579	13.095			
				Country	
Foreign Representation	-	-			
				Total Assets	Capital
Foreign Branch	1	8	1- Bahreyn	17.566.520	-
Off-shore Banking and Region Branches	-	-		-	-

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SECTION SIX

OTHER EXPLANATIONS

I. Other explanations related to the Parent Bank's operations

1. Disclosure related to subsequent events and transactions that have not been finalized yet, and their impact on the financial statements

The Bank made a bond issuances at a nominal amount of TL 185,200 having 14,20% interest rate with 88 days maturity and at a nominal amount of TL 329,650 having 14,50% interest rate with 84 days maturity on January 5, 2018 and at a nominal amount of TL 227,550 having 14,45% interest rate with 84 days maturity on January 12, 2018 and at a nominal amount TL 396,900 having 14,35% interest with 75 days maturity on January 18, 2018 and at a nominal amount TL 90,000 having 14,60% interest with 175 days maturity and at a nominal amount TL 150,500 having 14,35% interest with 84 days maturity on January 19, 2018 and at a nominal amount TL 160,900 having 14,20% interest with 83 days maturity on January 24, 2018 and at a nominal amount TL 103,200 having 14,35% interest with 84 days maturity on January 26, 2018 and at a nominal amount of TL 294,000 having 14,31% interest rate with 92 days maturity on January 31, 2018 and at a nominal amount of TL 168,400 having 14,35% interest rate with 77 days maturity on February 2, 2018.

2. Information about effects of significant changes in foreign exchange rates after balance sheet date that would affect decision making process of users and foreign operations of the bank

There are no significant fluctuations in the currency exchange rates after the balance sheet date that would affect the analysis and decision making process of the readers of the financial statements.

3. Other matters

According to the decision dated January 17, 2018 which was taken by the General Assembly "The Parent Bank's trade name is changed from FİNANS BANK A.Ş to QNB FİNANSBANK A.Ş as of January 19, 2018.

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SECTION SEVEN

EXPLANATION ON AUDITOR'S REPORT

I. Explanations on Independent Audit Report

The unconsolidated financial statements for the year ended December 31, 2017 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). The auditor's audit report dated February 2, 2018 is presented preceding the unconsolidated financial statements.

II. Explanations and notes prepared by Independent Auditors

None (December 31, 2016 – None).